

# Weekly Indian Sugar and Gur Price Outlook and Strategy

Decision enabling market analysis & price outlook



Report for week beginning 8 Jul 2017

## Indian Sugar & Gur Price Outlook Summary

	Kolhapur S30 INR/Qtl	Kolhapur M30 INR/Qtl	Muzzafarnagar M30 INR/Qtl	Muzzafarnagar Gur INR/Qtl	NCDEX Sugar M July'17 INR/Qtl	ICE Sugar 11 Oct'17 USc/Lb
06 Jul 2017 Closing Prices	3787	3867.098	3909.098	3180.00	3692	13.92
	86.62	77.10	10.75	-24.88	4.00	0.62
Fundamental Summary	<b>Critical Price drivers</b>				<b>Price Direction</b>	
	Additional import of 3.7 lakh ton over and above 5 lakh ton ( total ~8.7 lakh ton)				Downward	
	Normal precipitation in India up to July 5 <sup>th</sup> (217 mm against normal of 207 mm)				Downward	
	Incremental industrial bulk buying on benefit of input credit ~ INR 180/qt against INR 71/qt received earlier				Upward	
	Temporary squeeze in supply from traders/agent on concern of GST input credit on inventory as on July 1 <sup>st</sup>				Upward	
Deliberation on raising import duty from 40% to 60% to restrict excess sugar import				Upward		
Price Outlook Summary	<b>Kolhapur S30 INR/Qtl</b>		<b>Kolhapur M30 INR/Qtl</b>		<b>Muzzafarnagar M30 INR/Qtl</b>	
	Prices are likely to find resistance around INR 3850 and trade lower towards INR 3680 in coming 2-3 weeks.		Prices are likely to consolidate in the range of INR 3980-3840 in the coming 3-5 weeks.		Prices are likely to consolidate in the range of INR 3980-3750 in the coming 3-5 weeks.	
	0 to 1	0 to 2 Months	0 to 1	0 to 2	0 to 1	0 to 2

	Month	Months	Months	Months	Months
Direction	Mixed	Bearish	Mixed	Bearish	Mixed
Price Range	3850 to 3680	3850 to 3600	3950 to 3790	3950 to 3750	3980 to 3840
					3980 to 3750

	Muzzafarnagar Gur INR/Qtl	
Price Outlook Summary	Prices are likely to stay above INR 3170 and trade higher towards INR 3500 in the coming 3-5 weeks.	
Direction	0 to 1 Month	0 to 2 Months
Price Range	Upward	Upward
	3170 to 3350	3170 to 3500

## Fundamental Analysis

- Physical market in Maharashtra and Uttar pradesh traded up by INR 30-50/ctl at mill gate on roll out of GST & implication in short term. Bulk industrial buyers who had reduced buying during May-June has entered from July 1<sup>st</sup> week after GST to take benefit of tax credit.
- Pre GST month, bulk buyers used to get credit of only INR 74/qt, however now they would be getting input credit close to INR 170-180/qt (~5%) hence raising appetite to cover/buy for more month requirement as price would be still cheaper even they buy 50-80/qt higher than current market price. Thus resulting in gain in market due to higher buyers activities on one hand and marginal squeeze in supply on the other.
- Prevailing increased spot prices across Indian markets amid brisk demand from bulk consumers (awaited for last 1 month) acting as food processors, ice cream manufacturers and soft drink makers led to go sugar prices on upward note.

- Further wholesalers/commission agents/stockiests activities noted to be lower on ambiguity on treatment of 124/qt tax credit on sugar inventory kept by them as on July 1<sup>st</sup> 2017. Traders are demanding Finance Minister to credit Rs.124/qtl (Sugar Cess) as they are going to get Rs.71/qtl tax credit only on their opening stock of sugar on 1<sup>st</sup> July.

- Coming on weather updates, According latest precipitation(June 1<sup>st</sup> to July 5<sup>th</sup>) from S-W monsoon, India overall received LPA of 217.3 mm rainfall against 206.7 mm of normal rainfall which is higher by 5%.

Indian S-W Monsoon Updates (1st June to 5th July 2017)			
Regions	Actual Rainfall	Normal Rainfall	% Departure from LPA
Country as a whole	217.3	206.7	5%
Northwest India	138.6	94.5	47%
Central India	223.8	212.8	5%
South Peninsula	192.9	194.3	-1%
East & northeast India	385.4	425.2	-9%
Source IMD, India			

- Monsoon have made way towards Northwest region in first week of July which observed to receive 82% excess rainfall against normal. Good pre monsoon rain during 2nd fortnight of June and advancement of SW monsoon across UP sugarcane belt nurtures standing cane crop and adequate irrigation is expected to result in better cane yields moving forward.

- Though Northwest cane crop is equipped with better irrigation availability, monsoon rains additionally creating effective cane growth.Overall this should influence bearish undertone in market.

- On the other hand, deficit rainfall in some parts of North Karnataka and Tamilnadu sugarcane belt is likely to impact marginally on standing cane growth.

- However, current good sugarcane crop condition across UP and Maharashtra regions coupled with nearing sugarcane crushing season is likely to keep domestic sugar prices under pressure in medium term.

- In its current move, ISMA has demanded govt to create a price stabilisation fund to pay difference between FRP and prescribed sharing revenue ratio of 70;30 in Rangarajan committee between Farmer and Miller. If implemented this shall supporting millers to remain afloat in time of very low sugar price regime.

- Coming to sugar production in Tamil Nadu, According TN sugar industry, Current sugar production is standing on ~ 10 lakh ton and likely to produce more 0.5 lakh tons in next couple of months. In total SS 16/17 sugar production noted to be 5% lower vis a vis 10.98 lakh ton received in 2015-16. Further for upcoming season SS 17/18 output is likely to drop off about 6-7 lakh ton only due to severe drought last season.

- Looking at duty free import, According to govt officials, further extension up to 2 month is likely to be permitted for un-landed 60,000 MT sugar before June 30<sup>th</sup> deadline out of given 5,00,000 MT quota.

- Further on import front, domestic millers/refiners has additionally contracted ~ 3.7 lakh ton of raw sugar @ 40% duty over and above ~ 5 lakh ton allowed by GOI @ 0% duty (duty free import) due to sharp fall in international market making landed cost at Indian shore at ~35/kg cheaper than 1.4/kg than current M-30 traded price in Kolhapur (after refining exclusive of tax).

- Additional sugar entering in India continues to pressurize domestic market and is likely to result in physical market of Kolhapur & Muzzafarnagar trade weak ones GST related issue gets streamlined.

## Procurement Strategy: Kolhapur Sugar Spot

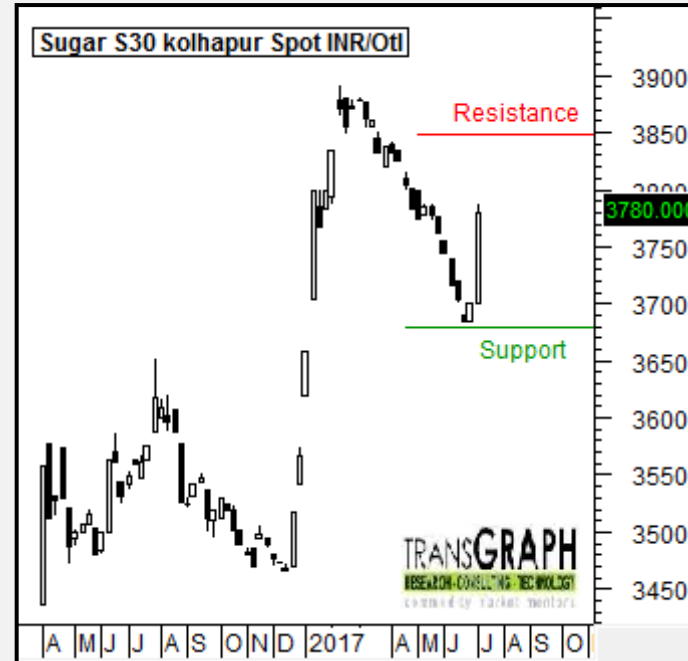
Kolhapur Sugar S30 Procurement Strategy for spot month*					
Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
				--	--
	1 July 2017	31 July 2017	3757	<b>Yet to be Priced (100%)</b>	
				--	--
Strategy Review	100% of July'17 buying was covered at INR 3689 against monthly average of INR				

Closed Positions Audit	3707.		
	Market	Period	Procurement savings % (Bettering the market average)
	Kolhapur S30	2010 to Till Date	1.16%
Sugar Spot	July 2017	0.50%	

\* Please contact Engagement manager for forward / long term buying strategies

## Technical Outlook: Kolhapur S30 Spot

- Sugar S-30 Kolhapur Spot prices have traded with positive momentum and closed at INR 3780 in the last trading day.
- Prices have witnessed sharp corrective gains in July months and resumed the weakness in last few years which likely to continue the same pattern.
- Prices have almost tested the all time high of INR 3900 levels and turned negative in Feb'17.
- The weekly momentum indicator RSI(14) and MACD (12,26,9) are oscillating around equilibrium supporting the further weakness after minor consolidation.
- On the downside, INR 3680 zone will be immediate support. An early fall through the same shall be considered as an early signal for downside correction to set in.
- On the upside, INR 3850 can act as immediate resistance.



Concisely, Sugar Kolhapur S-30 spot prices are likely to find resistance around INR 3850 and trade lower towards INR 3680 in coming 2-3 weeks.

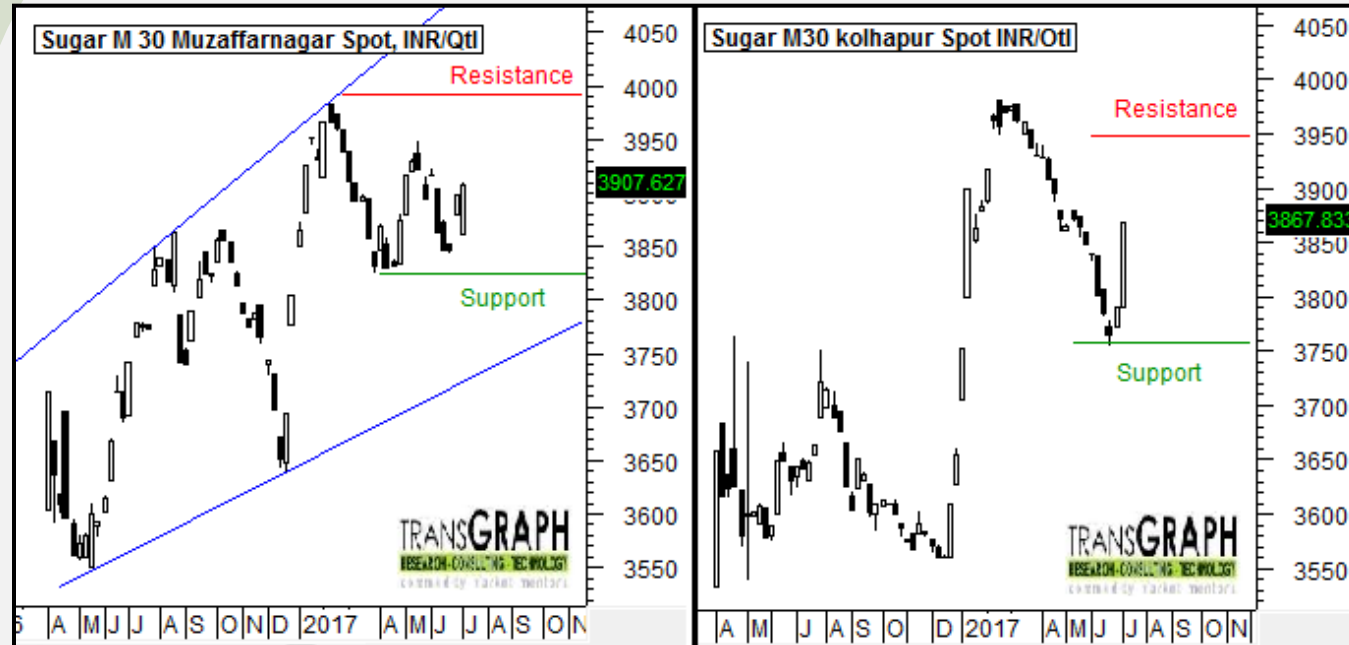
Muzaffarnagar Sugar M30 Procurement Strategy for spot month*					
Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
	1 July 2017	31 July 2017	3872	3872	100%
				<b>Yet to be Priced (100%)</b>	
				--	--
Strategy Review	100% of July'17 buying was covered at INR 3873 against monthly average of INR 3873.				
Closed Positions Audit	Market	Period	Procurement savings % (Bettering the market average)		
	Kolhapur S30	2010 to Till Date	1.24%		
Sugar Spot	July 2017	0.0%			

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## Technical Outlook: Muzaffarnagar M30 Spot & Kohlapur M30 Spot

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- Sugar M-30 Muzaffarnagar spot prices are likely to consolidate in the range of INR 3980-3840 in the coming 3-5 weeks.
- Sugar M-30 Kolhapur spot prices are likely to consolidate in the range of INR 3950-3750 in the coming 3-5 weeks.

## Procurement Strategy: Muzaffarnagar Gur Spot

Muzaffarnagar Gur Procurement Strategy for spot month\*

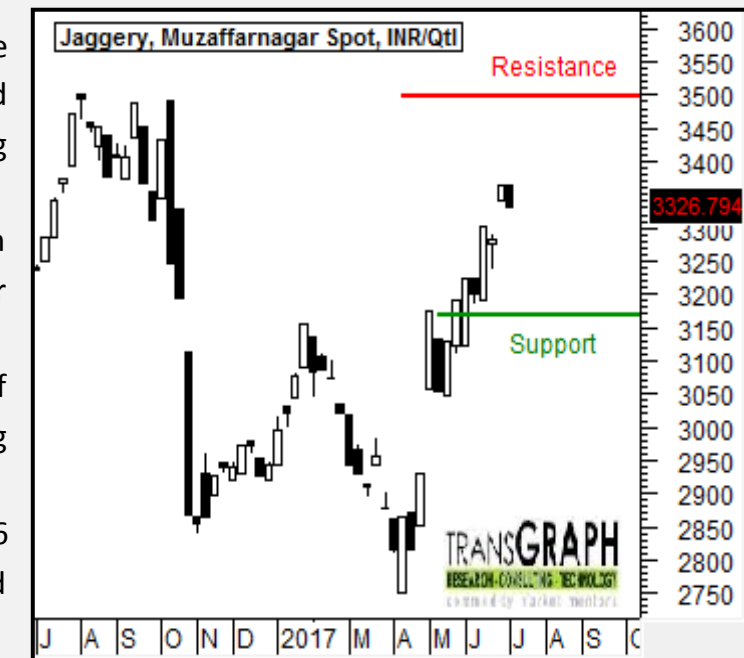
Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
	1 June	June 30	3236.51	3206	100%

Strategy Review	2017	2017	Yet to be Priced (0%)
			--
Closed Positions Audit	50% of July'17 buying requirements covered at INR 3174 on May 31.		
	50% of July'17 buying requirements covered at INR 3238 on June 21.		
	Market	Period	Procurement savings % (Bettering the market average)
	Muzaffarnagar Gur Spot	2010 to Till Date	0.91%
		May 2017	1.84%

\* Please contact Engagement manager for forward / long term buying strategies

## Technical Outlook: NCDEX Muzaffarnagar Gur Spot

- Gur Muzaffarnagar spot prices have traded with bearish momentum and closed at INR 3326 in the last trading day.
- Prices are trading above short term moving averages suggesting further gains.
- Prices corrected more than 61.8% of the previous bear market supporting the further positive bias.
- Prices have corrected 61.8% of 2015-16 bull market at INR 2750 levels and resuming the positive trend.
- On the down side, INR 3200 zone can



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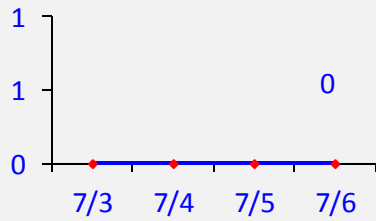
act as immediate support.

- On the upside, INR 3500 can act as immediate resistance.

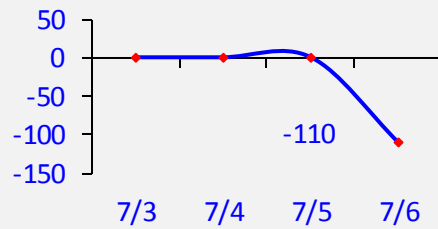
**Concisely, NCDEX Muzaffarnagar Gur spot prices are likely to stay above INR 3170 and trade higher towards INR 3500 in the coming 3-5 weeks.**

## Mini Charts

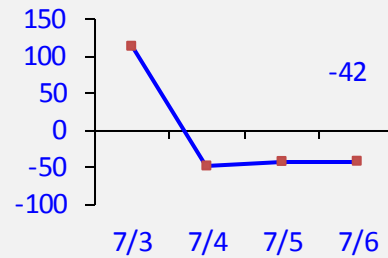
Sugar M Spread (INR/Qtl)  
Oct'17- Jul'17 (spread)



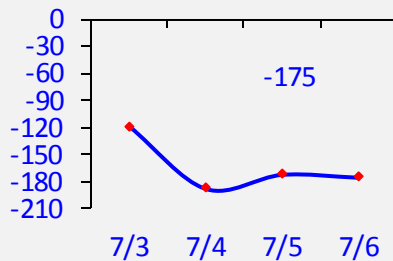
Sugar M Spread (INR/Qtl)  
Dec'17- Oct'17 (spread)



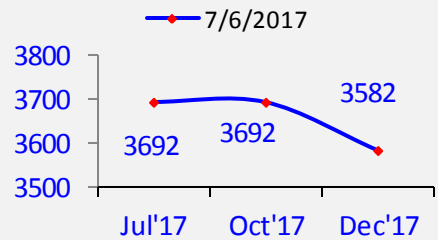
SugarM300 Spot Spread (Kolhapur-  
Muzaffarnagar) (INR/Qtl)



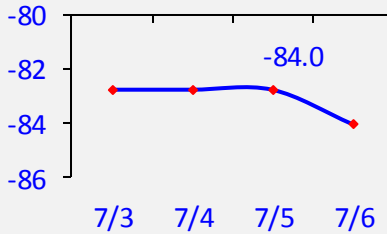
SugarM30 Spread(Spot-Future)  
Kolhapur (INR/ Qtl)



Sugar M200 Forward Curve (INR/ Qtl)



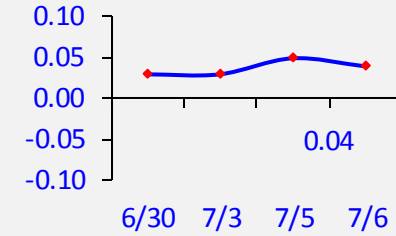
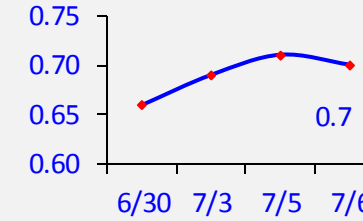
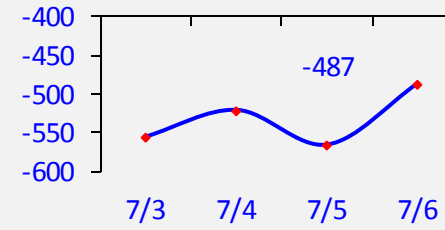
Brazil Refined-Raw Spread (USD/MT)  
Mar'18- Oct'17 (spread)



Difference (Refined M-30-  
Landed from Brazil (INR/Qtl)

ICE Sugar-11 Spread (USc/lb)  
Mar'18- Oct'17 (spread)

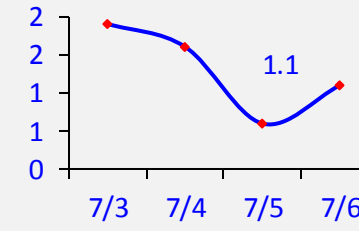
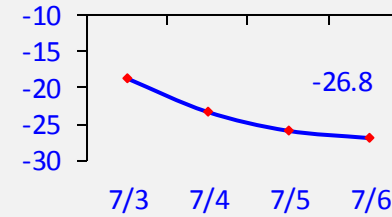
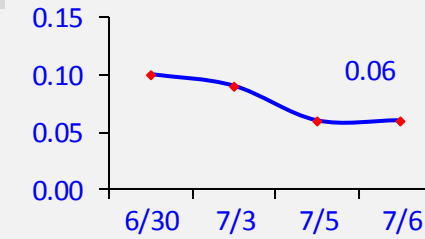
ICE Sugar-11 Spread (USc/lb)  
May'18- Mar'18 (spread)



ICE Sugar-11 Spread (USc/lb)  
Jul'18- May'18 (spread)

LIFFE - 5 Sugar Spread (USD/MT)  
Oct'17 - Aug'17 (spread)

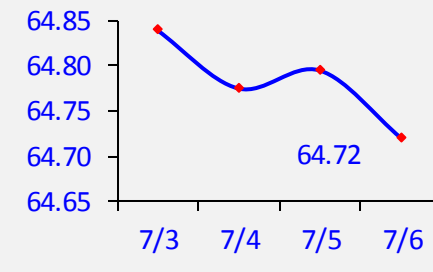
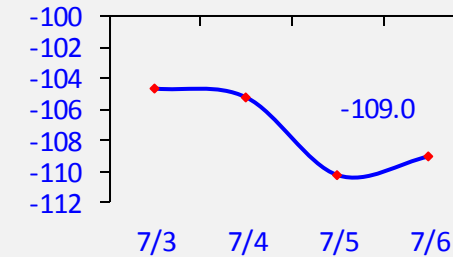
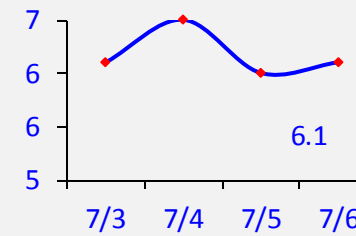
LIFFE - 5 Sugar Spread 14(USD/MT)  
Dec'17- Oct'17 (spread)



LIFFE - 5 Sugar Spread (USD/MT)  
Mar'18-Dec'17 (spread)

ICE -LIFFE Future Spread

USD/INR



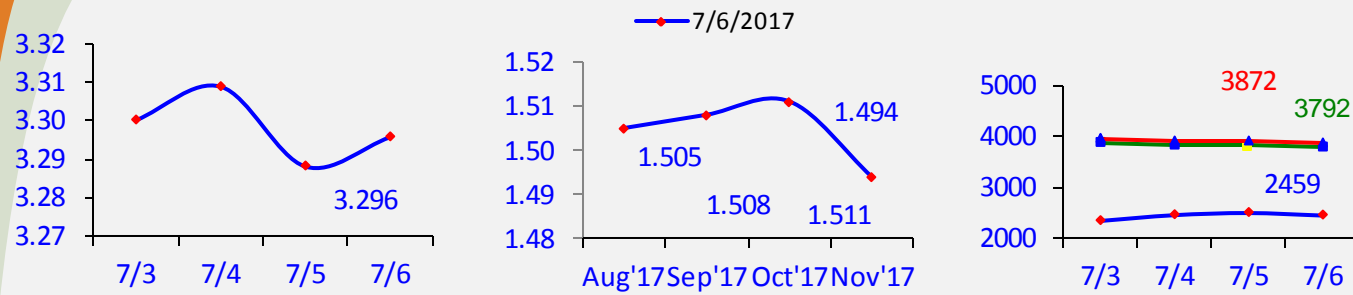
USD/BRL

CBOT Ethanol (USD/gallon)

Sugar S-30,M-30 & Brazil Refined  
Sugar prices

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## Market Prices

Exchange	Contract	06 Jul 2017				Change	Previous Close
		Open	High	Low	Close		
NCDEX Sugar M INR/Qtl	July'17	3692	3692	3692	3692	4.00	3688
	Oct'17	3692	3692	3692	3692	4.00	3688
ICE Sugar 11 USc/Lb	July'17	13.65	13.94	13.53	13.92	0.62	13.30
	Oct'17	14.40	14.64	14.27	14.62	1.12	13.50
LIFFE Sugar 5 USD/MT	Aug'17	413.00	417.00	410.00	415.90	16.20	399.70
	Oct'17	386.40	389.50	382.20	389.10	4.90	384.20

Market	Commodity	06 Jul 2017	29 Jun 2017	Change	% Change
Brazil	FOB Raw Sugar USD/MT	296	279.75	16.25	5.81%
Brazil	FOB Refined Sugar USD/MT	380	362.5	17.50	4.83%
Black Sea	C&F Raw Sugar USD/MT	326	308.25	17.75	5.76%

ISA	Daily Sugar USc/Lb	14.21	12.94	1.27	9.81%
ISA	15 - Day Average price USc/Lb	13.67	13.75	-0.08	-0.58%
India Muzaffar nagar	Gur Chaku INR/40Kg	3180.00	3204.88	-24.88	-0.78%
India Muzaffar nagar	Sugar M30 INR/Qntl	3909.10	3898.35	10.75	0.28%
India Mumbai	Sugar M30 INR/Qntl	3872	3962	-90.00	-2.27%
India Kolhapur	Sugar M30 INR/Qntl	3867.0975	3790	77.10	2.03%
India Kanpur	Sugar M30 INR/Qntl	3824.3	3996.1	-171.80	-4.30%
India North	Mawana Ex-Mil Sugar M30 INR/Qntl	3740	3690	50.00	1.36%
India North	Dourala Ex-Mil Sugar M30 INR/Qntl	3755	3685	70.00	1.90%
India North	Simbhaoli Ex-Mil Sugar M30 INR/Qntl	3655	3635	20.00	0.55%
India North	Shamli Ex-Mil Sugar M30 INR/Qntl	3875	3860	15.00	0.39%
India North	Khatouli Ex-Mil Sugar M30 INR/Qntl	3800	3730	70.00	1.88%
India Mumbai	Sugar S30 INR/Qntl	3792	3882	-90.00	-2.32%
India Kolhapur	Sugar S30 INR/Qntl	3787	3700	86.62	2.3%

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Report	Coverage #	Price Outlook & Strategies
Daily ICE Sugar Price Outlook and Strategy	NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D	US.SUGAR.11.ICE
Daily ICE COCOA Price Outlook and Strategy	NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D	US.COCOA.ICE
Daily NCDEX Sugar Price Outlook and Strategy	NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D	IN.SUGARM.NCDEX,
Weekly Indian Sugar Price Outlook and Strategy	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2W, 6W	IN.SUGAR.KOLAHPUR, IN.SUGAR.MUZZAFARNAGAR, IN.GUR.MUZZAFARNAGAR
Bi-weekly AP COCOA Market Intelligence	NU, FA, WA, PI, TA, PS, PO, FF, MP, 6W, 2M	IN.COCOA.AP
Bi-weekly Kerala COCOA Market Intelligence	NU, FA, WA, PI, TA, PS, PO, FF, MP, 6W, 2M	IN.COCOA.KERALA
Bi-weekly Milk and Milk Products Market Intelligence	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M	IN.SMP.DELHI, IN.SMP.MH, EU.SMP, AU/NZ.SMP, EU. BUTTER, AU/NZ. BUTTER
Monthly Sugar Price Outlook	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M	US.SUGAR.ICE, IN.SUGAR.KOLAHPUR, IN.SUGAR.MUZZAFARNAGAR
Monthly Ethanol Price Outlook	FA, PI, WA, PO, MI, FF, 2M	IN.RECTIFIED SPRIT. UP, IN. ENA. UP, IN.MOLASSES
Monthly Indian Dairy Industry Insights	Industry Analysis, MI, FA	IN.MILK

# News Update **NU**, Fundamental Analysis **FA**, Balance Sheets **BS**, Weather Analysis **WA**, Policy Impact **PI**, Technical Analysis **TA**, Trading Strategies **TS**, Procurement Strategies **PS**, Price Outlook **PO**, Market Intelligence **MI**, Facts & Figures **FF**, Market Prices **MP**, Price Spreads **PS**, Forward Curves **FC**, Elliott Wave Analysis **EWA**, 5D, 2W, 6W, 2M, 4-6M

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