

Price Outlook:

The government has increased Fair and Remunerative Price (FRP) for sugarcane but for the farmers in UP it will have no effect as the State Advisory Price (SAP) based on which the payment is made, is R.400/q much higher than FRP. The sugar mills are stressed paying the arrears to the farmers across India. Also, the sugar industry is still pegging their hopes on an increase in Sugar MSP. The sugar domestic prices stood steady during the week. The average price was higher at Rs.3296/q in benchmark Kolhapur market. The prices in UP also stood slightly higher at Rs.3335/q against the last week.

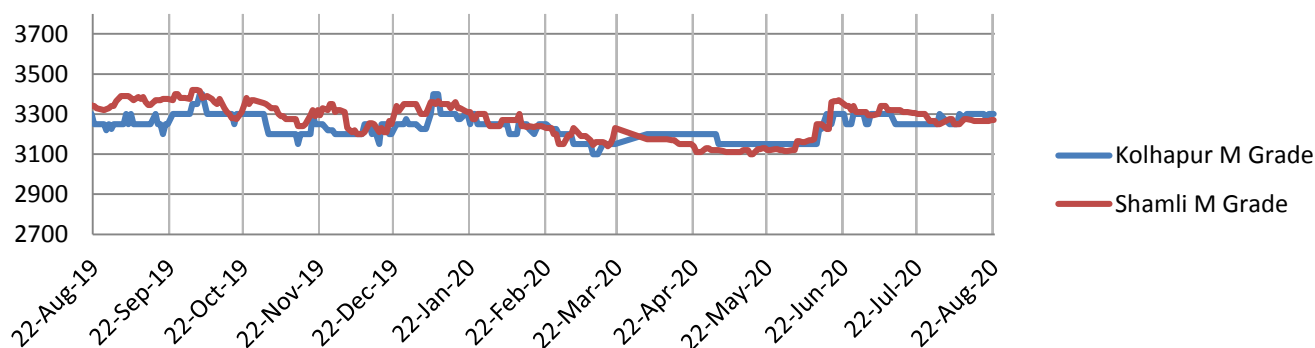
Price Projection for the Next week

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range steady next week between Rs.3200 -3350 per quintal for next week.

Domestic Sugar Market Summary

Average price for sugar 'M' grade in key Kolhapur market stood slightly firm at Rs. 3296 per quintal, while spot sugar prices for the same grade in Shamli district stood steady at Rs. 3265 per quintal during the week.

Price comparsion Kholpur M- grade and Shamli Rs/Qtl

**Fundamental summary:**

Factors	Impact on prices
India's 2020/21 sugar production would climb +17.7% y/y to 32.01 MMT, according to ISMA	Bearish
Indian could achieve a target over 5 million tonnes of sugar exports in 2019/20 despite lockdown	Bullish
Lack of availability of migrant labour for sugarcane harvesting in 2020-21 sugar season	Bullish
The reallocation of sugar export sales would help sugar mill to clear sugar stock piles in 2019-20 season.	Bullish
Delay in decision to increase the minimum support price of sugar	Bearish

Domestic Market Highlights

Recent Updates:

- **FRP of sugarcane has been approved and announced by the cabinet in the recent meeting held on 19th Aug'20.** The government has increased the FRP of sugarcane for sugar season by Rs.10/q for 2020-21 to Rs. 285/q for a basic recovery rate of 10%. The cabinet is also providing a premium of Rs. 2.85/q for recovery at 11%. And, where the sugar recovery is 9.5% or less such farmers will get Rs. 270/q for sugarcane instead of Rs. 261.25/q in the current season.
- **After the hike in FRP of sugarcane, the government is planning to increase ethanol price that oil companies pay to sugar mills for buying ethanol.** It aims to encourage mills to divert excess cane and sugar to ethanol production. The hike in ethanol prices could range between 5-7%. The government has set mill wise target for producing 362 crore litres of ethanol for 2020-21.
- **It has become necessary for all the sugar producing states to ensure that at least 85% of the installed capacity is used by the mills.** The Department of Food and Public Distribution (DFPD), has taken the decision to help the mills to trim the sugarcane price arrears. The government has also set a mill-wise target of ethanol production for every mill that has a distillery unit. The revenue from production and supply of ethanol to OMCs is realized by mills within three weeks of supply.
- **The sugar mills in Muzaffarnagar, UP had cleared arrears worth 53 crore rupees during last week.** According to the state government, the administration is monitoring the cane payment and many sugar mills have cleared pending arrears fearing government action. The mills that clear sugarcane dues include Tikaula sugar mill that has paid Rs 3 crore, Titawi sugar mill cleared Rs 22 crore, Rohana sugar mill paid Rs 3 crore, Mansurpur sugar mill paid Rs 7 crore, Khaikhedi sugar mill paid Rs 6.50 crore and Bhaisana sugar mill paid Rs 11 crore.

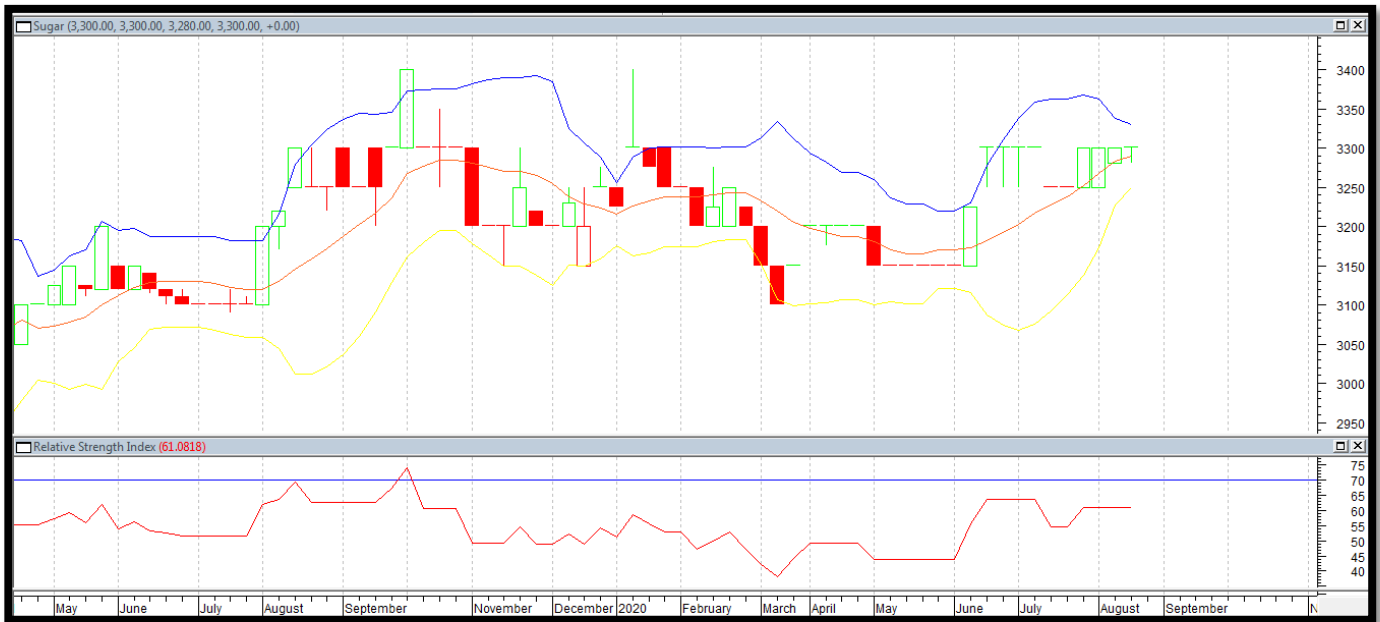
Previous Updates

- **Government is likely to release a part of subsidy amount of around 20 billion rupees on exports to the sugar mills by the first week of September.** The credited money will be useful to start the season. For the current sugar year, the government is providing 62.7 billion rupees as subsidy to mills to export 6 million tonne sugar. The subsidy will go directly into farmer's bank accounts against payment of outstanding cane dues and the balance amount will be credited to accounts directly of sugar mills.

- **The state government across India are continuously pressurizing the mills to clear the cane dues of farmers.** Also, the Department of Food & Public Distribution (DFPD), has set a mill wise target across India to produce 3.62 billion litres of ethanol in the year 2020-21 by utilizing at least 85% of their existing capacity. The current capacity is 4.26 billion litres in an average of 282 days. The revenue from production and supply of ethanol to OMCs will be realized by mills/distilleries within 3 weeks of supply. This will liquidate the sugar and help to make the timely payment of cane dues.
- **Sugar mills in Maharashtra have cleared 99 per cent cane dues to the farmers.** The millers have paid arrears of around Rs.13,759 crores out of Rs.13,891 crores, therefore, Rs.132 crore is the remaining balance. Whereas, the UP sugar mills have paid Rs.24,151 crores as on 10th Aug'20. According to the government, mills across India have purchased sugarcane of around Rs 72,000 crore from farmers during 2019-20 sugar season. Of that, about Rs 20,000 crore of arrears are yet to be paid to farmers. The cane payment is being done at good pace compared to last year, hence, encouraging the farmers to plant cane on large area.
- **Sugar mills across India have asked the Union Cabinet to extend the sugar buffer stock scheme that expired on 31st July'20.** The Union Cabinet had approved the creation of a 40 LT sugar buffer stock last year for which the government has reimbursed the carrying cost of about Rs. 1,674 crore. But the government is not in favour with the extension of buffer stock as it encourages the mills to overproduce, and so is an additional expense for the government.

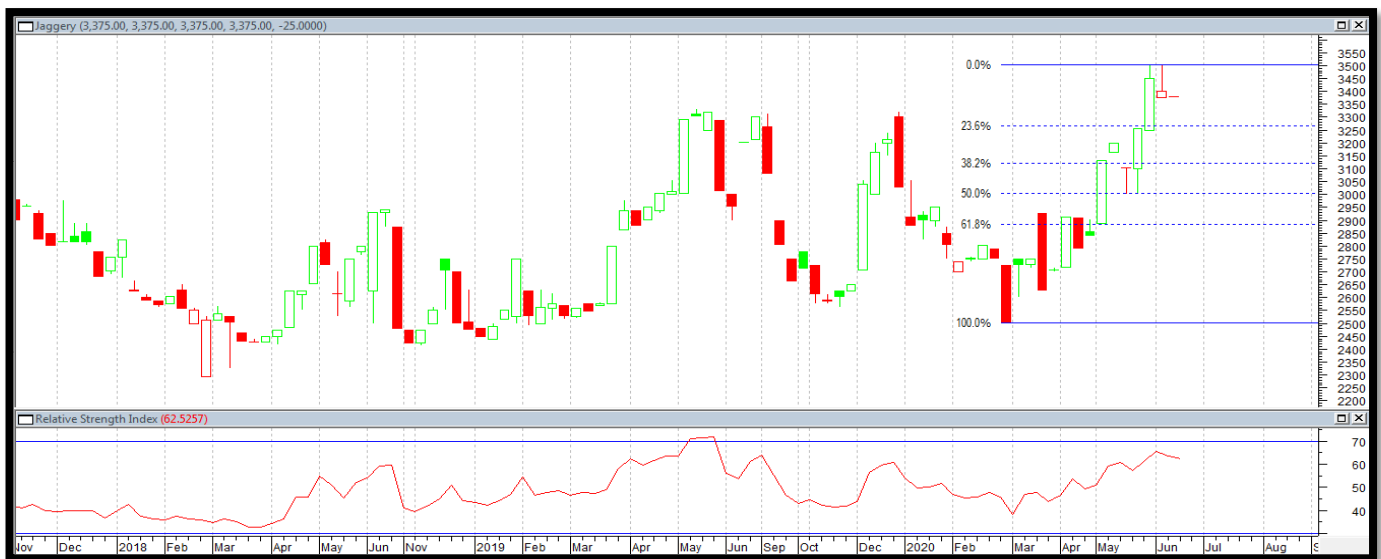
Technical Analysis - Sugar (M grade) Spot Market at Kolhapur market

- Average sugar spot prices at benchmark Kolhapur market stood steady to low during the week.
- Next resistance and support level for the next week is expected at Rs.3350 and Rs.3250 per quintal respectively.
- RSI is in the neutral region.



Technical Analysis - ChakuSukha-gur (fresh) at Spot (Muzaffarnagar) market. Gur Market Scenario

- There were no arrivals during the last week for Chaku variety of gur in key Muzaffarnagar market.
- The arrivals are now likely to commence from October in the new season.
- 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.

International Market Highlights

Recent Updates:

- **The average price of front month contracts for white sugar as well as for raw sugar futures stood firm during the week ending on 21st Aug'20.** Despite sufficient rains in the last few days, Thailand's sugar production is still expected to decline due to drought conditions it suffered during the season. Strong Chinese demand is bullish for sugar prices. The shipments of sugar from Brazil to China as of 10th August totaled 0.816 MMT, representing 31% of Brazil's overall sugar shipments during that period. Also, ongoing demand concerns are bearish for sugar prices. About 5 MMT of global sugar consumption would be declined during Mar'20 and Feb'21 due to the effects of the pandemic.
- **According to UNICA, overall ethanol sales in Brazil were down in July'20.** Mills in the south-central region sold 2.67 billion liters of ethanol in July, down 9.31 percent when compared to last year. Mills in the south-central region of Brazil crushed 50.48 MMT of sugarcane during the second half of July, up 1.15 percent compared to the same period of last year. Ethanol production for the second half of July was 2.39 billion liters, down from 2.66 billion liters produced during the same period of last year. While, from the beginning of the current harvest season, ethanol production was at 14.52 billion liters, down 6.6 percent.

Previous Updates

- **US cane sugar production was lowered to 3.68 million tonnes (MMT) in 2020-21, down by 21,770 tonnes from July estimates.** The NASS forecast of the cane yield decreasing to 21.9 tonnes/acre as a result of Hurricane Hanna. Due to the increased import quota, the total sugar imports also has been decreased to 2.76 MMT, down by 1 MMT. Total use in 2020-21 was forecast at 11.13 MMT remained unchanged compared to last month against the total supply of 12.74 MMT. Ending stocks were forecast at 1.62 MMT up 1.58 MMT from July, up 1.5 MMT from 2019-20.
- **China's imports from Brazil stood around 1.4 million tonnes in 2019 (Jan-Dec).** China imports around 40% of sugar from Brazil out of the total imports of around 2.7-3.5 million tonnes. Brazil has a shipment of 0.816 million tonnes of sugar in line to export to China in the upcoming weeks. As China government has decided to eliminate high import tariffs. Also, now the demand has improved, therefore, high demand is seen soon. According to the sources, 1.24 million tonnes were imported from January to June'20.

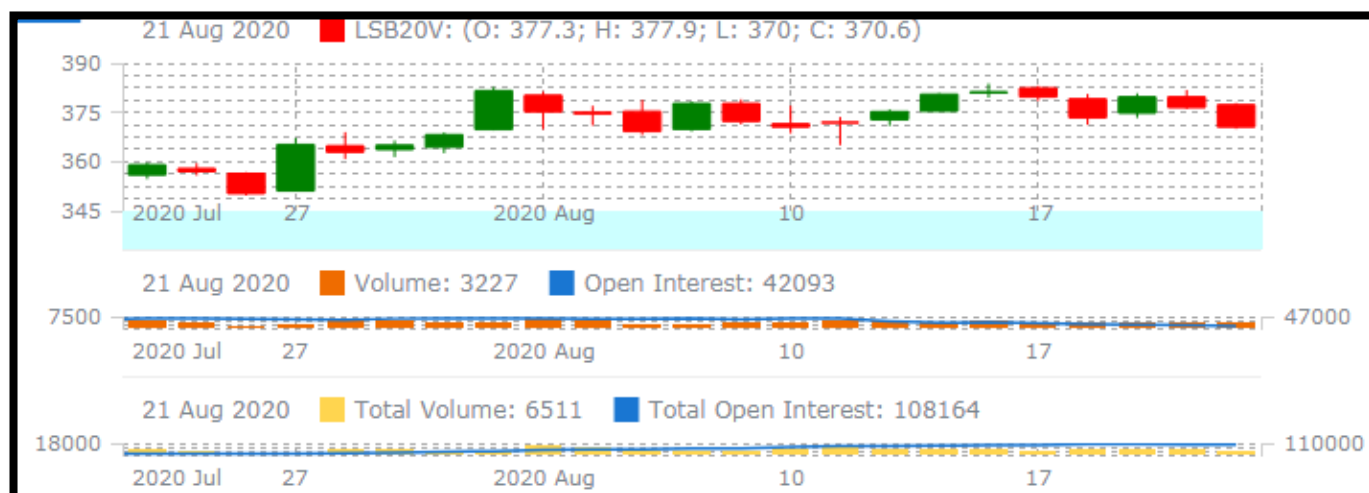
Bullish and Bearish factors for International sugar market:

Factors	Impact on Prices
Brazil 2020/21 sugar production will climb +18.5% to 35.3 MMT from 26.4 MMT in the earlier season	Bearish
World sugar production in 2019-20 (Apr-Mar) fell -4.8% y/y to 166.7 MMT	Bullish
The world sugar ending stocks in 2019/20 will fall by -9.3MMT y/y	Bullish
Forecast of above-average rain for Thailand through August and September driving the expectation towards a slight higher sugar production in 2020-21	Bearish

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

- LIFFE future market was bearish during the week.
- Total volume decreased & open interest increased over a week.
- Strategy: Sell at level 372.8, T1 370

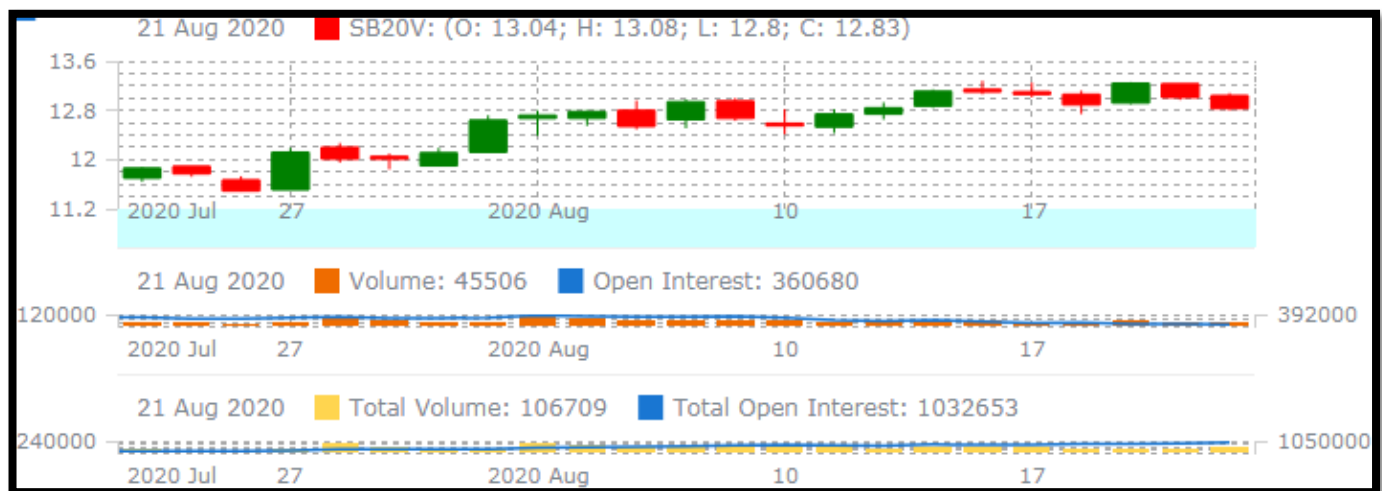
International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'20	370.6	362.6-383.1



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

- ICE raw sugar futures were steady to bearish during the week.
- Total volume decreased & open interest increased in a week.
- Strategy: Sell at rate 12.89 Targeting 12.74.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'20	12.83	12.55-13.23



Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			14th Aug'20 to 20th Aug'20	7th Aug'20 to 13th Aug'20	
Delhi	Delhi	M-Grade	3287	3266	21
	Delhi	S-Grade	3267	3246	21
Uttar Pradesh	Khatauli	M-Grade	3335	3333	3
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3215	3238	-23
	Dhampur	S-Grade Ex-Mill	3195	3218	-23
	Dhampur	L-Grade Ex-Mill	3265	3288	-23
Maharashtra	Mumbai	M-Grade	3498	3601	-104
	Mumbai	S-Grade	3360	3348	12
	Nagpur	M-Grade	3421	3411	10
	Nagpur	S-Grade	3321	3311	10
	Kolhapur	M-Grade	3296	3286	10

	Kolhapur	S-Grade	3196	3186	10
Assam	Guhawati	S-Grade	3508	3498	10
Meghalaya	Shillong	S-Grade	3516	3506	10
Andhra Pradesh	Vijayawada	M-Grade (With Duty)	3640	3640	Unch
	Vijayawada	S-Grade (With Duty)	3700	3700	Unch
West Bengal	Kolkata	M-Grade	3700	3720	-20
Tamil Nadu	Chennai	S-Grade	3720	3750	-30
	Dindigul	M-Grade (DCA)	3780	3788	-8
	Coimbatore	M-Grade (DCA)	3620	3620	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3600	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)			14th Aug'20 to 20th Aug'20	7th Aug'20 to 13th Aug'20	
Uttar Pradesh	Muzaffarnagar	Chaku Fresh	NA	NA	-
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	NA	NA	-
	Hapur	Chaurasa	NA	NA	-
	Hapur	Balti	NA	NA	-
Andhra Pradesh	Chittur	Gold	NR	NR	-
		White	NR	NR	-
		Black	NR	NR	-
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4500	4538	-38
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	3629	3528	101
	Mandya	Achhu (Medium)	3813	3800	13
	Mandya	Kurikatu (Medium)	3445	3360	85
	Mandya	Other (Medium)	3513	3460	53
	Mandya	Yellow (Medium)	3993	3876	117
	Shimoga	Achhu (Average)	3670	3488	183

Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			22-Aug-20	17-Aug-20	23-Jul-20	22-Aug-19
Delhi	Delhi	M-Grade	3320	3290	3250	3380
	Delhi	S-Grade	3300	3270	3230	3360
Uttar Pradesh	Khatauli	M-Grade	3335	3350	3300	3420
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	3250	3225	3300	3380
	Dhampur	S-Grade Ex-Mill	3230	3205	3280	3360
	Dhampur	L-Grade Ex-Mill	3300	3275	3350	3430
Maharashtra	Mumbai	M-Grade	Closed	3496	3570	3620
	Mumbai	S-Grade	Closed	3360	3360	3356
	Nagpur	M-Grade	Closed	3425	3375	3375
	Nagpur	S-Grade	Closed	3325	3275	3325
	Kolhapur	M-Grade	Closed	3300	3250	3250
	Kolhapur	S-Grade	Closed	3200	3150	3200
Assam	Guhawati	S-Grade	Closed	3512	3461	3512
Meghalaya	Shillong	S-Grade	Closed	3520	3470	3520
Andhra Pradesh	Vijayawada	M-Grade (With Duty)	3640	3640	3700	3740
	Vijayawada	S-Grade (With Duty)	3700	3700	3700	3680
West Bengal	Kolkata	M-Grade	3730	3700	3690	3680
Tamil Nadu	Chennai	S-Grade	3680	3750	3760	3660
	Dindigul	M-Grade (DCA)	3780	3780	3840	3600
	Coimbatore	M-Grade (DCA)	3620	3620	3620	3600
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3650	3600	3600	3350

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

*DCA: Department of consumer affairs

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			22-Aug-20	17-Aug-20	23-Jul-20	22-Aug-19
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	NA	NA	NA	NA
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	NA	NA
	Muzaffarnagar	Khurpa	NA	NA	NA	NA
	Muzaffarnagar	Laddoo	NA	NA	NA	NA
	Muzaffarnagar	Rascut	NA	NA	NA	NA
	Hapur	Chaurasa	NA	NA	NA	NA
	Hapur	Balti	NA	NA	NA	NA
Andhra Pradesh	Chittur	Gold	NR	NA	NA	4700
		White	NR	NA	NA	4500

		Black	NR	NA	NA	NA
Maharashtra	Latur	Lal Variety	NR	NA	NA	0
Karnataka	Bangalore	Mudde (Average)	NA	4500	4550	4650
	Belgaum	Mudde (Average)	NA	3500	NA	NA
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	NA	NA	3350
	Gulbarga	Other (Average)	NA	NA	NA	3450
	Mahalingapura	Penti (Average)	NA	NA	3539	3573
	Mandya	Achhu (Medium)	NA	3800	3730	3550
	Mandya	Kurikatu (Medium)	NA	3400	3250	3200
	Mandya	Other (Medium)	NA	3450	3450	3250
	Mandya	Yellow (Medium)	NA	4050	3650	3650
	Shimoga	Achhu (Average)	NA	3600	3750	4150

International Sugar Prices (Weekly Average)				
	Contract Month	14th Aug'20 to 20th Aug'20	7th Aug'20 to 13th Aug'20	Change
ICE Sugar #11 (US Cent/lb)	20-Oct	13.06	12.77	0.29
	21-Mar	13.59	13.34	0.25
	21-May	13.28	13.04	0.24
LIFFE Sugar (US \$/MT)	20-Oct	378.10	373.83	4.27
	20-Dec	378.40	374.70	3.70
	21-Mar	379.82	374.98	4.84

Source: MRCI

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