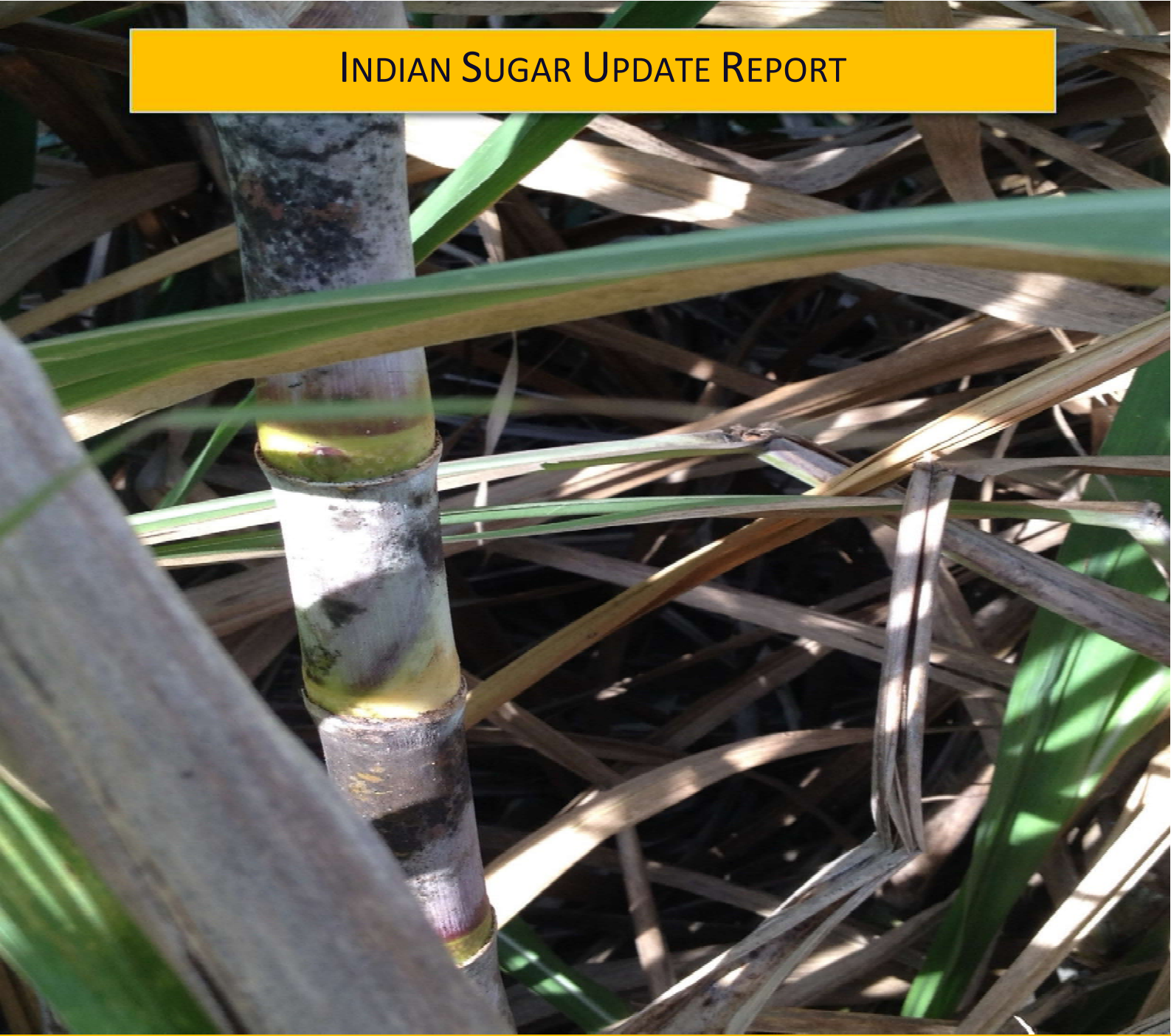


# INDIAN SUGAR UPDATE REPORT



**MAY 2021**

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**1 – 2020/21 SEASON**

The 2020/21 season is now almost over: all sugar mills having concluded their sugarcane crush. Overall, sugar production crossed 30.66 million tonnes (Mt) mark on June 15<sup>th</sup> (Table 1): 13% higher than last year.

However, these are not final figures as Southern States (Tamil Nadu and Karnataka) will produce an additional 0.32 Mt of sugar during their “special” scheduled over [Jun – Sep].

In this regard, we expect final production in 2020/21 to reach 31 Mt by the end of [Sep 21].

**Table 1 - Indian sugar production**

State	2020/21* [Mt sugar]	2019/20 [Mt sugar]	Y-o-Y variations [Mt sugar]	Y-o-Y variations [%]	2020/2021 Forecast [Mt sugar]
Uttar Pradesh	11.06	12.63	-1.57	-12	11.10
Maharashtra	10.63	6.17	4.46	+72	10.63
Karnataka	4.17	3.38	0.79	+23	4.30
Gujarat	1.03	0.93	0.1	+11	1.03
Tamil Nadu	0.67	0.62	0.05	+8	0.82
Other States	3.10	3.39	-0.29	-9	3.10
<b>ALL INDIA</b>	<b>30.66</b>	<b>27.12</b>	<b>3.54</b>	<b>+13</b>	<b>30.98</b>

\* As of June 15<sup>th</sup>, 2021

Meanwhile, an estimated sugar-equivalent of 2 Mt will eventually be derived to ethanol (EtOH) and closing stocks are expected to be higher than 8 Mt for the fourth season in a row.

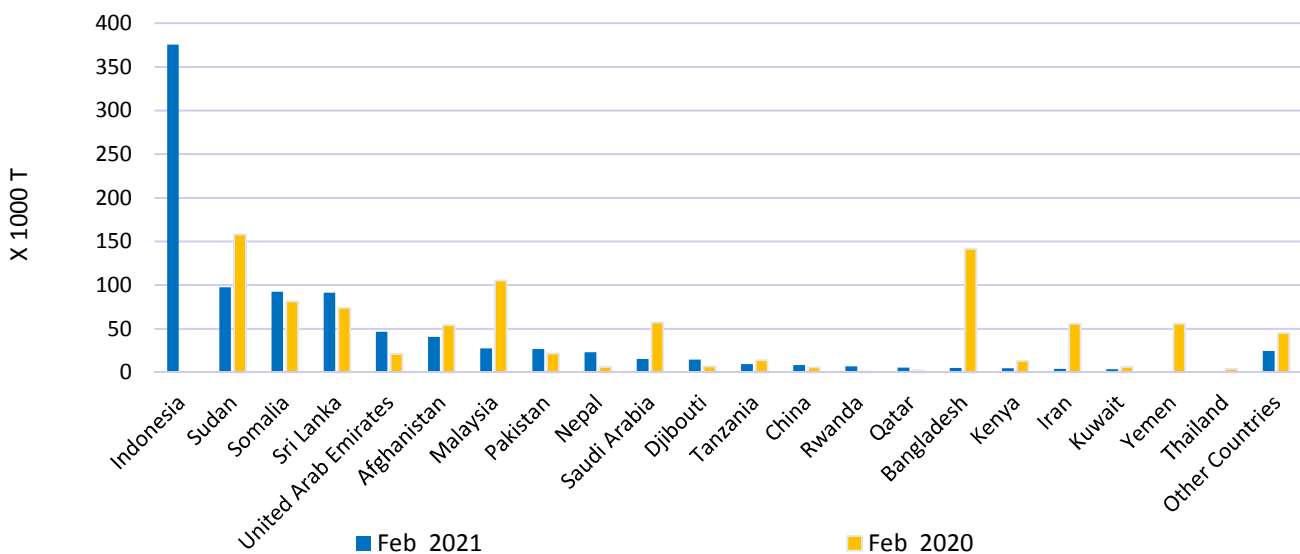
## 2 – SUGAR EXPORTS

With 5.8 Mt of contracted export shipments, Indian sugar exports are yet to hit the (raws + whites) target set by government authorities for 2020/21 (6 Mt). However, exports are up 38% from a year ago when 4.2 Mt of sugar exports had been contracted.

In the meantime, shipments have nearly hit the 5-Mt mark.

Overall, Indian sugar mills will comfortably achieve their export targets despite GoI having reduced the export subsidy (cf. previous reports for more details).

**Graph 1 – Indian sugar exports [Feb 2021]**



**Note:** Above data does not include export volumes of refined sugar resulting from “tolling” operations under the Advance Authorisation Scheme (AAS)

From a geographic point of view (Graph 1), Indonesia, Sudan, Somalia and Sri Lanka were the major destinations for Indian sugar in [Feb 21].

Overall and according to our trading sources, India exported more than 1.2 Mt of sugar to Indonesia so far this season. Indonesia is therefore the biggest importer of Indian sugar this season.

With international white sugar prices above levels on the domestic market, traders have now a clear incentive to export sugar even without the export subsidy available under Open General License (OGL).

From a quantitative point of view, total Indian sugar exports are expected to be 1 Mt higher than the 6 Mt target set by the Government.

### 3 – DOMESTIC PRICES

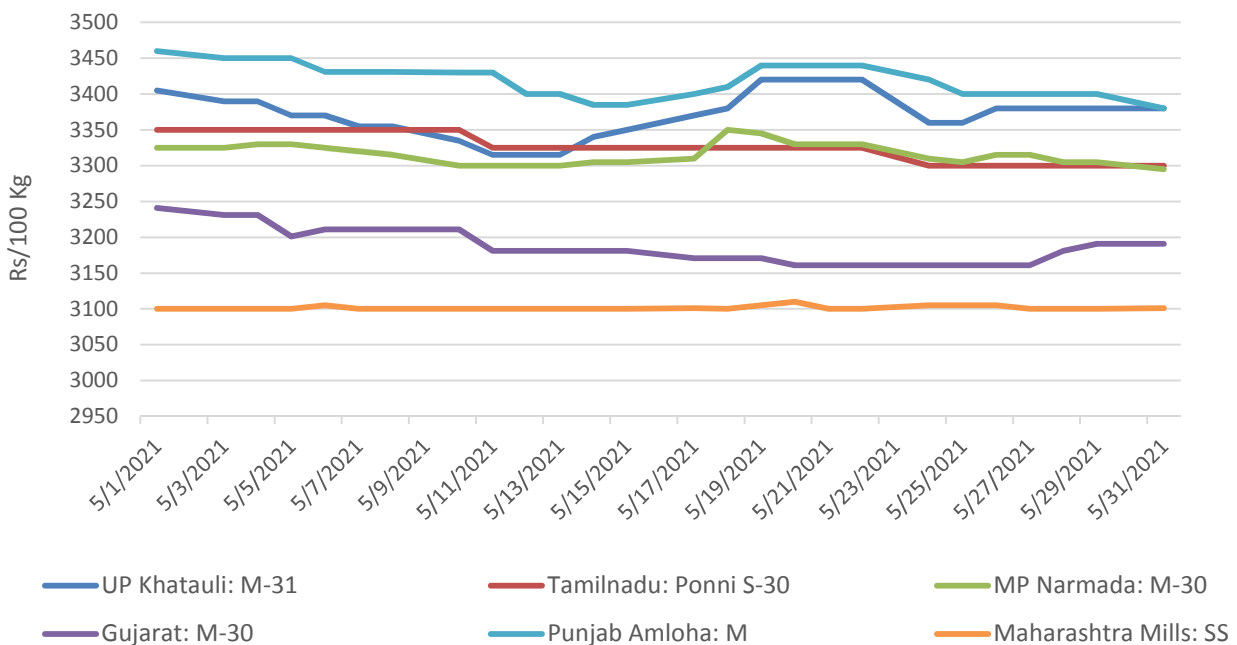
Ex-mill sugar prices remained weak in [May 21] with ample supplies from sugar mills more largely offsetting demand despite an increase in monthly sugar sales quota.

Practically, domestic sugar consumption was strongly affected the second wave and lockdowns which were enforced in most States of the country.

From a regional point of view (Graph 2), ex-mill sugar prices in UP (M-grade) averaged Rs. 3,371/100 Kg in [May 21]: down 1% from a month ago, but almost 6% higher than a year ago.

In Maharashtra SS-grade sugar prices remained steady compared to a month ago and traded at an average Rs 3,100/100 kg : 2.3% higher than a year ago.

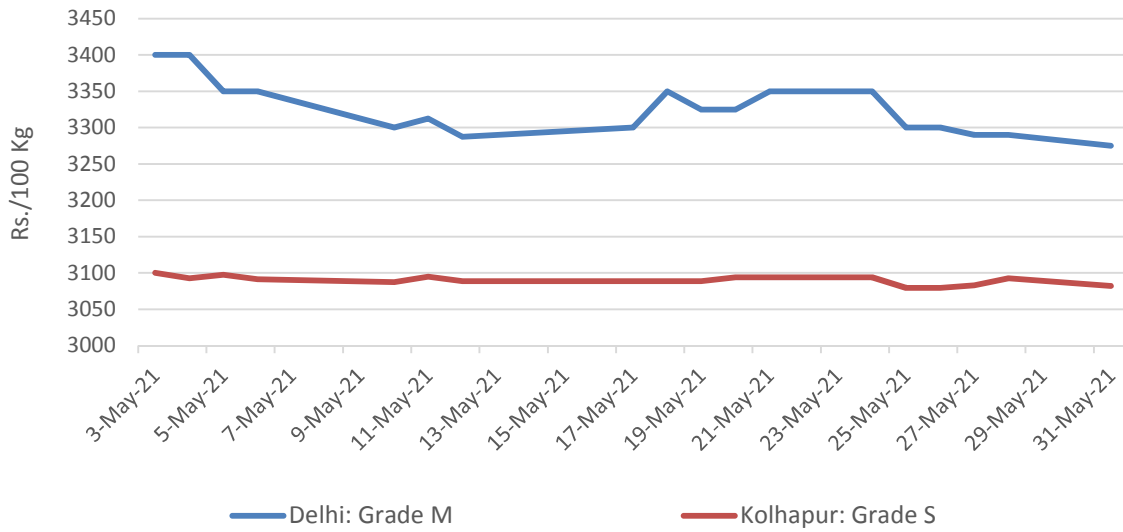
**Graph 2 - Ex-mill sugar prices [May 21]**



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Looking at the wholesale sugar segment, sugar prices recovered on an expected rise in demand for the summer season. From a quantitative point of view, wholesale sugar prices averaged Rs 3,639/100 Kg nationwide (1% up m-o-m) while M-grade sugar was traded at an average Rs 3,325/100 kg in Delhi and S-grade averaged Rs 3,090/100 kg in Kolhapur (Graph 3).

**Graph 3 – Domestic wholesale sugar prices NCDEX [May 21]**



Looking ahead, local sugar prices are anticipated to recover in [Jun 21] due to:

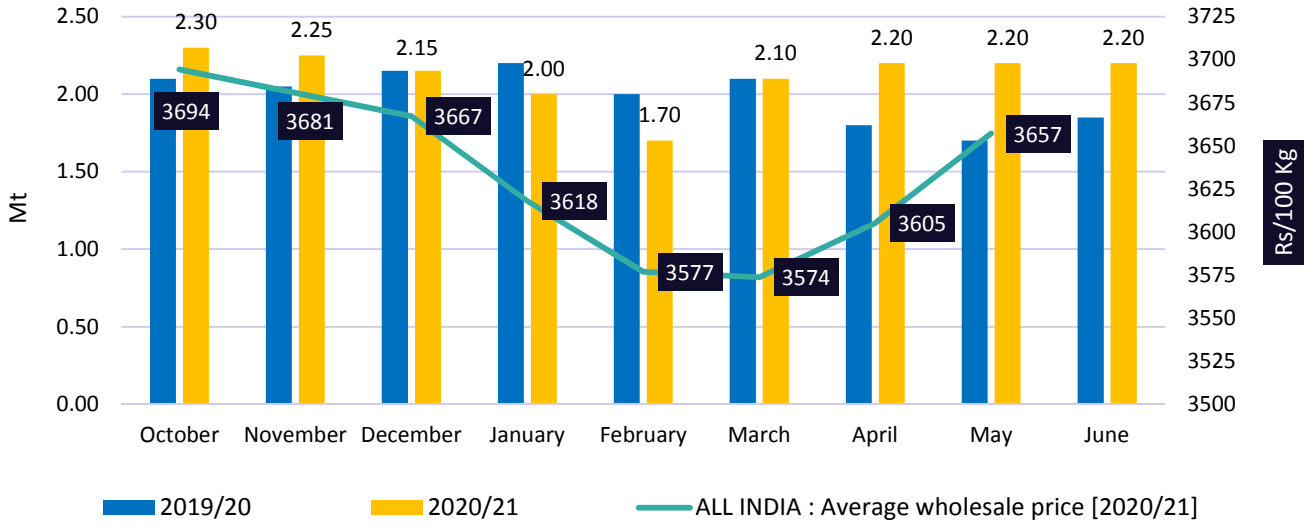
- An ease down of lockdowns in major States of the country,
- An increase of local demand triggered by the upcoming festive season.

**Graph 4 – Retail and Wholesale sugar prices [May 21]**



Last, the Food ministry set [Jun 21] monthly sugar sales quota at 2.2 Mt: a similar level for the third consecutive month (Graph 5). This decision is expected to increase mills’ liquidity to clear pending cane arrears of farmers.

**Graph 5 - 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 pre-monsoon season [Mar 01 - Jun 30] will be 18% above LPA - Long Period Average (Table 2).

**Table 2 – “Pre-monsoon” rainfall scenario**

Regions	Actual	Normal	Variations
	[mm]	[mm]	[%]
<b>ALL INDIA</b>	<b>155.2</b>	<b>131.7</b>	<b>18.0%</b>
Northwest India	125.3	114.4	<b>9.0%</b>
Central India	85.2	37.5	<b>127.0%</b>
South Peninsula	168.7	121.3	<b>39.0%</b>
East & northeast India	344.4	376.8	<b>-9.0%</b>

As for the cumulative Southwest monsoon season [Jun – Sep], 2021 rainfalls over the country should be “normal” i.e. 96% to 104 % of Long Period Average (LPA).

**Table 3 –Southwest monsoon forecasts for the country**

Category	Rainfall Range	Forecast	Climatological
	(% of LPA)	Probability (%)	Probability (%)
Deficient	< 90	<b>8</b>	16
Below Normal	90 - 96	<b>18</b>	17
Normal	96 -104	<b>40</b>	33
Above Normal	104 -110	<b>22</b>	16
Excess	> 110	<b>12</b>	17

Together with an expected rise in sugarcane acreage, the normal monsoon for third consecutive year should translate into higher cane availabilities for the upcoming season 2021/22. However, the Indian sugar output may not be higher than this season due to a higher diversion of cane for ethanol production purpose.

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

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- The Government of India reduced the sugar export subsidy by Rs. 2,000/ton to Rs. 4,000/ton.
- At this stage, Indian sugar mills and local distilleries contracted a total volume of 3.21 billion litres of ethanol which will be supplied to OMCs in 2020-21.
- The Government of India has set a new EtOH blending target of 20% by 2023.
- Maharashtra sugar factories are yet to clear sugarcane arrears which totalled about Rs. 13 billion this season [Oct – Sep basis].



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