

**Price Outlook:**

The government allocated higher sales quota for September month at 22 LT, higher by 0.5 LT compared to previous month's quota. The farmers across India are expecting an increase in State Advisory Price of sugarcane (SAP) and millers are still hoping for an increase in sugar MSP. The sugar exports for this year will likely meet the target of 60LT amid good demand from overseas. The sugar prices in the coming week are likely to remain steady to weak. UP is expecting higher sugar recovery in the coming season. There is still no notification from the government regarding any increase in sugar MSP. The sugar domestic prices showed mixed trend during the week. The average price stood steady at Rs.3296/q in benchmark Kolhapur market. The prices in UP also stood slightly weak at Rs.3334/q against the last week.

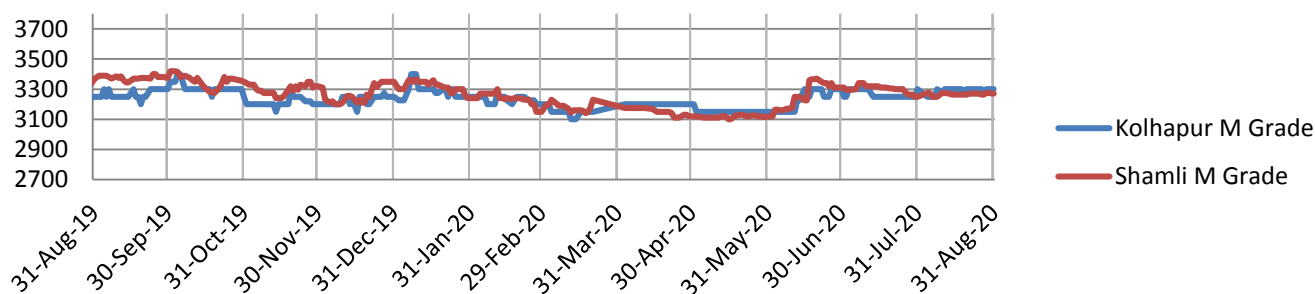
**Price Projection for the Next week**

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market is 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 steady at Rs. 3296 per quintal, while spot sugar prices for the same grade in Shamli district stood steady at Rs. 3268 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:**

- **The Ministry has allocated monthly sugar sales quota for September 2020 at 22LT to each of 547 mills.** The July'20 sales quota was 2.5 MT higher compared to the previous year quota during the same time and 1.5 LT higher compared to the previous month's quota (20.5 LT). The allocated quota is higher in the view of fulfilling the demand that is likely to arise from the upcoming festivals.
- **Niti Ayog has recommended linking the sugarcane prices to sugar rates.** To prevent the problem of arrears for sugarcane farmers and to keep the sugar industry in good financial condition. Niti Ayog has recommended a one-time increase in minimum support price to Rs.33/kg to help sugar mills cover the cost of production including interest and maintenance costs. Considering the piling up of cane arrears in the past years, Niti Ayog also suggested promoting less water-intensive crops by incentivising farmers to move away from sugarcane.
- **Uttar Pradesh government has announced an aid of around Rs. 500 crore for sugar mills to clear cane arrears from the 2019-20 crushing season.** According to the UP Additional Chief Secretary (Sugar Industry and Sugarcane), the arrears would be settled by transferring the money directly into the bank accounts of the farmers owed the money. The state mills have just finished clearing the cane arrears totalling Rs. 33,048 crore for the 2018-19 crushing season and arrears pertaining to the 2019-20 crushing season are still pending. Despite minimal sales during lockdown, cane payments worth Rs. 5,954 crore were made to farmers.
- **According to the trade sources, India exported around 2.34 LT of sugar** (including 2.2 7 LT of White refined and rest raw sugar) in July 2020 which is slightly lower than in June due to the steady demand. Afghanistan, Sudan, Syria, Somalia, Indonesia and China were the main importers of white refined sugar whereas Indonesia and Tanzania were the largest importers of raw sugar in July'20.

**Previous Updates**

- **FRP of sugarcane has been approved and announced by the cabinet in the recent meeting held on 19<sup>th</sup> 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 to all the sugar producing states to ensure that at least 85% of the installed capacity to be 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 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's 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 Bhaiana sugar mill paid Rs 11 crore.

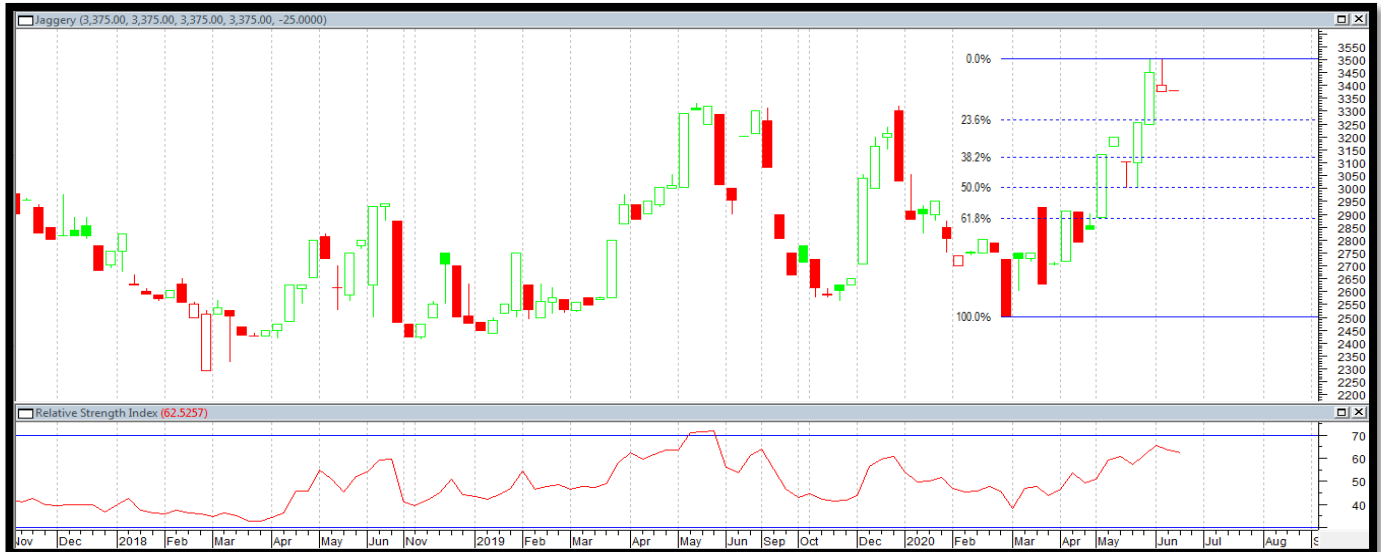
#### Technical Analysis - Sugar (M grade) Spot Market at Kolhapur market

- 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:

- Philippines is expected to produce more sugar this year to around 2.2 MMT in 2020-21 compared to 2.15 MMT in 2019-20.** Therefore, the country is planning to export more to US so as to avoid the excess sugar stock accumulation and to stabilize the sugar prices in the domestic market. The sugar imports have been already declined to avoid the oversupply. The demand of the sugar in the local market has been reduced as the operations of the manufacturing companies have remained limited and the hotels and restaurants are not fully operational.
- Pakistan government has exempted the 17% sales tax on imports of sugar.** The shortage of sugar in the domestic market as it currently has a stock of 1.2 million tonnes of sugar that may run out in two months. To keep the prices of sugar low in the country, the cabinet had allowed the import of 3,00,000 tonnes sugar as strategic reserves for August to October.

##### Previous 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 21<sup>st</sup> Aug'20.** After the sufficient rains received by one of the sugar producing countries Thailand during last few days, Thailand's sugar production is still expected to decline due to drought conditions from the expected rise. Strong Chinese demand is bullish for sugar prices. The shipments of sugar from Brazil to China as of 10<sup>th</sup> 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.

#### 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

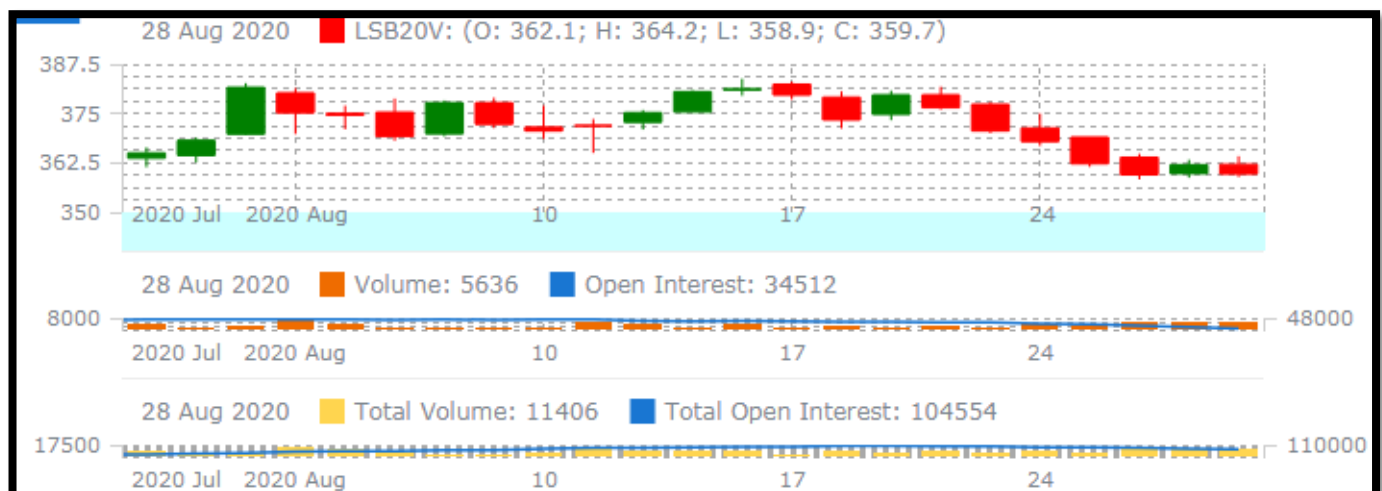
#### International Sugar Futures Price Projection

#### LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Oct'20 Contract)

##### Technical Commentary

- LIFFE future market was steady during the week.
- Total volume increased & open interest decreased over a week.
- Strategy: Buy at level 358.9, T1 375

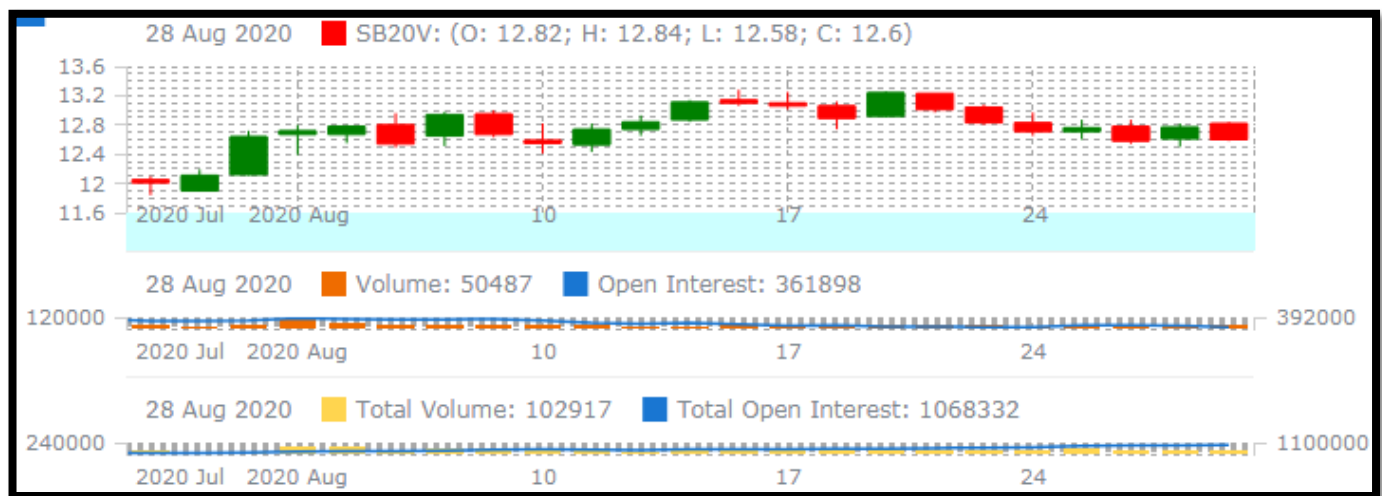
International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'20	359.7	354-378



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

- ICE raw sugar futures were steady during the week.
- Total volume decreased & open interest increased in a week.
- Strategy: Sell at rate 12.74 Targeting 12.5.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'20	12.6	12.43-13.08



Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			21st Aug'20 to 27th Aug'20	14th Aug'20 to 20th Aug'20	
Delhi	Delhi	M-Grade	3323	3287	36
	Delhi	S-Grade	3303	3267	36
Uttar Pradesh	Khatauli	M-Grade	3334	3335	-1
	Ramala	M-Grade	0	NA	-
	Dhampur	M-Grade Ex-Mill	3242	3215	27
	Dhampur	S-Grade Ex-Mill	3222	3195	27
	Dhampur	L-Grade Ex-Mill	3292	3265	27
Maharashtra	Mumbai	M-Grade	3497	3498	-1
	Mumbai	S-Grade	3360	3360	Unch
	Nagpur	M-Grade	3421	3421	Unch
	Nagpur	S-Grade	3321	3321	Unch

	Kolhapur	M-Grade	3296	3296	Unch
	Kolhapur	S-Grade	3196	3196	Unch
Assam	Guwahati	S-Grade	3508	3508	Unch
Meghalaya	Shillong	S-Grade	3516	3516	Unch
Andhra Pradesh	Vijayawada	M-Grade (With Duty)	3640	3640	Unch
	Vijayawada	S-Grade (With Duty)	3700	3700	Unch
West Bengal	Kolkata	M-Grade	3730	3700	30
Tamil Nadu	Chennai	S-Grade	3680	3720	-40
	Dindigul	M-Grade (DCA)	3780	3780	Unch
	Coimbatore	M-Grade (DCA)	3620	3620	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3650	3600	50

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)			21st Aug'20 to 27th Aug'20	14th Aug'20 to 20th 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	4500	Unch
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	3538	3629	-91
	Mandya	Achhu (Medium)	3798	3813	-15
	Mandya	Kurikatu (Medium)	3550	3445	105
	Mandya	Other (Medium)	3660	3513	148
	Mandya	Yellow (Medium)	3782	3993	-211
	Shimoga	Achhu (Average)	3713	3670	43



Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			31-Aug-20	26-Aug-20	1-Aug-20	31-Aug-19
Delhi	Delhi	M-Grade	3300	3300	3310	3420
	Delhi	S-Grade	3280	3280	3290	3400
Uttar Pradesh	Khatauli	M-Grade	3315	3330	Closed	3485
	Ramala	M-Grade	NA	NA	Closed	NA
	Dhampur	M-Grade Ex-Mill	3250	3225	Closed	3375
	Dhampur	S-Grade Ex-Mill	3230	3205	Closed	3355
	Dhampur	L-Grade Ex-Mill	3300	3275	Closed	3425
Maharashtra	Mumbai	M-Grade	3496	3496	3580	3590
	Mumbai	S-Grade	3360	3360	3356	3350
	Nagpur	M-Grade	3425	3425	Closed	3375
	Nagpur	S-Grade	3325	3325	Closed	3275
	Kolhapur	M-Grade	3300	3300	Closed	3250
	Kolhapur	S-Grade	3200	3200	Closed	3150
Assam	Guhawati	S-Grade	3512	3512	Closed	3461
Meghalaya	Shillong	S-Grade	3520	3520	Closed	3470
Andhra Pradesh	Vijayawada	M-Grade (With Duty)	3640	3640	Closed	3800
	Vijayawada	S-Grade (With Duty)	3700	3700	Closed	3740
West Bengal	Kolkata	M-Grade	3730	3730	3720	3690
Tamil Nadu	Chennai	S-Grade	3680	3680	3750	3680
	Dindigul	M-Grade (DCA)	3780	3780	3840	3700
	Coimbatore	M-Grade (DCA)	3620	3620	3620	3600
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3650	3600	3550

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)			31-Aug-20	26-Aug-20	1-Aug-20	31-Aug-19
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	NA	NA	Closed	NA
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	Closed	NA
	Muzaffarnagar	Khurpa	NA	NA	Closed	NA
	Muzaffarnagar	Laddoo	NA	NA	Closed	NA
	Muzaffarnagar	Rascut	NA	NA	Closed	NA
	Hapur	Chaurasa	NA	NA	Closed	NA
	Hapur	Balti	NA	NA	Closed	NA
Andhra Pradesh	Chittur	Gold	NR	NR	Closed	4900

		White	NR	NR	Closed	4400
		Black	NR	NR	Closed	3900
<b>Maharashtra</b>	Latur	Lal Variety	NR	NR	NA	NA
<b>Karnataka</b>	Bangalore	Mudde (Average)	NA	NA	NA	4650
	Belgaum	Mudde (Average)	NA	NA	NA	NA
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	NA	NA	NA
	Gulbarga	Other (Average)	NA	NA	NA	NA
	Mahalingapura	Penti (Average)	NA	3551	NA	NA
	Mandya	Achhu (Medium)	3600	3770	NA	NA
	Mandya	Kurikatu (Medium)	3500	3450	NA	NA
	Mandya	Other (Medium)	3400	3600	NA	NA
	Mandya	Yellow (Medium)	3550	3700	NA	NA
	Shimoga	Achhu (Average)	3700	3700	NA	NA

International Sugar Prices (Weekly Average)				
	Contract Month	21st Aug'20 to 27th Aug'20	14th Aug'20 to 20th Aug'20	Change
ICE Sugar #11 (US Cent/lb)	20-Oct	12.71	13.06	-0.35
	21-Mar	13.23	13.59	-0.36
	21-May	13.14	13.28	-0.14
LIFFE Sugar (US \$/MT)	20-Oct	366.04	378.10	-12.06
	20-Dec	369.04	378.40	-9.36
	21-Mar	371.48	379.82	-8.34

Source: MRCI

**Disclaimer**

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/disclaimer.php> © 2020 Indian Agribusiness Systems Ltd.