

Price Outlook:

The sugar domestic prices stood steady during the week as demand was steady. Many sugarcane farmers are still waiting for the migrant labour to return to commence cane harvesting. However, Maharashtra sugar mills are trying to invest and buying the cane harvesting machines as one harvester can replace around 100 labours. Nationwide, mills have placed orders more than 200 cane harvesters recently. The average prices in Kolhapur stood steady at Rs.3300/q in benchmark Kolhapur market. The prices in UP also stayed steady at Rs.3315/q.

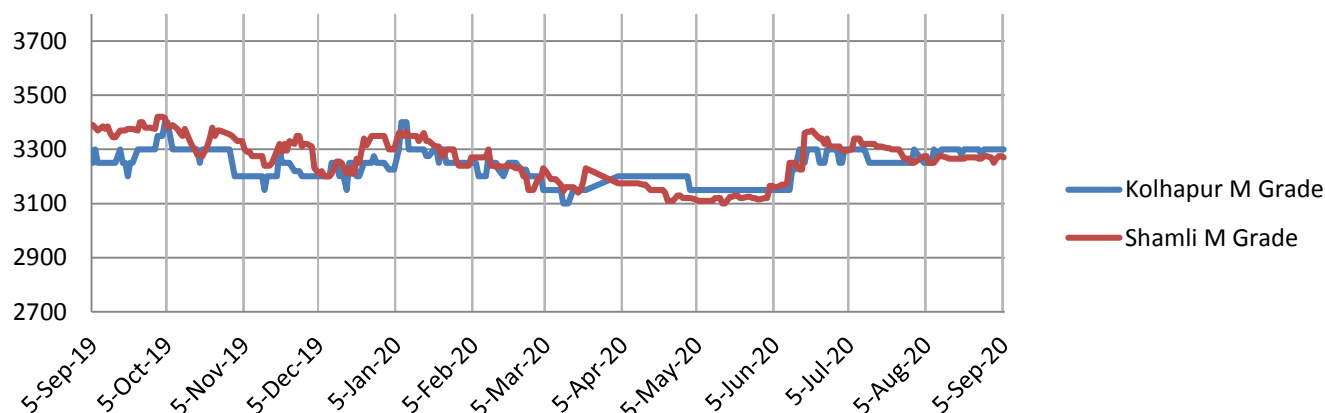
Price Projection for the Next week

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. 3300 per quintal, while spot sugar prices for the same grade in Shamli district stood steady at Rs. 3268 per quintal during the week.

Price comparison Kholpur M- grade and Shamli Rs/Qtl

**Fundamental summary:**

Factors	Impact on prices
India's 2020/21 sugar production would climb +12% y/y to 30.5 MMT, according to ISMA	Bearish
Indian could achieve a target of 6 million tonnes 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:

- **Indian sugarcane harvesting is likely to get delayed amid the pandemic situation prevailing in the country and thus resulting in delay in the production of sugar.** Mostly manual labour is employed in the cane harvesting and about only 5% is dependent on mechanized farming in India. Most of the migrant labours are scared to travel due to the coronavirus infection and therefore, India will most probably face serious lack of labour availability. Being the second largest producer of sugar after Brazil, the delay in production in India, could accelerate the global sugar prices.
- **For the last two years, the State Advised Price (SAP) for sugarcane in UP, has been maintained at Rs. 325 for early crop, Rs. 315 for regular and Rs. 310 for the unsuitable/rejected variety.** The state produces more than half of the regular variety cane out of the total production. Generally, Uttar Pradesh prefer the SAP because of higher fixed price compared to the Fair and Remunerative Price (FRP) which is based on the recovery rate. But, recently the central government has increased the FRP to Rs.285/q at 10% recovery rate and the price goes up by 1% for every 0.1% hike in recovery rates. The recovery rates in UP has been rising steadily in the past few years because of the Co-0238 variety which gives a recovery rate more than 11.3%. Therefore, for the recovery of 11.3%, the FRP is Rs. 322.05/q which is far above than the SAP and would be preferable to accept FRP.

Previous Updates

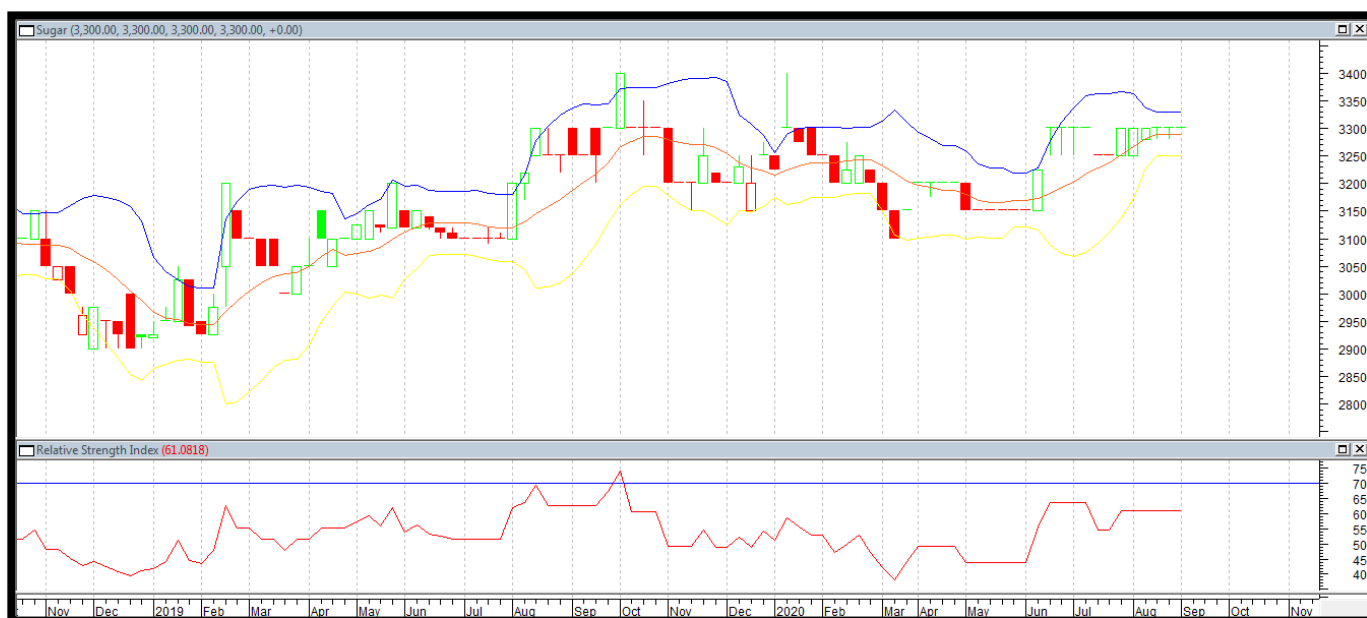
- **The Ministry has allocated monthly sugar sales quota for September 2020 at 22LT to each of 547 mills.** The July'20 sales quota was 2.5 MT higher compared to the previous year quota during the same time and 1.5 LT higher compared to the previous month's quota (20.5 LT). The allocated quota is higher 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.

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

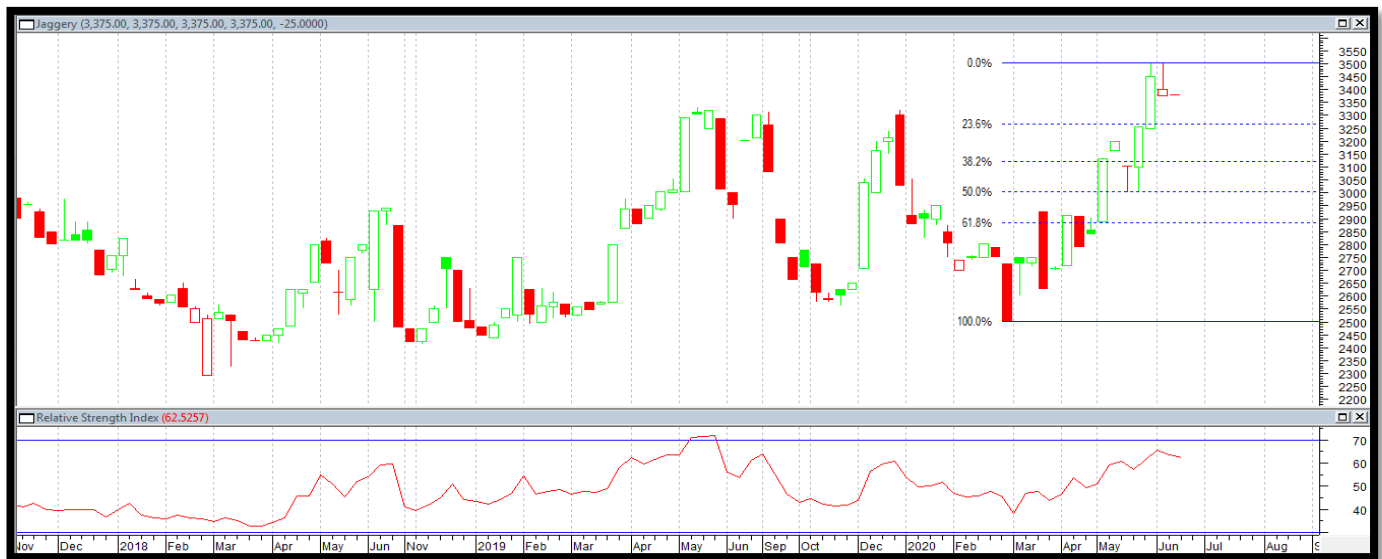
- Average sugar spot prices at benchmark Kolhapur market stood steady during the week.
- Next resistance and support level for the next week is expected at Rs.3350 and Rs.3250 per quintal respectively.
- RSI is in the neutral region.



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:**

- **According to UNICA, a total of 22.95 MMT of sugar has been produced till mid-Aug'20 since the beginning of the season in April in Brazil,** a surge of 48.16% was reported this season so far. The mills allocated 47% of the cane to produce sugar, compared to 35.31% at this time last year. The amount of sugarcane crushed was around 372 MMT during the same period, up by 6.02% compared to the same time previous year. Brazil's total sugar production in the 2020-21 season (April-March) is expected to grow and reach a record 35 MMT or more as mills allocate more raw material to sugar production and less to ethanol.
- **Overall ethanol sales in Brazil were down in July'20 and also in the first two weeks of August'20 y-o-y, according to UNICA.** The decreased ethanol demand due to the spread of coronavirus had decreased the sales and elevated Brazil's ethanol stocks. Mills in the south-central region sold 2.67 billion liters of ethanol in July, down 9% when compared to last year. Ethanol production for the first half of August was 2.27 billion liters, down from 2.41 billion liters produced during the same period of last year. While, from the beginning of the current harvest season, ethanol production was at 16.8 billion liters, down 6.44 percent.
- **After a long dry weather, Thailand received as much as 20% more rainfall so far this year than a year earlier.** Although the rains gave some relief but back to back droughts in past years may shrink Thailand's sugar production in the season starting October to the lowest in more than a decade but the change in weather may limit crop losses and help improve planting in the coming season. In 2019-20 sugar production is forecast to decline to 8.3 MMT in earlier estimates in May and likely to decline to around 7 MMT in 2020-21.

Previous 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.

Bullish and Bearish factors for International sugar market:

Factors	Impact on Prices
Brazil 2020/21 sugar production will climb over 35.5 MMT from 26.4 MMT in the earlier season	Bearish
International Sugar Organization (ISO) projected that global 2020-21 sugar production would increase by +2.3% y/y to 173.5 MMT	Bearish
The global 2020-21 sugar deficit to widen to -0.72 MMT from -0.14 MMT in 2019-20	Bullish
Global Sugar demand likely to decline by 5MMT during Mar'20 and Feb'21	Bearish

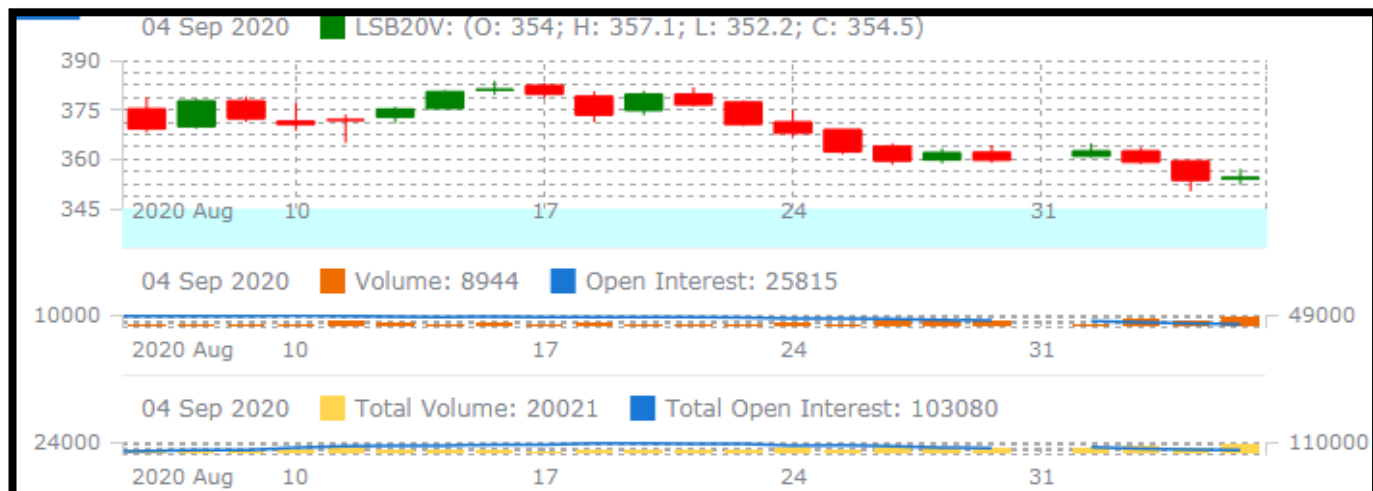
International Sugar Futures Price Projection

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 350.3, T1 348

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'20	354.5	346.8-368



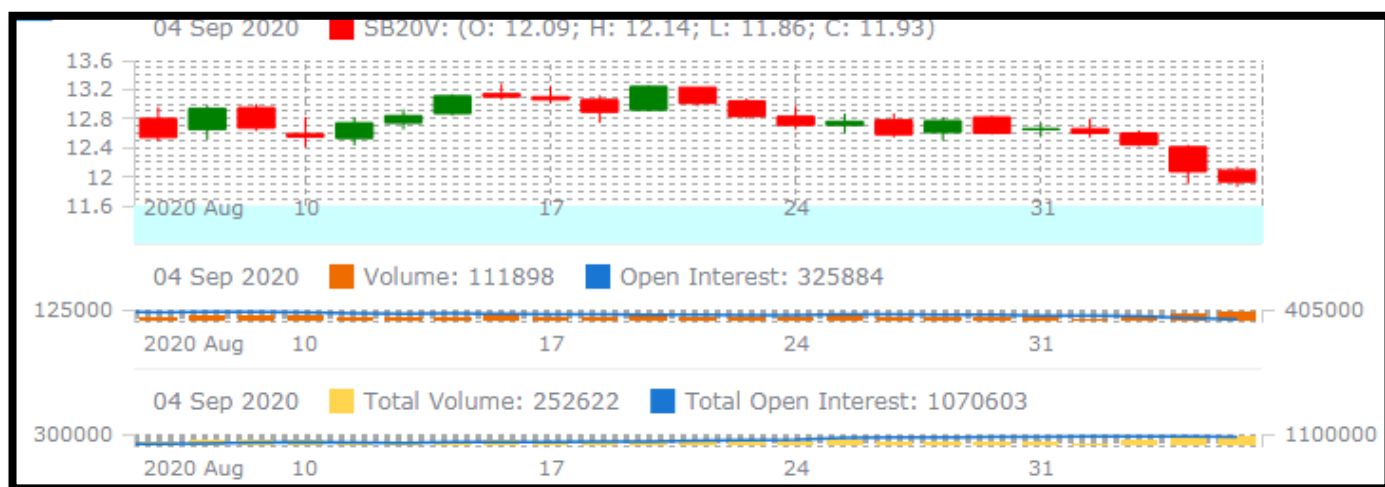
ICE (Raw Sugar Exchange) Future Market Scenario (Oct'20 Contract)

Technical Commentary:

- ICE raw sugar futures were weak during the week.
- Both total volume & open interest increased in a week.
- Strategy: Buy at rate 11.84 Targeting 12.41.

International Sugar Futures Price Projection

	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'20	11.93	11.5-13



Spot Sugar Prices Scenario (Weekly) (Average)

Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
			28th Aug'20 to 3rd Sep'20	21st Aug'20 to 27th Aug'20	
Sugar	Delhi	M-Grade	3269	3323	-53
	Delhi	S-Grade	3249	3303	-53
Uttar Pradesh	Khatauli	M-Grade	3315	3334	-19
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3277	3242	35
	Dhampur	S-Grade Ex-Mill	3257	3222	35
	Dhampur	L-Grade Ex-Mill	3327	3292	35
Maharashtra	Mumbai	M-Grade	3496	3497	-1
	Mumbai	S-Grade	3360	3360	Unch
	Nagpur	M-Grade	3425	3421	4
	Nagpur	S-Grade	3325	3321	4
	Kolhapur	M-Grade	3300	3296	4
	Kolhapur	S-Grade	3200	3196	4

Assam	Guhawati	S-Grade	3512	3508	4
Meghalaya	Shillong	S-Grade	3520	3516	4
Andhra Pradesh	Vijayawada	M-Grade (With Duty)	3640	3640	Unch
	Vijayawada	S-Grade (With Duty)	3700	3700	Unch
West Bengal	Kolkata	M-Grade	3730	3730	Unch
Tamil Nadu	Chennai	S-Grade (With GST)	3680	3680	Unch
	Dindigul	M-Grade (DCA)	3780	3780	Unch
	Coimbatore	M-Grade (DCA)	3620	3620	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3608	3650	-42

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)			28th Aug'20 to 3rd Sep'20	21st Aug'20 to 27th 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	NA	NR	-
		White	NA	NR	-
		Black	NA	NR	-
Maharashtra	Latur	Lal Variety	NA	NR	-
Karnataka	Bangalore	Mudde (Average)	NA	4500	-
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	3525	3538	-13
	Mandya	Achhu (Medium)	3562	3798	-236
	Mandya	Kurikatu (Medium)	3523	3550	-27
	Mandya	Other (Medium)	3388	3660	-272
	Mandya	Yellow (Medium)	3548	3782	-234
	Shimoga	Achhu (Average)	3717	3713	4

Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			5-Sep-20	31-Aug-20	6-Aug-20	5-Sep-19
Delhi	Delhi	M-Grade	3270	3300	3315	3400
	Delhi	S-Grade	3250	3280	3295	3380
Uttar Pradesh	Khatauli	M-Grade	3340	3315	3325	3460
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	3270	3250	3225	3405
	Dhampur	S-Grade Ex-Mill	3250	3230	3205	3385
	Dhampur	L-Grade Ex-Mill	3320	3300	3275	3455
Maharashtra	Mumbai	M-Grade	3496	3496	3600	3610
	Mumbai	S-Grade	3360	3360	3350	3360
	Nagpur	M-Grade	3425	3425	3375	3375
	Nagpur	S-Grade	3325	3325	3275	3275
	Kolhapur	M-Grade	3300	3300	3250	3250
	Kolhapur	S-Grade	3200	3200	3150	3150
Assam	Guhawati	S-Grade	3512	3512	3461	3461
Meghalaya	Shillong	S-Grade	3520	3520	3470	3470
Andhra Pradesh	Vijayawada	M-Grade (With Duty)	3640	3640	3640	3800
	Vijayawada	S-Grade (With Duty)	3700	3700	3700	3740
West Bengal	Kolkata	M-Grade	3730	3730	3720	3690
Tamil Nadu	Chennai	S-Grade	3680	3680	3750	3740
	Dindigul	M-Grade (DCA)	3780	3780	3800	3700
	Coimbatore	M-Grade (DCA)	3620	3620	3620	3690
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3600	3600	3550

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

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Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			5-Sep-20	31-Aug-20	6-Aug-20	5-Sep-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	4800
		White	NR	NA	NA	4300

		Black	NR	NA	NA	NA
Maharashtra	Latur	Lal Variety	NR	NA	NA	NA
Karnataka	Bangalore	Mudde (Average)	NA	NA	4550	4650
	Belgaum	Mudde (Average)	NA	NA	NA	NA
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	NA	NA	3400
	Gulbarga	Other (Average)	NA	NA	NA	NA
	Mahalingapura	Penti (Average)	NA	NA	3482	3455
	Mandya	Achhu (Medium)	3350	3600	3620	3250
	Mandya	Kurikatu (Medium)	3350	3500	3300	3050
	Mandya	Other (Medium)	3250	3400	3400	3050
	Mandya	Yellow (Medium)	3250	3550	3700	3250
	Shimoga	Achhu (Average)	NA	3700	3550	3950

International Sugar Prices (Weekly Average)				
	Contract Month	28th Aug'20 to 3rd Sep'20	21st Aug'20 to 27th Aug'20	Change
ICE Sugar #11 (US Cent/lb)	20-Oct	12.47	12.71	-0.24
	21-Mar	13.12	13.23	-0.11
	21-May	12.95	13.14	-0.19
LIFFE Sugar (US \$/MT)	20-Oct	358.92	366.04	-7.12
	20-Dec	363.58	369.04	-5.46
	21-Mar	367.30	371.48	-4.18

Source: MRCI

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