

INDIAN SUGAR UPDATE REPORT



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TABLE CONTENT

1 – 2020/21 SEASON	2
2 – SUGAR EXPORTS.....	3
3 – DOMESTIC PRICES.....	4
5 - WEATHER CONDITIONS.....	6
6 - IN BRIEF: GOVERNMENT AND INDUSTRY’S RECENT DECISIONS	6

1 – 2020/21 SEASON

Indian sugar factories produced more than 23 million tonnes (Mt) of sugar by February 28th: 20% higher than a year ago when 19.5 Mt of sugar had been produced.

Sugar production essentially increased in Maharashtra and Karnataka states, on the back of i) rising cane acreage and ii) favourable weather conditions.

However, production declined in Uttar Pradesh (UP) compared to last season. In this regard, UP's sugar production is expected to be lower than originally anticipated due to:

- Pest infestations in some part of the State,
- Cane supply shortages which brought some mills' operations to a halt.

Overall, the Indian sugar output is anticipated to reach 30.5 Mt (Table 1). In the meantime, domestic cane sugar "complexes" are expected to produce [3 - 3.5] billion liters of ethanol (EtOH) which will result in nearly 2 Mt sugar equivalent being diverted from the Indian sugar market.

Table 1 - Indian sugar production

State	2020/21*	2019/20	Y-o-Y variations	Y-o-Y variations	2020/2021 Forecast'
	[Mt sugar]	[Mt sugar]	[Mt sugar]	[%]	[Mt sugar]
Uttar Pradesh	7.43	7.7	-0.27	-4	10.2
Maharashtra	8.5	5.07	3.43	+68	10.5
Karnataka	4.05	3.25	0.8	+25	4.5
Gujarat	0.75	0.68	0.07	+10	1.1
Tamil Nadu	0.32	0.34	-0.02	-6	1
Other States	2.4	2.45	-0.05	-2	3.2
ALL INDIA	23.45	19.49	3.96	+20	30.5

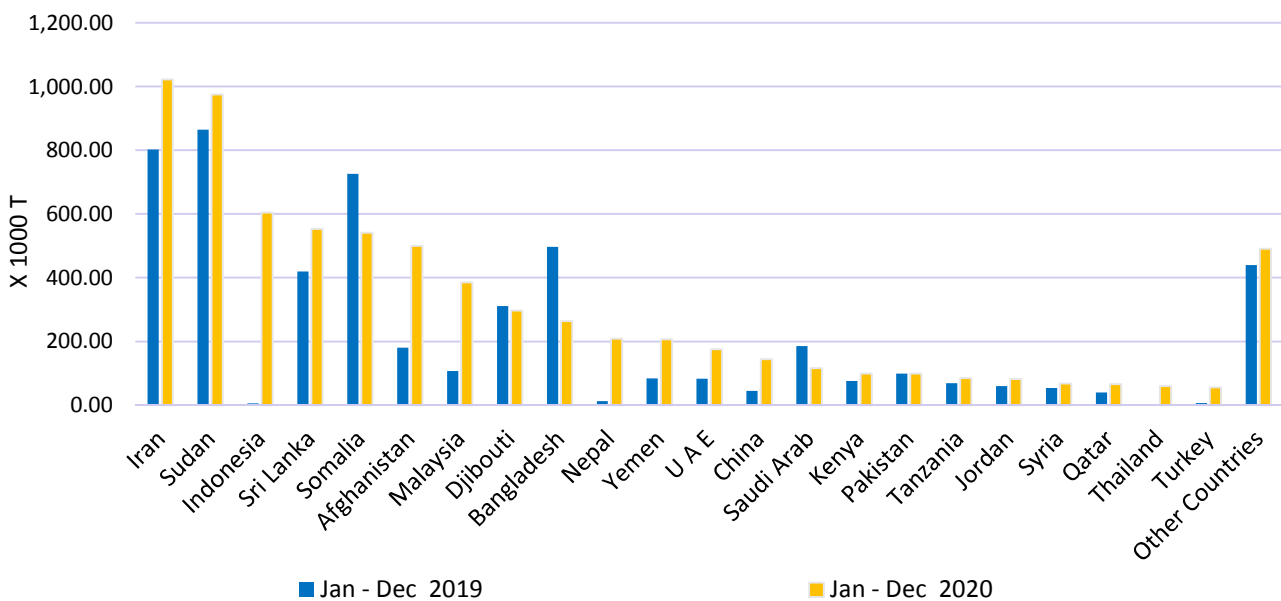
2 – SUGAR EXPORTS

Indian sugar export deals (raws + whites) for 2020/21 crossed the 3 Mt mark by [Feb 21]: down from 3.5 Mt recorded at the same time a year ago.

Looking at shipments, they reached an estimated 1.5 Mt so far this season: down from 1.7 Mt a year ago.

As indicated in our previous report, global container shortages at Indian ports and the delayed decision from the Government on sugar export subsidies should bring Indian sugar exports down this season.

Graph 1 – Indian sugar exports [2019 vs 2020]



Note: Above data does include export volumes of refined sugar resulting from “tolling” operations under the Advance Authorisation Scheme (AAS)

Meanwhile, Iran - the biggest importer for Indian sugar in 2020 (Graph 1) – is likely to limit its sugar purchases this season due to a lack of Indian currencies and the decision of India to stop importing crude oil from Iran due to US-imposed sanctions.

According to our information, 2020/21 main export destinations this season are : Indonesia, Sudan, Pakistan, Somalia, Sri Lanka, Malaysia, Djibouti and Nepal.

Overall and despite international sugar prices spectacular recovery in recent months, Indian sugar exports are still expected to be short of the 6 Mt target at [4.5 – 5.0] Mt.

3 – DOMESTIC PRICES

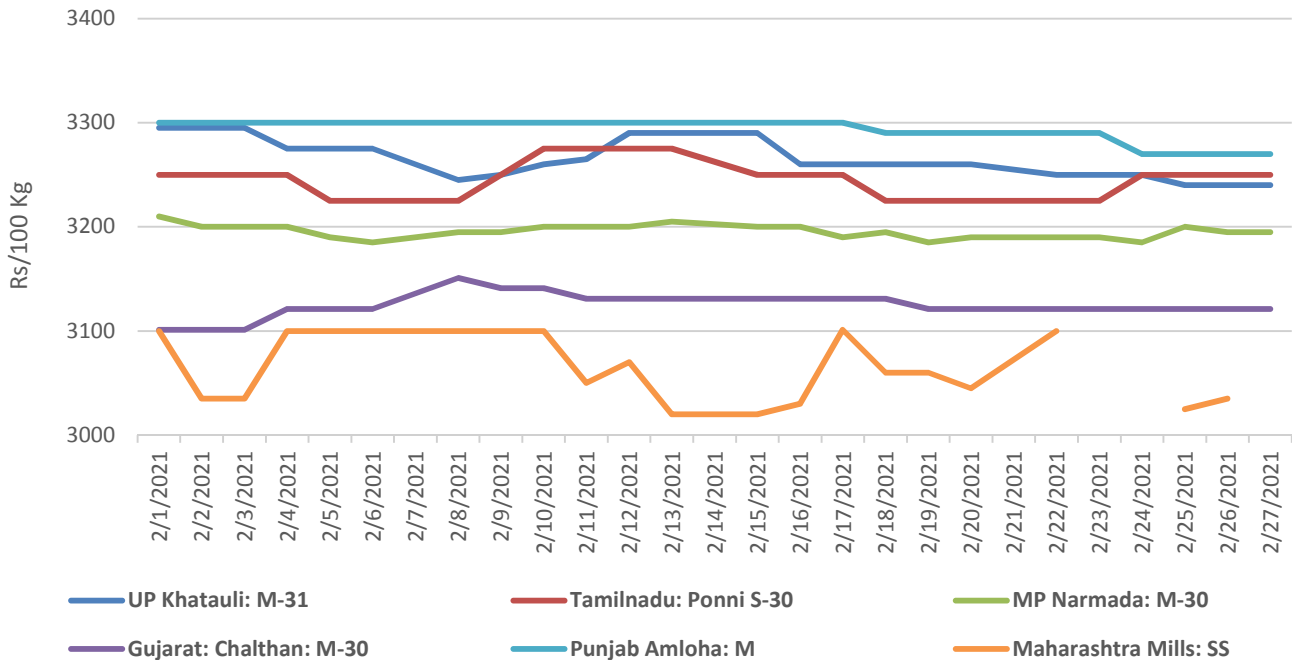
Domestic ex-mill sugar prices slightly appreciated in [Feb 21] due to the combined effect of 1) a steady demand and 2) limited supplies from sugar mills by virtue of the monthly sugar sales quota which was set at 1.7 Mt.

From a regional point of view (Graph 2), ex-mill sugar prices in UP (M-grade) averaged Rs. 3,265/100 Kg: up 1% from a month ago, but 0.86% lower from a year ago.

In Maharashtra prices remained below the MSP level, and SS-grade sugar were reportedly traded:

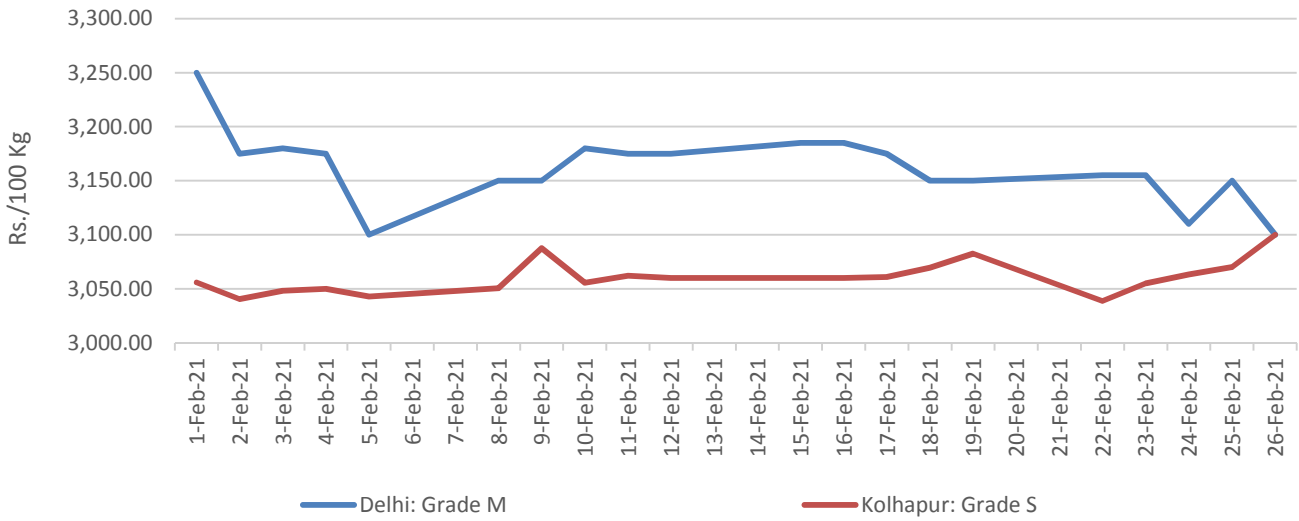
- 0.75% lower than a month ago at an average Rs 3,066/100 kg,
- 3% lower than a year ago.

Graph 2 - Ex-mill sugar prices [Feb 21]



Looking at the wholesale sugar segment, sugar prices followed a weak tone due to ample availabilities. The wholesale sugar prices averaged Rs 3,577/100 Kg nationwide (1.1% down M/M). M-grade sugar was traded at an average Rs 3,161/100 kg in Delhi while S-grade sugar averaged Rs 3,061/100 kg in Kolhapur (Graph 3).

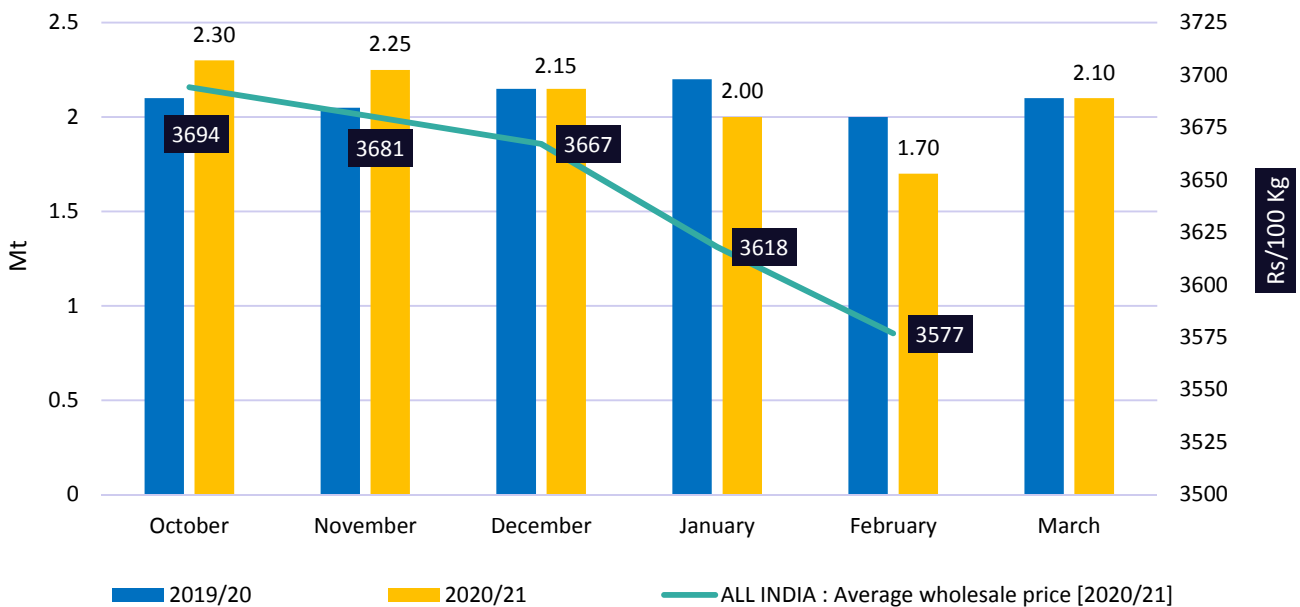
Graph 3 – Domestic wholesale sugar prices [Feb 21]



Looking ahead, [Mar 21] is expected to witness an increase in local sugar prices, as the summer season started in India. Festivals occurring in March should also support domestic sugar consumption.

Meanwhile, the Food ministry raised the monthly sales quota for [Mar 21] to 2.1 Mt: 0.4 Mt higher than the previous month and similar to last year (Graph 4).

Graph 4 - Monthly sales quota allocations in 2020/21



5 - WEATHER CONDITIONS

According to data released by the Indian Meteorological Department (IMD), India's cumulative rainfalls during this year's winter season (up to 27th January 2021) is 30% below LPA - Long Period Average (Table 2).

Table 2 - Seasonal Rainfall Scenario (01st January to 26th February, 2021)

Regions	Actual [mm]	Normal [mm]	Variations [%]
ALL INDIA	25.7	36.7	-30%
Northwest India	33.2	70.2	-53%
Central India	8.8	14.3	-38%
South Peninsula	55.8	15.1	270%
East & northeast India	10.0	46.4	-78%

In the meantime, IMD forecasts a hot summer [Mar to May] this year.

6 - IN BRIEF: GOVERNMENT AND INDUSTRY'S RECENT DECISIONS

- Some Indian sugar mills reportedly surrendered their allocated export quota [the total volume surrendered representing 212 kt. Consequently, the Central Government reallocated that volume amongst mills who already signed export contracts totalling 50% of their MAEQ quota by [Feb 21] and which are willing to export more sugar.
- Sugar complexes are facing problems to supply EtOH to oil marketing companies (OMCs). According to local industry sources :
 - i) OMCs are reportedly delaying physical deliveries of contracted EtOH volumes due to inadequate storage capacities,
 - ii) OMCs are diverting physical deliveries to locations different from the ones specified in EtOH sales' contracts,
 - iii) OMCs are issuing purchase orders (to sugar complexes) with explicit mention of lower quantities than those they originally contracted for.
- At this stage, Indian sugar mills and local distilleries have contracted for a total volume of a 3.1 billion litres of ethanol to be supplied to OMCs in 2020-21.
- Maharashtra sugar factories are yet to clear sugarcane arrears which amount to around Rs. 2.33 billion for this season [Oct – Sep basis]. While Uttar Pradesh sugar mills owed nearly Rs 11 billion.



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