

**Price Outlook:**

The export demand has picked up the pace while domestic demand stood steady without any improvement. Therefore, the mills are advised to increase the ethanol production. The sugar prices remained steady in the past week. The mills in UP are still operating due to the extra arrival of cane that diverted from Jaggery units. The average price in Vijayawada stood around Rs.3600/q and steady at Rs.3150/q in Kolhapur bench market whereas the prices in UP stood slightly higher at Rs.3160/q against last week.

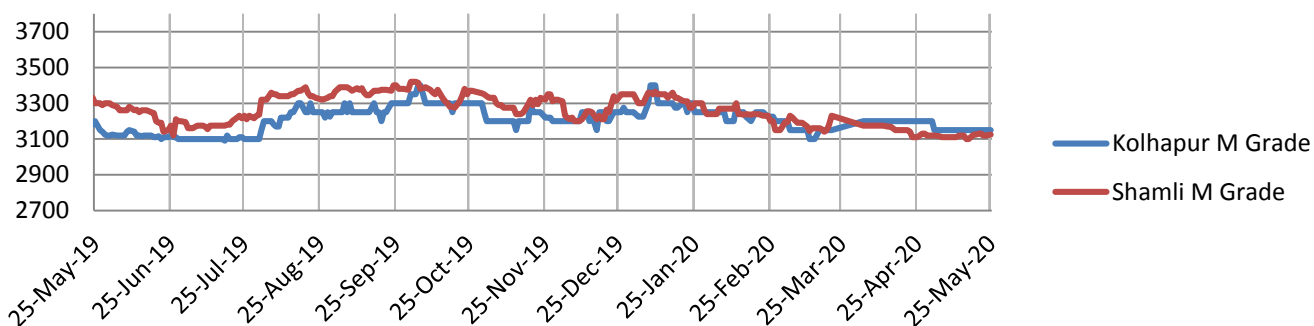
**Price Projection for the Next week**

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range steady next week between Rs.3050 -3200 per quintal for next week due to the steady domestic demand.

**Domestic Sugar Market Summary**

Average price for sugar 'M' grade in key Kolhapur market stood same at Rs. 3150 per quintal, while spot sugar prices for the same grade in Shamli district stood steady at Rs. 3118 per quintal during the week.

### Price comparsion Kholpur M- grade and Shamli Rs/Qtl

**Fundamental summary:**

Factors	Impact on prices
2019-20 SS Production is estimated to be higher from the earlier estimates and projected more than 26 million tonnes.	Bearish
The export demand might increase from few countries and could reach a target of 5.5 million tonnes in 2019/20 despite the lockdown.	Bullish
The reallocation of sugar export sales would help sugar mill to clear sugar stock piles in 2019-20 season.	Bullish
The outbreak of coronavirus will affect the sales of sugar in domestic market especially the closure of industries.	Bearish

## Domestic Market Highlights

Recent Updates:

- **Sugar mills have contracted around 42 LT of sugar so far this season till 15<sup>th</sup> May'20.** Out of which, 36-37 LT of sugar have been shipped out of the country. The major destinations were Indonesia and Iran in recent past days. Also new export contracts are being signed by these two countries from India. And it is expected that export operation would be smoother in coming days.
- **In UP, usually out of the total cane production around 60% of cane is crushed to produce sugar and 30% cane is diverted to produce jaggery.** During lockdown, the major jaggery units that are located in the western UP have been closed earlier than expected due to which the farmers are bringing cane to the sugar mills. Around 4-5% of the cane is expected to be diverted to sugar mills in western UP. Around 46 sugar mills are still functioning in the state producing around 122LT of sugar till 15<sup>th</sup> May'20, up by 5% compared to the previous year during the same time. While, the sanitizer production is in full swing producing around 57 lakh litres till mid-May and 47.85 lakh litres of sanitizer has been sold within and outside the state.
- **Maharashtra sugar mills are paying off the arrears despite the sugar sales pressure.** Mills have managed to clear 95 per cent dues of sugarcane farmers. Sugar mills have paid Rs 12548.30 crore out of Rs 13232.69 crore to the cane farmers till May 15. In Maharashtra, sugar production till 15<sup>th</sup> May'20 was 60.87 lakh tonnes, compared with 107.15 lakh tonnes produced in 2018-19 Sugarcane Season, almost 46.3 lakh tons less than last year. According to Agriwatch, Maharashtra is likely to produce around 61.5LT of sugar in 2019-20 season.

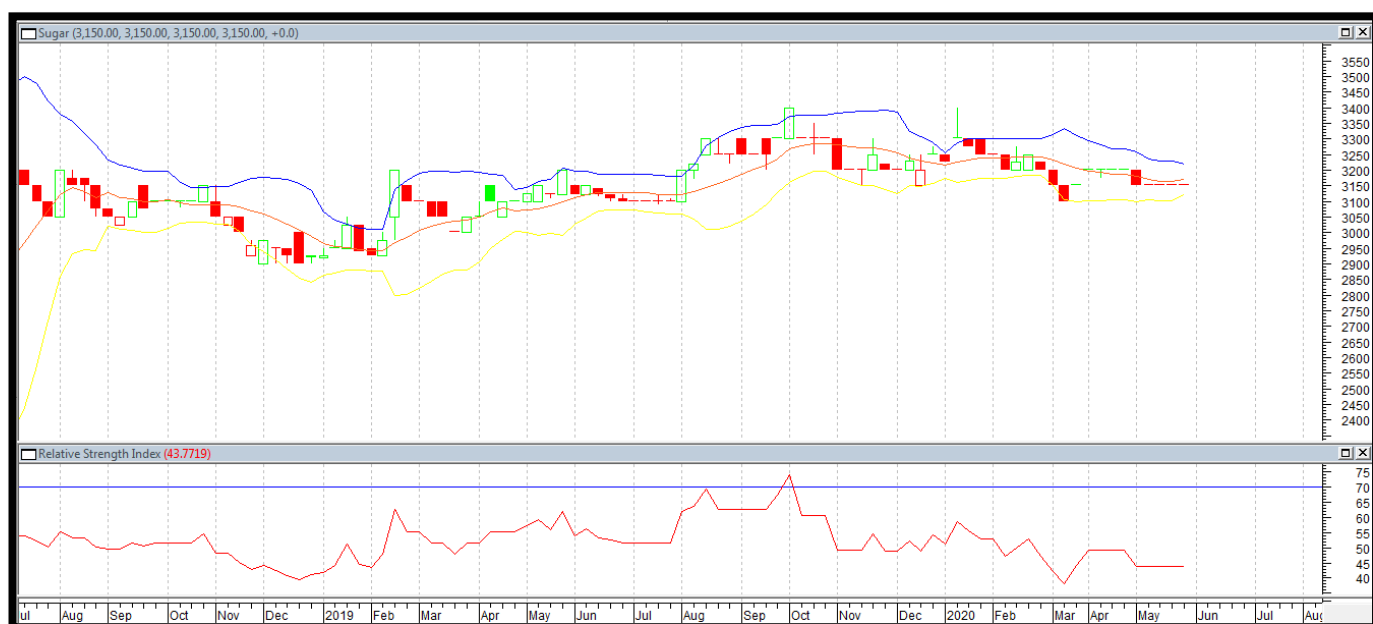
Previous Updates

- **According to ISMA, 264.65 lakh tonnes of sugar have been produced till 15<sup>th</sup> May 2020** across India as against 326.19 lakh tonnes produced in the same time last year. As on 15<sup>th</sup> May 2020, 63 sugar mills are crushing sugarcane compared 38 sugar mills which were crushing sugarcane in the same time last year. In UP, sugar mills have produced 122.28 LT of sugar compared to 116.8 LT of sugar with only 46 mills operational mills till 15<sup>th</sup> May'20. In Maharashtra, 145 mills have closed their operations with only 1 mill operating at this time with producing 60.87 LT compared with 107.15 LT produced year on year.
- **According to the sugar mills, exporting the sugar is the better option as they are getting better returns than selling in the domestic market.** As the sugar is trading around Rs.3100/q across the country while the trade is taking place around Rs.3400-3500/q by exporting sugar. Most of the contracts are being received from Iran, Indonesia, & Malaysia. In the last few days, Iran and Indonesia were buying for May and June shipments. It is estimated that Indian sugar mills have already dispatched 35-37 LT out of around 41 LT of contracts signed for exports in the 2019-20 marketing year ending on September 30.
- **The government has advised the sugar mills to divert excess sugarcane to produce fuel based ethanol.** As excess sugar production has deprived the prices amid less demand in the market, thereby,

affecting the liquidity of sugar. Therefore, to encourage the diversion the Centre has announced a soft loan of Rs. 18,600 crore to 362 projects (349 sugar mills and 13 molasses-based standalone distilleries) out of which only 166 mills have submitted applications to banks. Sugar mills are advised to utilize their existing capacity to produce ethanol. Sugar mills with distillation capacity should divert B-heavy molasses and sugar syrup for producing ethanol to utilize their capacity to maximum extent.

#### Technical Analysis - Sugar (M grade) Spot Market at Kolhapur market

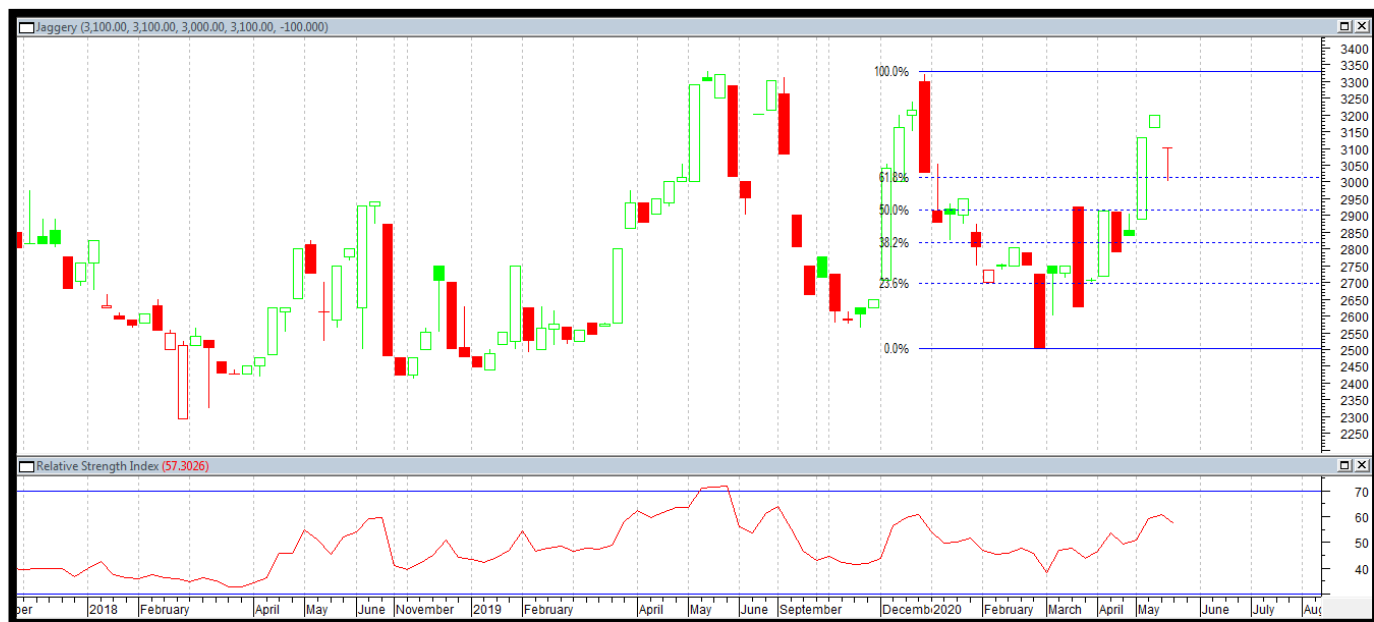
- Sugar spot prices at benchmark Kolhapur market was closed steady at Rs.3150/q.
- Next resistance and support level for the next week is expected at Rs.3200 and Rs.3100 per quintal respectively.
- RSI is in the neutral region.



#### Technical Analysis - ChakuSukha-gur (fresh) at Spot (Muzaffarnagar) market.

##### Gur Market Scenario

- Chaku variety of gur in key Muzaffarnagar market the average prices stood firm at Rs.3100/q with higher arrivals of 48000 quintals in last week.
- RSI stood in the neutral region.



### Domestic Sugar Market Technical Analysis (Future Market)

Commodity: Sugar

Exchange: NCDEX

Contract: Sugar 1 M Con (Dec)



Strategy: Wait

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Dec	2850	2900	2989	3200	3250
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Dec	Wait				

\* Do not carry-forward the position next day

**Technical Commentary:**

- There is no trade volume in near month future contract. Market participants are advised to wait until trade in volume starts.
- In the daily chart the prices has gained but there is no bullish reversal pattern has evolved.
- Seems that the prices are to consolidate in the range with good probability of touching the recent lows again.
- RSI showing some strength with prices remaining below 9 and 18 days EMA.

**Sugar Domestic Balance Sheet**

SUGAR BALNCE SHEET 2019-20(LT)								
SUGAR BALNCE SHEET 2019-20(LT)	2016-17	2017-18	2018-19	2019-20*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	77	34.1	82.67	119.78	119.78	130.77	204.02	162.01
Estimated sugar production	202.85	321.96	331.61	262.76	77.95	154.05	26.66	4.10
Imports	4.46	2.85	0.00	0.00	0.00	0.00	0.00	0.00
Estimated sugar availability (A + B + C)	284.31	358.91	414.28	382.54	197.73	284.82	230.68	166.11
Exports	4.6	16.24	38.00	53.46	7.80	21.77	14.13	9.76
Availability for domestic consumption (D - E)	279.71	342.67	376.28	329.08	189.93	263.05	216.55	156.35
Estimates sugar consumption	245.61	260	256.50	237.85	59.16	59.03	54.54	65.12
Carry out stock (F - G)	34.10	82.67	119.78	91.23	130.77	204.02	162.01	91.23

Source: Agriwatch and ISMA

- **Note:** Indian sugar marketing year begins from October – September.
- As per the Agriwatch latest estimate, India's sugar production is expected to reach upto 331.61 LT in 2018/19 whereas the new season expects to decline by around 21% at 262.76 LT in 2019-20.
- On the other hand, sugar domestic consumption is expected to decline to 237.85 lakh tonnes in 2019-20 (01<sup>st</sup> October, 2018 – 30<sup>th</sup> September, 2019) from the previous estimate of 259 LT in 2019-20.
- Although the production is estimated to decline, with an ending stock lower than the previous year at 70.08 LT in 2019-20.
- India likely to export around 53 LT against the target of 60 LT in 2019-20. Government has released the sugar export incentives for 60LT target which could help clear the stock as well as the arrears of cane farmers. It is expected that the sugar exports are disrupted amid coronavirus.

## International Market Highlights

Recent Updates:

- **Brazilian sugar mills produced around 29.83 LT of sugar in the South-Central region up by 115% y-o-y**, and a huge surge in the last two weeks of April'20 by around 93%. The mills allocated 43.78% of the cane to produce sugar in the period, compared to 28.66% at this time last year. And the amount of sugarcane crushed in the last half of April'20 is expected to total 41.5 MMT, up 6.35% year on year. Still the demand for ethanol is weaker due to which Brazil will produce more sugar than ethanol. In the last half of April'20, 1575 million litres of ethanol is produced which is still higher than the previous year but the production of hydrous ethanol declined by 3% in the last 15 days of April month. The total ethanol production of 2,556 million litres that rose by only 14% compared to the percentage increase in sugar production y-o-y.
- **A shortage in Indonesia has prompted mills in the Southeast Asian country to ask consumers to reduce sugar usage as the retail prices rallied to the highest in almost four years.** Indonesia is likely to continue to buy sugar from India due to shortage in the country as lockdown has delayed the supply. During lockdown period, the country will have 75,000 tons of sugar stock including 50,000 tons of sugar imported from India and 25,000 tons from local suppliers in June. Out of which India supplied around 21,000 tonnes to Indonesia and remaining would be shipped during June. Indonesia's sugar imports may rise to 4.65 million tons in the year that starts in May, from 4.03 million tons a year earlier.

Previous Updates

- **The sugar production in Thailand is estimated to decline further in 2020-21 season, down by 10-15% from 2019-20.** The decline is expected due to the prolonged drought till June this year and due to the decline in plantation as well as the economy is hurt by the coronavirus. Sugar production in 2019-20 is forecast to decline to 8.3 MMT due to reduced sugarcane acreage and reduced average yields caused by drought. In MY 2019-20, Thailand exported around 6 million tons of raw sugar while the rest of the sugar is sold domestically. According to USDA, in MY 2019-20 sugar consumption is forecast to be at around 2.4 MMT down by 3% from the previous year. As, Non-alcoholic beverage manufacturers in the country are likely to further reduce production of beverages with high-sugar content also. Also, the household consumption growth is in sluggish pace due to the slow economic growth since 2019 and is likely to reduce further in 2020 due to the sharp decline in tourism amid covid-19.
- **China is expecting that the sugar consumption might increase from the second half of the current year so the consumption likely to remain same in 2020-21 MY at 15.2 MMT.** But, some industry experts are predicting consumption could fall as low as 14.4 MMT based on the assumption that the impact of COVID-19 could last longer. China applies a tariff-rate quota (TRQ) on imported sugar, most of which comes from Brazil, Cuba, and Thailand. However, the Chinese government has yet to make an official announcement stating its intentions to withdraw the safeguard. After the removal of this safeguard, the imports might surge. However, it seems difficult in such a surge in imports as the market is affected due to coronavirus. China usually imports major sugar from Brazil & Thailand.

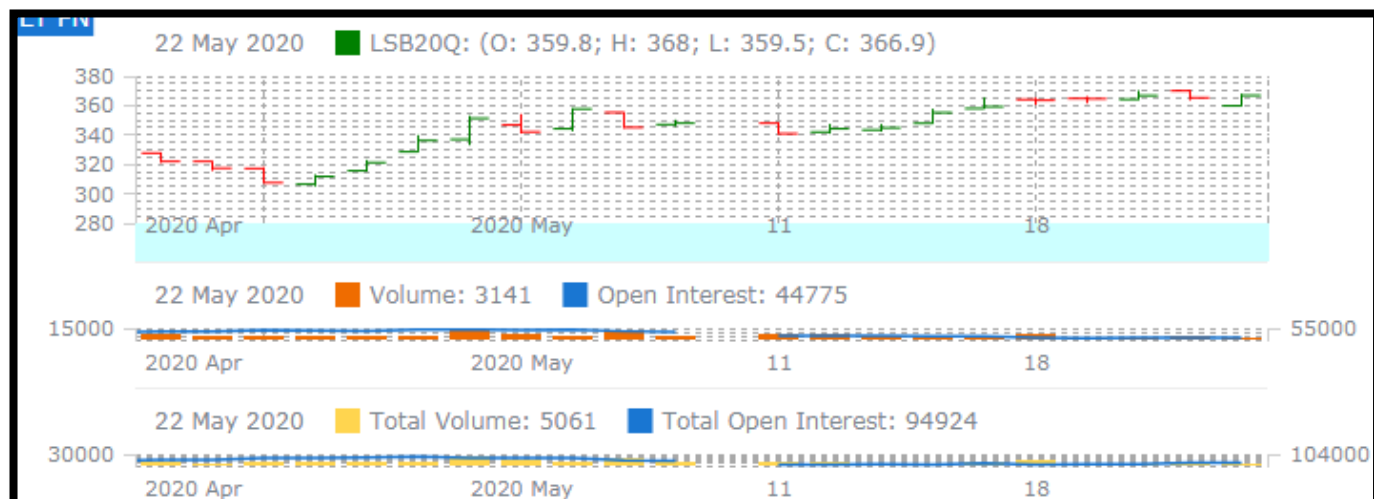
**Bullish and Bearish factors for International sugar market:**

Factors	Impact on Prices
Brazil 2020/21 sugar production will increase by 18.5% to 35.3 MMT from 26.4 MMT in the earlier season	<b>Bearish</b>
Global 2019/20 sugar production likely to decline by -4.8% y/y to 166.7 MMT (ISO) in 2019/20	<b>Bullish</b>
The world sugar balance in 2019/20 will tighten to a -9.4 MMT deficit from the -6.2 MMT surplus in the November estimate.	<b>Bullish</b>

**International Sugar Futures Price Projection****LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Aug'20 Contract)****Technical Commentary**

- LIFFE future market was firm for the week.
- Total volume decreased while open interest increased over a week.
- Strategy: Buy at level 353, T1 363

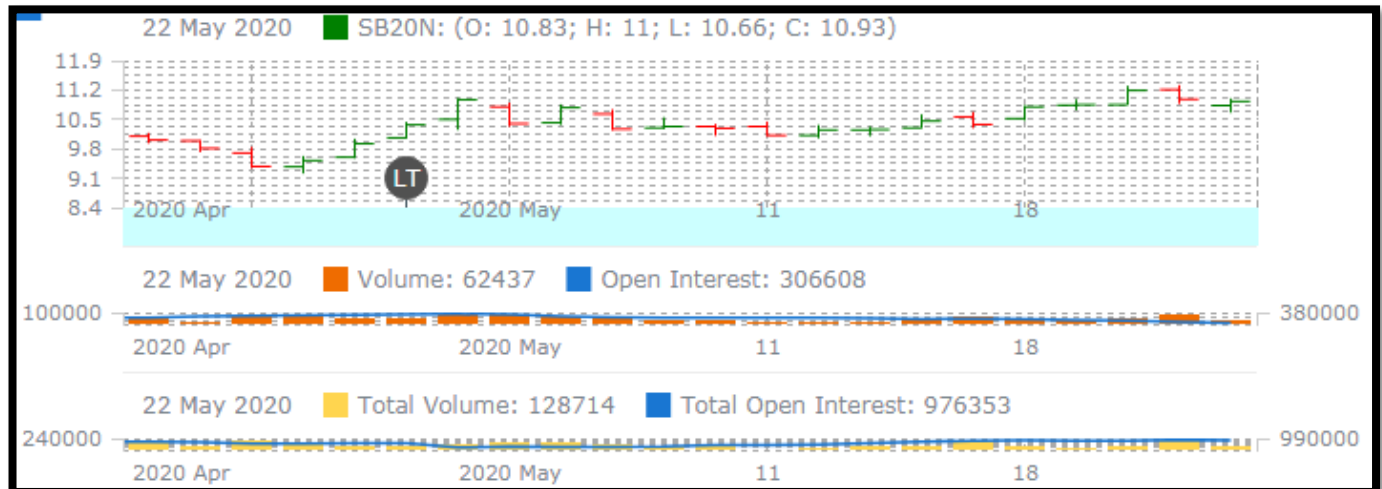
International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Aug'20	366.9	350-366

**ICE (Raw Sugar Exchange) Future Market Scenario (Jul'20 Contract)****Technical Commentary:**

- ICE raw sugar futures were bullish in the week.
- Total volume decreased while open interest decreased.
- Strategy: Buy at rate 10.5 Targeting 11.

## International Sugar Futures Price Projection

	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Jul'20	10.93	9.4-14



## Spot Sugar Prices Scenario (Weekly) (Average)

Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
			15th May'20 to 21st May'20	8th May'20 to 14th May'20	
Sugar					
Delhi	Delhi	M-Grade	3090	3123	-33
	Delhi	S-Grade	3070	3103	-33
Uttar Pradesh	Khatauli	M-Grade	3161	3143	18
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3120	3110	10
	Dhampur	S-Grade Ex-Mill	3100	3090	10
	Dhampur	L-Grade Ex-Mill	3170	3160	10
Maharashtra	Mumbai	M-Grade	3540	3580	-40
	Mumbai	S-Grade	3358	3345	13
	Nagpur	M-Grade	3275	3275	Unch
	Nagpur	S-Grade	3225	3225	Unch
	Kolhapur	M-Grade	3150	3150	Unch
	Kolhapur	S-Grade	3100	3100	Unch
Assam	Guhawati	S-Grade	3410	3410	Unch
Meghalaya	Shillong	S-Grade	3420	3420	Unch
Andhra Pradesh	Vijayawada	M-Grade	3600	3630	-30
	Vijayawada	S-Grade	3540	3570	-30



West Bengal	Kolkata	M-Grade	3610	3710	-100
Tamil Nadu	Chennai	S-Grade	3650	3658	-8
	Dindigul*	M-Grade (DCA)	4150	4250	-100
	Coimbatore*	M-Grade (DCA)	3775	3900	-125
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3700	3700	Unch

Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)

\*DCA: Department of consumer affairs

Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			15th May'20 to 21st May'20	8th May'20 to 14th May'20	
Uttar Pradesh	Muzaffarnagar	Chaku Fresh	3092	3163	-71
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	48000	31500	16500
	Muzaffarnagar	Khurpa (Fresh)	2796	2949	-153
	Muzaffarnagar	Laddoo (Fresh)	3062	3111	-49
	Muzaffarnagar	Rascut (Fresh)	2588	2600	-13
	Hapur	Chaurasa	2854	2894	-40
	Hapur	Balti	Closed	2733	-
Andhra Pradesh	Chittur	Gold	4800	NA	-
		White	4400	4500	-100
		Black	4000	3967	33
Maharashtra	Latur	Lal Variety	Closed	0	-
Karnataka	Bangalore	Mudde (Average)	4517	4500	17
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3210	3150	60
	Gulbarga	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	3341	3336	5
	Mandya	Achhu (Medium)	3355	3335	20
	Mandya	Kurikatu (Medium)	3190	3183	7
	Mandya	Other (Medium)	3183	3225	-42
	Mandya	Yellow (Medium)	3487	3460	27
	Shimoga	Achhu (Average)	3788	3770	18

International Sugar Prices (Weekly)				
	Contract Month	15th May'20 to 21st May'20	8th May'20 to 14th May'20	Change
ICE Sugar #11 (US Cent/lb)	20-Jul	1889	1796	93.00
	20-Oct	1892	1815	77.00
	21-Mar	1915	1858	57.00
LIFFE Sugar (US \$/MT)	20-Aug	2561	2482	79.00
	20-Oct	2669	2556	113.00
	20-Dec	2537	2465	72.00

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