

Price Outlook:

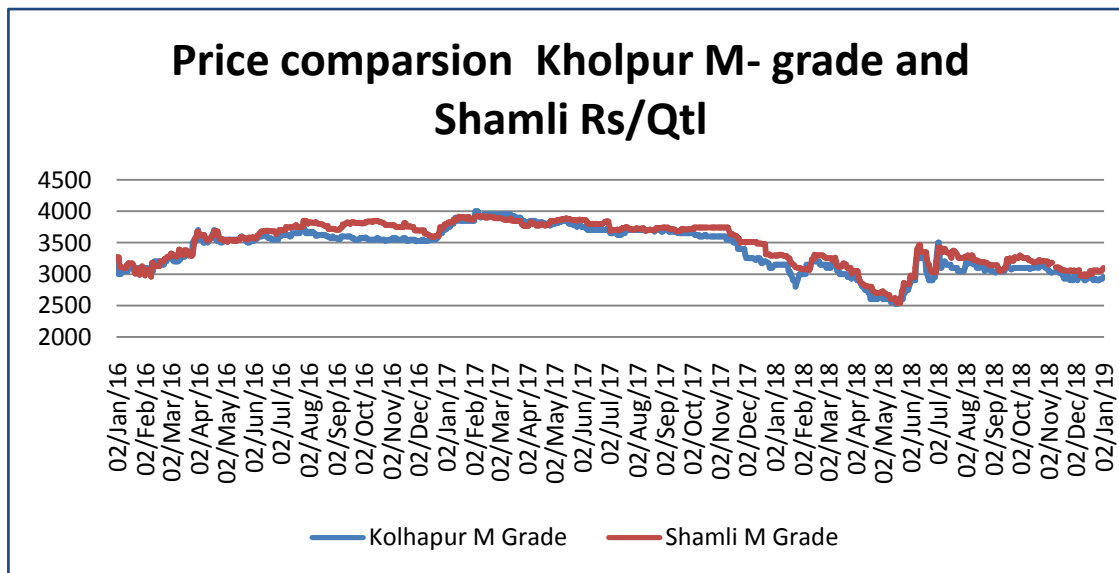
We expect sugar prices may trade down on good physical supplies from mills are continuing in the physical market due to imposed stock limit on mills. Prices are supportive after Jan due to the expectation of weak cane crush this season in the key producing states of UP, MH and KA. This was despite trade expectations that the release quota of 1.9 million tonnes for Dec was slightly lower than probable demand. The government said that sugar mills having distilleries with ethanol production capacity which divert B-heavy molasses to produce ethanol and thereby sacrifice sugar shall be eligible to sell additional quantity of sugar in addition to the quantity of White /Refined sugar prescribed for domestic sale.

Price Projection for the Next Month:

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 2900–Rs 3300 per quintal for next Month.

Domestic Sugar Market Summary:

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 2932 per quintal Dec month declining INR 55 from the previous month; while spot sugar prices for the same grade in Shamli district is 3024 per quintal at the end of last month, declined 71 INR against previous months's average price.



Bullish and Bearish factors for Domestic sugar:

Factors	Impact
2018-19 SS Production is estimated to be lower considering the adverse impact of weather and rainfall in the three largest sugarcane producing States.	Bullish
After announcement of the export incentives for sugar millers in the country & Announcement for creation of 3 mn tonnes of buffer stock	Bullish
Higher cane acreage for 2018-19	Bearish

Tightening of restriction on monthly sales

Bullish

Domestic Market Highlights

Recent Updates:

Sugar prices have fallen and are hovering in the range of fixed price of Rs 2,900 per quintal. Moreover there is little demand for sugar and it is binding on millers to make payments to farmers. The UP and MH state sugar millers have decided to approach government once again with a plea to urge the Centre to intervene and increase the minimum floor price of sugar from the existing Rs 2,900 per quintal to Rs 3,250/3,400 per quintal to overcome the current financial distress.

Sugar production has increased by 2.1 per cent to 7.05 million tonnes till December 15 of the current marketing year. Mills had produced 6.9 million tonnes of sugar in the same period of 2017-18 marketing year. India is likely to produce 31.5 million tonnes of sugar in 2018-19 marketing year, slightly lower than 32.5 million tonnes last year, according to ISMA forecast. Sugar consumption is estimated at 26 million tonnes in 2018-19.

Production in Maharashtra, the country's largest sugar producing state, rose to 2.9 million tonnes till December 15 of this year, as against 2.57 million tonnes in the same period last year. About 176 mills were in operation in the state and the average sugar recovery achieved so far was 10.18 per cent as compared to 10.10 per cent in the year-ago. Whereas production in Uttar Pradesh, the country's second largest producing state, remained lower at 1.89 million tonnes so far when compared with 2.33 million tonnes in the year-ago. However the production in Karnataka, the country's third largest sugar producing state, stood higher at 1.39 million tonnes as against 1.12 million tonnes in the year-ago. The total output of other States, including Andhra Pradesh, Telangana, Tamil Nadu and Bihar, is 4.5 lt.

Indian sugar industry is making efforts to export raw sugar to South Korea during 2018-19 sugar season. The industry will undertake further discussions and talks with the sugar refineries in South Korea to pursue the matter further so that sugar exports may take place from India to South Korea. South Korea imports around 1.5 million tonnes of raw sugar annually.

So far, India has exported only 2.46 lakh tonnes of sugar for this season. If the current trend continues, achieving 5 million tonnes of MIEQ export looks difficult. Sugar factories face several headwinds for executing export orders. Apart from depreciating Indian rupee making thereby exports less remunerative, depreciation in the Brazilian Lira coupled with sustained fall in global prices made sugar shipment from India less remunerative. With the government releases subsidy amount at the end of the season, sugar mills fear blockage of working capital for the entire year on which they pay interest to lenders.

Uttar Pradesh, appears to have favored a 12 per cent increase in the government-set floor price for the sweetener even as farmers in another producing belt, Maharashtra, have begun agitations to secure payments for the cane already crushed at mills this season. "As 65 per cent of the sugar produced in the country is used by institutional

buyers, if the MSP (minimum support price) of sugar is increased from Rs 29/kg to Rs 32.50/ kg, it would not affect the consumers that adversely,” Sanjay Bhoosreddy, principal secretary, Sugar Industry and Cane Development Department, Uttar Pradesh, said.

The government is considering an additional soft loan of Rs 7,400 crore to sugar mills for creating ethanol capacity under a recently launched scheme, according to sources. The food ministry is also considering tweaking the scheme to ensure that non-molasses-based distilleries are also able to avail soft loans under the scheme launched in June for expansion and setting up of new ethanol plants. Under the scheme, the government had announced a soft loan of Rs 4,400 crore and provided an interest subvention of Rs 1,332 crore to mills over a period of five years, including a moratorium period of one year. However, the ministry has received 282 applications seeking Rs 13,400 crore soft loans. Out of this, 114 applications for a loan amount of Rs 6,000 crore has been approved, the sources said.

According to trade sources, India's production during the 2019/20 marketing year could fall to between 28 million tonnes (mt) and 29 mt from this year's estimated 31.5-32 mt. Maharashtra's production could fall 16.7 percent to 7.5 mt in the next season. The sugar marketing year runs from October to September. Production may fall by half in Maharashtra's central part of Marathwada, where people are struggling to secure drinking water, Apart from water scarcity, an infestation of white grubs will curtail production next season. . Many farmers couldn't plant cane in Maharashtra and Karnataka due to water scarcity. This will reflect in next year's production.

According to All India Sugar Trade Association (AISTA) , The Sri Lanka has emerged as the largest sugar importer by contributing nearly half of India's total sweetener exports during the current season beginning October 2018. India's total sugar exports to Sri Lanka at 84,536.90 tonnes. With 16,801 tonnes and 15,340 tonnes, United Arab Emirates and Somalia have become the second and third largest importer of Indian sugar, respectively. Total exports between October 1 and December 5, 2018 stands at 179,849 tonnes. Apart from this, a quantity of 155,830 tonnes is in pipeline (waiting to load) to move in December 2018/early January 2019, out of which 113,360 tonnes are raw sugar to be dispatched to port-based sugar refineries for shipment. During this period, India exported sugar to 20 countries, of which Sri Lanka has emerged as the largest buyer.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 2932 quintal this Month.
- Next resistance and support level for the coming month has been seen at Rs 3100 and Rs 2900 per quintal respectively.

- Relative Strengths Indicator is indicating upward movement.



Technical Analysis - Chaku Sukha-gur (fresh) at Spot (Muzaffarnagar) market.

Gur Market Scenario

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2553/quintal this month
- Next resistance and support level for the coming month has been seen at Rs 3400 and Rs 2500 per quintal respectively.



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 2018-19(LT)	2016-17	2017-18	2018-19	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	77	34.1	67.95	67.95	87.35	183.85	143.57
Estimated sugar production	202.85	321	320	98.2	160.2	44.42	17.18
Imports	4.46	2.85	0	0	0	0	0
Estimated sugar availability (A + B + C)	284.31	357.95	387.95	166.15	247.55	228.27	160.75
Exports	4.6	30	30	3	10	7	10

Availability for domestic consumption (D - E)	279.71	327.95	357.95	163.15	237.55	221.27	150.75
Estimates sugar consumption	245.61	260	263	75.8	53.7	77.7	55.8
Carry out stock (F - G)	34.1	67.95	94.95	87.35	183.85	143.57	94.95

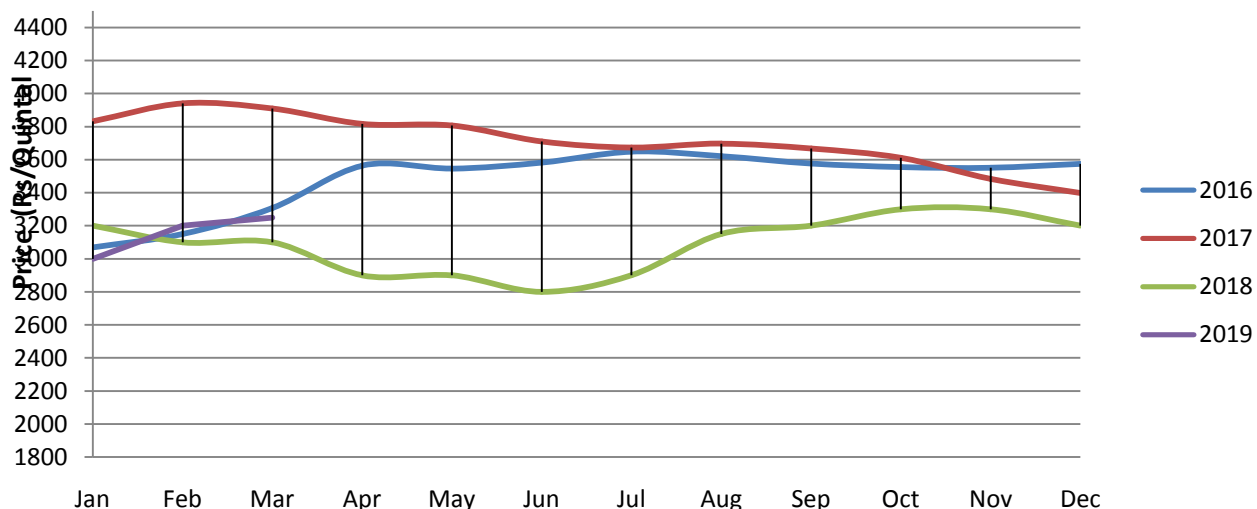
Source: Agriwatch and ISMA

- **Note:** Indian sugar marketing year begins from October – September.
- As per the Agriwatch latest estimate, India’s sugar production is expected to be 320 LT in 2018/19 then 321 last year. A couple of major cane growing regions of Maharashtra, including Marthawada, had poor rainfall this season. And mild white grub infestation has been reported in States of Karnataka and few parts of Maharashtra. Apart from that, cane yield and sugar recovery are expected to decline in Uttar Pradesh due to water logging in the fields.
- On the other hand, sugar domestic consumption is expected to rise to 263 lakh tonnes in 2018-19 (01st October, 2018 – 30th September, 2019).
- At the same time, with a higher domestic sugar production and an urge to earn more foreign exchange, the country’s exports are expected to rise from 30 LT in 2018-19.

Domestic Sugar (M- grade) Price Projection for next 3 months

Particulars	Month	(Rs/Qtl)
Current Average Price	Aug	3120
Projected Price	Sep	2900-3200
	Oct	2900-3300
	Nov	2900-3300
	Dec	2900-3200
	Jan	2900-3250
	Feb	3100-3000
	Mar	3100-3350

Kolhapur Sugar (M) Monthly Price Trend & Forecast



International Sugar Market Summary:

March NY world sugar #11 (March 19) on 31 Dec closed at 12.03 (US Cent/lb) and March ICE London white sugar (SWH19) closed at 332.50 (US \$/MT). Both the futures traded lower this month. A rally in crude oil prices to a 2-week high during this week end gave sugar prices a boost since higher crude oil prices benefit ethanol prices, which may prompt Brazil's sugar producers to divert more cane crushing to ethanol production than sugar, thus reducing sugar supplies. Sugar prices were also supported by this week by the rally in the Brazilian real to a 2-month high against the dollar, which discourages exports by Brazil's sugar producers.

Bullish and Bearish factors for International sugar:

Factors	Impact
Brazil 2018/19 ethanol production estimate to a record 32.2 bln liters (+18.6% y/y), citing the action by Brazil's sugar millers to divert less cane juice to produce sugar.	Bullish
ISO's forecast that global 2018/19 sugar production will rise +0.6% y/y to a record 185.2 MMT and that there will be a 2018/19 sugar surplus of 2.2 MMT (vs 2017/18's 7.3 MMT),.	Bearish
Concern about smaller global production after Unica forecasted that Brazil's Center South 2018/19 sugar production will fall -28% y/y to 26 MMT	Bullish
USDA's FAS forecast for 2018/19 sugar production in India, the world's second-largest sugar producer, to climb +5.2% y/y to a record 35.87 MMT,	Bearish
The recent plunge in crude oil prices to a 17-month low, which is negative for ethanol prices and may prompt Brazil's sugar mills to divert less cane to making ethanol,	Bearish

International Market Highlights:

Sugar mills in Brazil's Centre/South (CS) crushed 12.6 mln tonnes of sugarcane in the first half of December, bringing the total crush since the official start on April 1 to 556.851 mln tonnes, down 4.1% from 580.684 mln crushed by the same time in 2017/18, Unica reported in its press conference for the 2018/19 harvest. Thailand's 2018/19 cane crush continues to ramp up with daily crushing volumes exceeding 1 mln tonnes in mid-December.

New York closed a little lower during the month. March futures are now near some support at about 1200. London was lower as well. Sugar was hurt by the weakness in petroleum futures that have hurt demand ideas. Brazil has been using a majority of its Sugarcane harvest to produce ethanol this year instead of Sugar, and there is some talk the mills might switch back to Sugar unless petroleum prices improve soon. Dry conditions continue in Brazil, the EU, and Russia, but conditions are mostly good in Ukraine. Very good conditions are reported in Thailand.

The USDA reduced its estimate of domestic sugar beet production in 2018/19 (Oct/Sep) by 73,942 short tons, raw value, to 4.900 million in its December WASDE report.

India's sugar industry is eyeing exports to China and hoping for positive outcome from the talks with the Chinese delegation. If China decides to buy sugar from India, the Indian industry hopes to export about 2 million tonnes of

sugar. This will be a big boost to the industry which is struggling to get exports moving owing to the fall in international prices, appreciation of Indian rupee and a section of traders holding on to the commodity in the hope that domestic prices will increase.

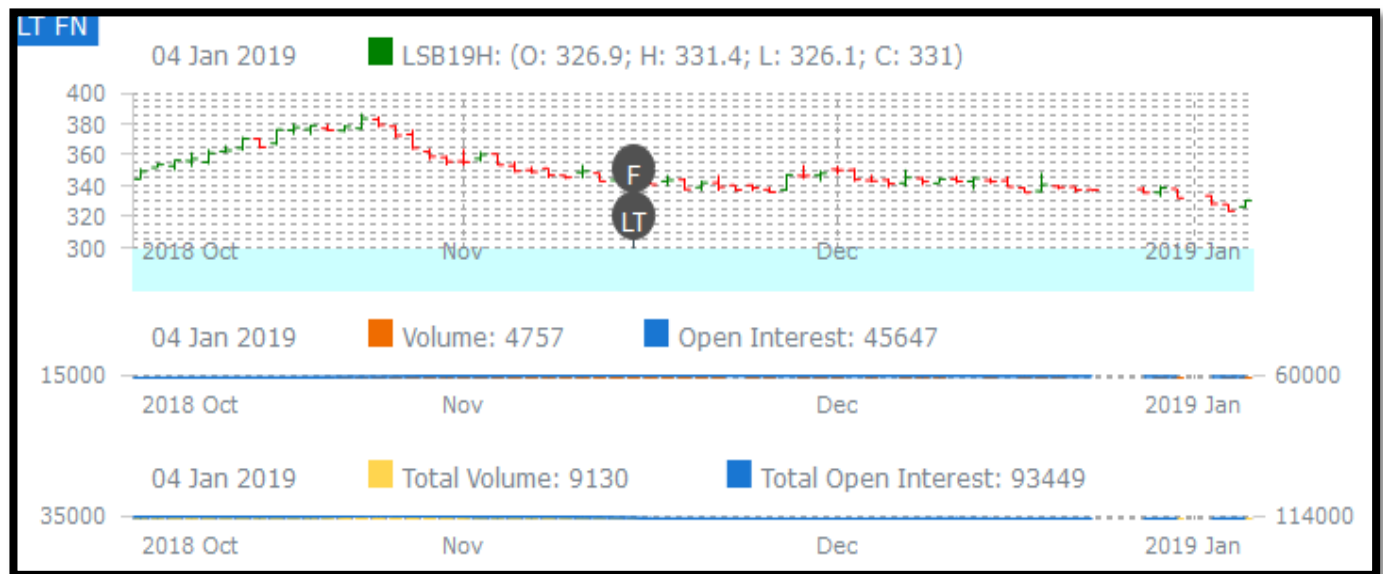
Australia’s total sugar cane crush so far has topped 32.029 million tonnes against 31.644 mn last season, Australian Sugar Milling Council (ASMC) data showed.

International Sugar Futures Price Projection

**LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Mar 19 Contract)
Technical Commentary**

- LIFFE future market trends weak for the month.
- Last candlestick of the month depicts bearishness in the market.
- Strategy: sell below 345,T1 340

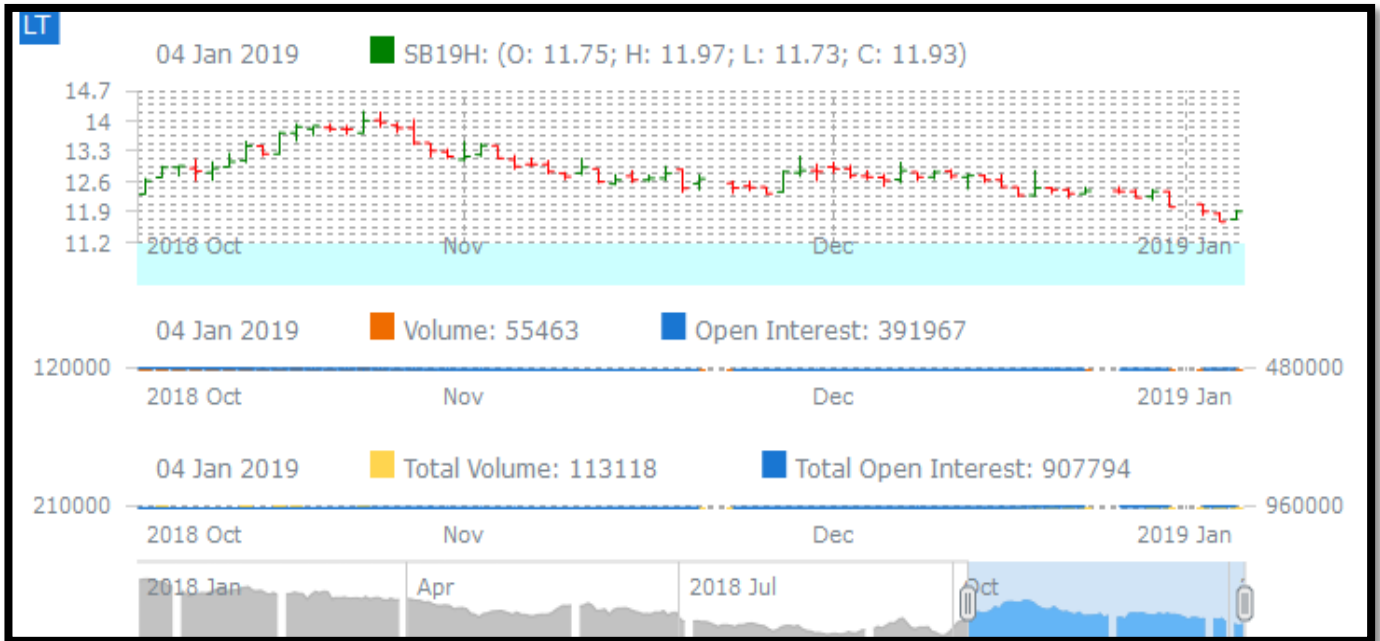
International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Mar'19	331	330-340



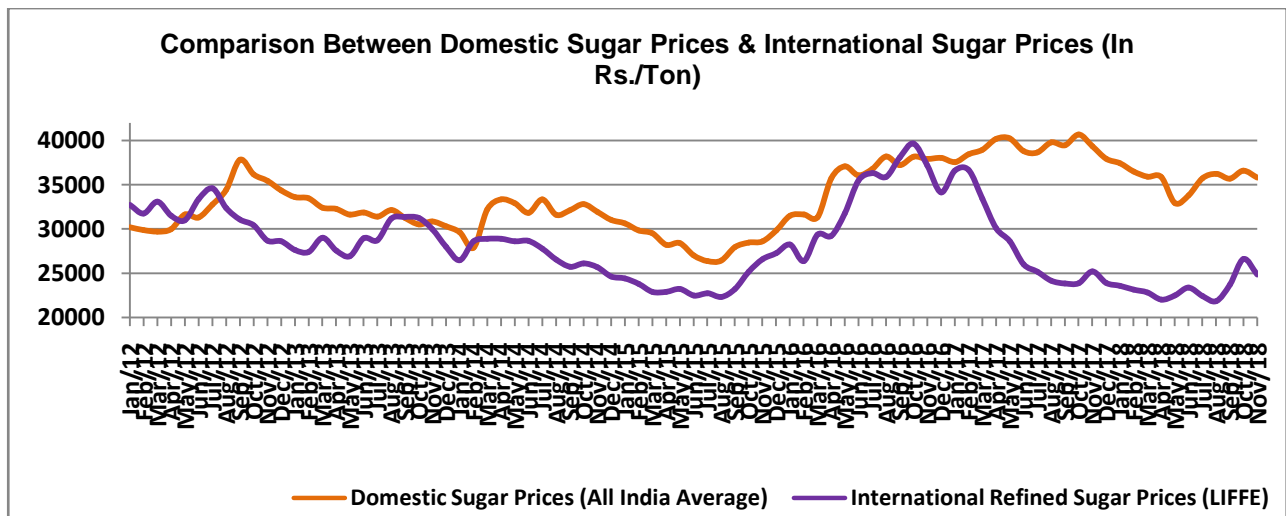
**ICE (Raw Sugar Exchange) Future Market Scenario (Mar'19 Contract)
Technical Commentary:**

- ICE raw sugar futures trend downward for the month.
- Last candlestick of the month depicts bearishness in the market. Strategy: sell at 12.00 Targeting 14.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'19	11.93	11-14



Comparison of Indian Sugar Prices (All India Average) and International Refined Sugar Prices (LIFFE)



Source: USDA and Agmark.net

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
			Dec,18	Nov,18	
Sugar					
Delhi	Delhi	M-Grade	2974	3039	-65
	Delhi	S-Grade	3129	3019	110
Uttar Pradesh	Khatauli	M-Grade	3131	3245	-114
	Ramala	M-Grade	448	NA	-
	Dhampur	M-Grade Ex-Mill	2998	3110	-112
	Dhampur	S-Grade Ex-Mill	2984	3090	-106
	Dhampur	L-Grade Ex-Mill	3054	3160	-106
Maharashtra	Mumbai	M-Grade	3269	3333	-64
	Mumbai	S-Grade	3101	3143	-42
	Nagpur	M-Grade	3059	3112	-53
	Nagpur	S-Grade	2909	3043	-134
	Kolhapur	M-Grade	2983	2987	-4
	Kolhapur	S-Grade	2917	2918	-1
Assam	Guhawati	S-Grade	3213	3226	-13
Meghalaya	Shillong	S-Grade	3226	3238	-12
Andhra Pradesh	Vijayawada	M-Grade	3460	3551	-91
	Vijayawada	S-Grade	3427	3491	-64
West Bengal	Kolkata	M-Grade	3428	3580	-152
Tamil Nadu	Chennai	S-Grade	3076	3177	-101
	Dindigul	M-Grade	3381	3522	-141
	Coimbatore	M-Grade	3383	3582	-199
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3461	0	3461

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

Spot Jaggery(Gur) Prices Scenario (Monthly-Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
			Dec,18	Nov,18	
Jaggery(Gur)					
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2352	2739	-387
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	150000	NA	-
	Muzaffarnagar	Khurpa (Fresh)	2143	2443	-300
	Muzaffarnagar	Laddoo (Fresh)	2494	2697	-203
	Muzaffarnagar	Rascut (Fresh)	1890	2091	-201
	Hapur	Chaurasa	1982	2267	-285
	Hapur	Balti	2008	2250	-242

Andhra Pradesh	Chittur	Gold	4004	3916	88
		White	3748	3656	92
		Black	3394	3020	374
Maharashtra	Latur	Lal Variety	0	NR	-
Karnataka	Bangalore	Mudde (Average)	4195	4250	-55
	Belgaum	Mudde (Average)	3218	3226	-8
	Belthangadi	Yellow (Average)	0	NA	-
	Bijapur	Achhu	2809	2937	-128
	Gulbarga	Other (Average)	3193	3467	-274
	Mahalingapura	Penti (Average)	2998	3133	-135
	Mandya	Achhu (Medium)	2752	3040	-288
	Mandya	Kurikatu (Medium)	2581	2937	-356
	Mandya	Other (Medium)	2598	2865	-267
	Mandya	Yellow (Medium)	2803	3063	-260
	Shimoga	Achhu (Average)	3186	3446	-260

International Sugar Prices (Monthly)

	Contract Month	31-Dec-18	29-Nov-18	Change
ICE Sugar #11 (US Cent/lb)	19-Oct	12.53	12.84	-0.31
	19-Mar	12.03	12.95	-0.92
	19-May	12.10	13.3	-1.20
LIFFE Sugar (US \$/MT)	18-Oct	346.10	365.7	-19.60
	19-Dec	351.70	352.1	-0.40
	19-Mar	332.50	348.2	-15.70

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