Indian Sugar Update Report

Q2 2021

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TABLE CONTENT

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KEY FINDINGS

2020/21 campaign		
India Sugar Production [1 Oct 20 – 1 July 21] = 30.7 Mt	↑	12.5% y-o-y
Indian sugar production estimate [Oct 20 - Sep 21] = 31 Mt	↑	13.1% y-o-y
Sugar exports		
[2020/21] Oct - July: 5.9 Mt	↑	20% y-o-y
[2020/21] Oct – Sept Estimate: 6.7 Mt	↑	17.5% y-o-y
Domestic prices		
Domestic ex-mill sugar prices [Q2 2021]: Rs. 3,278/ QTL	↑	0.4% y-o-y
Wholesale Sugar prices [Q2 2021]: Rs 3,632/QTL	↓	1.1% y-o-y
Sugar carryover stocks		
October 1st, 2021: 8 Mt	↓	17.5% y-o-y

Editor's Note: In this report, sugar volumes are expressed in tel quel value unless stated otherwise.

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1 – 2020/21 & 2021/22 SEASONS

The Indian 2020/21 season is almost over as all sugar mills have concluded their crush. Although total sugar output hit the 30.7 million tonnes (Mt) mark (up 12.5% from last year), this figure is yet to be final as an additional [0.2 – 0.3] Mt of sugar will be produced in Southern states (Tamilnadu and Karnataka) during the “special” season that traditionally occurs in [Jun – Sep].

Eventually, final sugar output for 2020/21 should end close to 31 Mt by September 30th, 2021.

In the meantime, a sugar-equivalent volume of 2.3 Mt was used for domestic ethanol purposes this season.

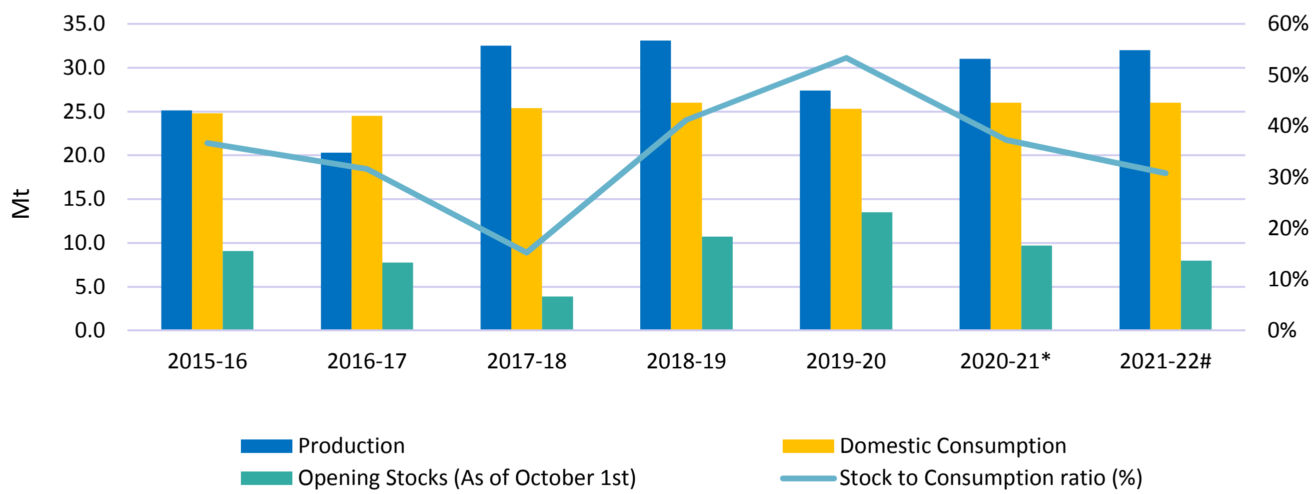
Table 1 - Indian sugar production data

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	11.10	12.64	-1.54	-12	11.12
Maharashtra	10.63	6.18	+4.45	+72	10.63
Karnataka	4.17	3.42	+0.75	+22	4.30
Gujarat	1.03	0.93	+0.10	+11	1.03
Tamil Nadu	0.67	0.73	-0.06	-8	0.82
Other States	3.10	3.40	-0.30	-9	3.10
ALL INDIA	**30.70**	**27.30**	**3.40**	**+12**	**31.00**

* = estimate

With domestic consumption pegged at 26 Mt and export shipments likely to total 6.7 Mt, an estimated 8 Mt of sugar is to be carried forward onto 2021/22 by 01 October 2021 (Graph 1). Although some analysts recently highlighted this will be the lowest level of opening stocks since 2017-18, it largely offsets the “3-month” stock requirement traditionally set by authorities.

Graph 1 - Indian sugar production, consumption and opening stocks



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Looking at 2021/22, total cane area is expected to rise to 5.37 Mha (Table 2). As a consequence, the upcoming 2021/22 sugar production will remain high and should total [31.5 – 32] Mt. Another significant volume of Indian sugar is therefore expected to hit the world market next season.

Table 2 - Indian sugarcane acreage data

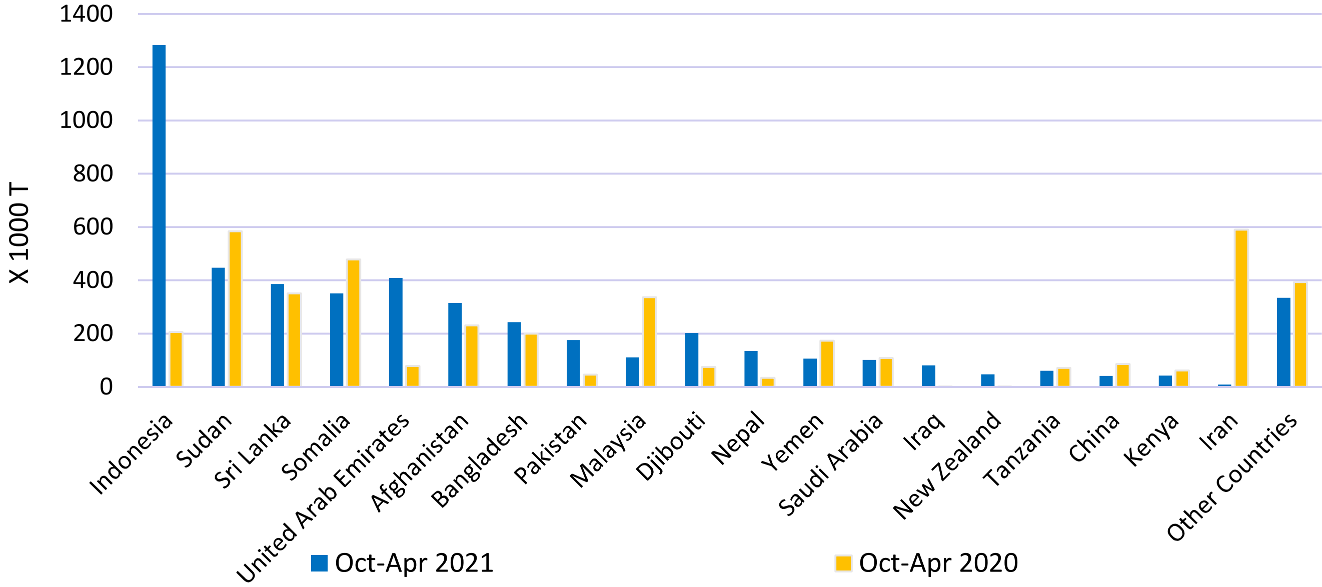
	2020/21 [Mha]	2021/22 [Mha]	Y-o-Y variations [MHa)
Andhra Pradesh	0.12	0.084	-0.036
Assam	0.025	0.028	0.003
Bihar	0.262	0.264	0.002
Chhattisgarh	0.031	0.012	-0.019
Gujarat	0.173	0.231	0.058
Haryana	0.094	0.110	0.016
Karnataka	0.507	0.510	0.003
Madhya Pradesh	0.112	0.106	-0.006
Maharashtra	1.143	1.232	0.089
Odisha	0.017	0.017	0
Punjab	0.096	0.098	0.002
Tamil Nadu	0.171	0.150	-0.021
Telangana	0.03	0.021	-0.009
Uttar Pradesh	2.359	2.362	0.003
Uttarakhand	0.092	0.093	0.001
West Bengal	0.016	0.017	0.001
Others States	0.034	0.035	0.001
ALL INDIA	**5.282**	**5.370**	**0.088**

Others* : includes Manipur, Mizorum, Nagaland, Tripura, Goa, Arunachal Pradesh, Kerala, Jharkhand and Rajasthan

2 – Sugar Exports

By the beginning of [Jul 21], Indian sugar export shipments had crossed the 4.7 Mt mark while contracted volumes under MAEQ totaled an estimated 5.9 Mt (up from the 4.5 Mt recorded at the same time a year ago).
Meanwhile, an estimated 0.44 Mt of sugar was reportedly contracted under OGL bringing total Indian sugar exports close to 6.4 Mt so far this season.
Even though Indian OGL exports are theoretically (and on an average basis) not profitable below 18.5 cts/lb, some operators are expected to trade out additional OGL export volumes in the last few months of 2020/21 bringing total exports to 6.7 Mt by end September.

Graph 2 – Indian sugar exports: 2020/21 [Oct – Apr]



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

From a geographical point of view and according to [Oct 20 - Apr 21] export statistics:

- Inonesia is by far the biggest importer of Indian sugar so far this season (1.3 Mt),
- Sudan remains a major importer of Indian sugar (450 kt),
- UAE increased the level of its Indian sugar imports above 400 kt,
- Iran - last season's top buyer – is yet to import significant volumes of Indian sugar this season due to a lack of rupees.

As for the upcoming 2021/22, the Government of India may – once again - renew its export subsidy scheme for a total volume of 6 Mt. In this regard, government authorities repeatedly mentioned that "subsidies for transport and marketing of agriculture products" are allowed until 2023 under various WTO rules therefore dismissing complaints led by Brazil, Australia and Guatemala.

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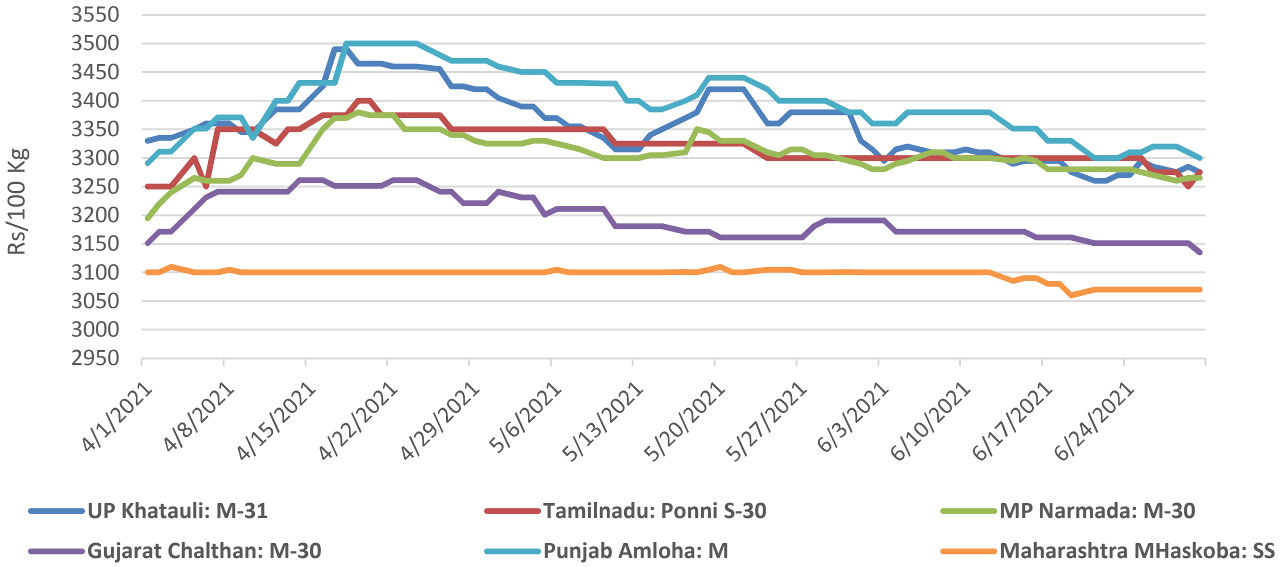
3 – Domestic Prices

Compared to Q1 2021 and despite higher monthly domestic sugar sales quotas, local prices appreciated over Q2 2021. According to local sources, the ease down of lockdown restrictions triggered some active buyings which supported domestic prices.

Graph 3 - Ex-mill sugar prices: [Q2 2021]

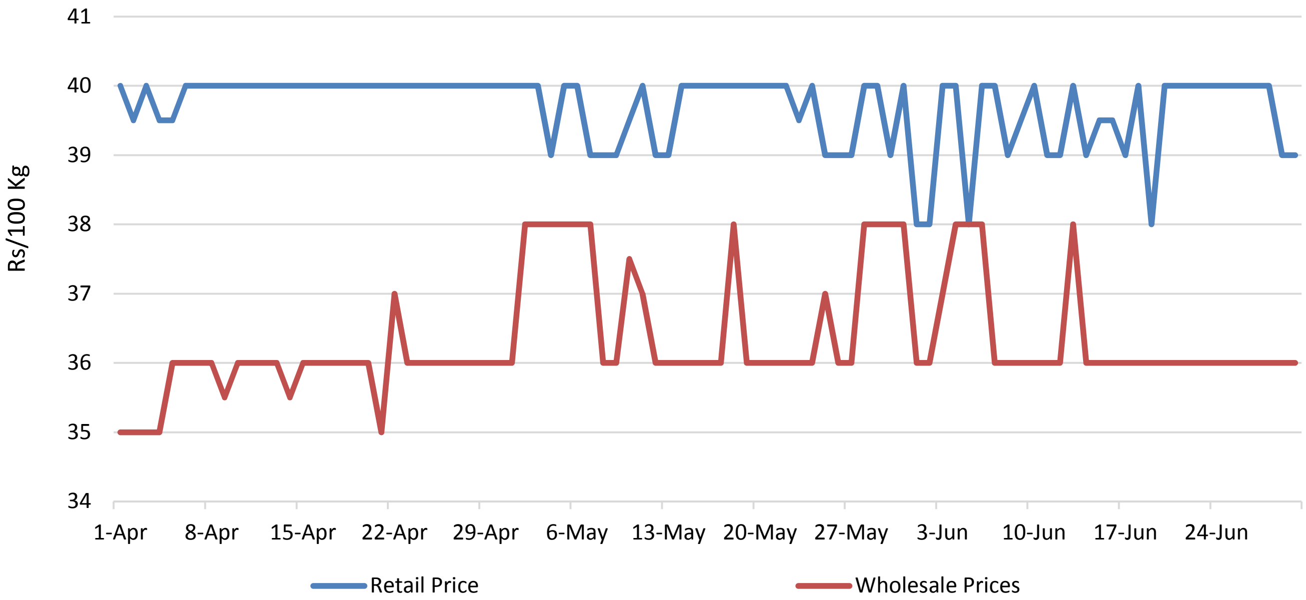


From a regional point of view (Graph 3), ex-mill sugar prices in Uttar Pradesh (M-grade) averaged Rs. 3,358/100 Kg over Q2 2021: up 3% from the previous quarter and up 3.6% from a year ago.

In Maharashtra, SS-grade sugar prices averaged Rs 3,096/100 kg: up 0.8% from Q1 2021 but down 1.33% from a year ago.

Overall, ex-mill sugar prices traded at an average price of Rs. 3,278/100 Kg in the country : up 2.4% from Q1 2021.

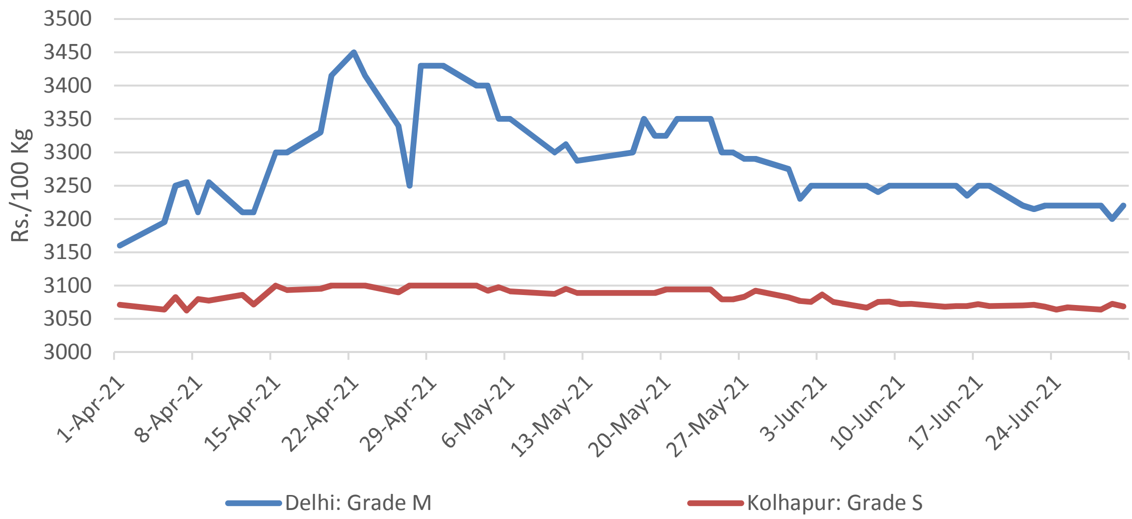
Graph 4 – Retail and Wholesale sugar prices: [Q2 2021]



In the meantime:

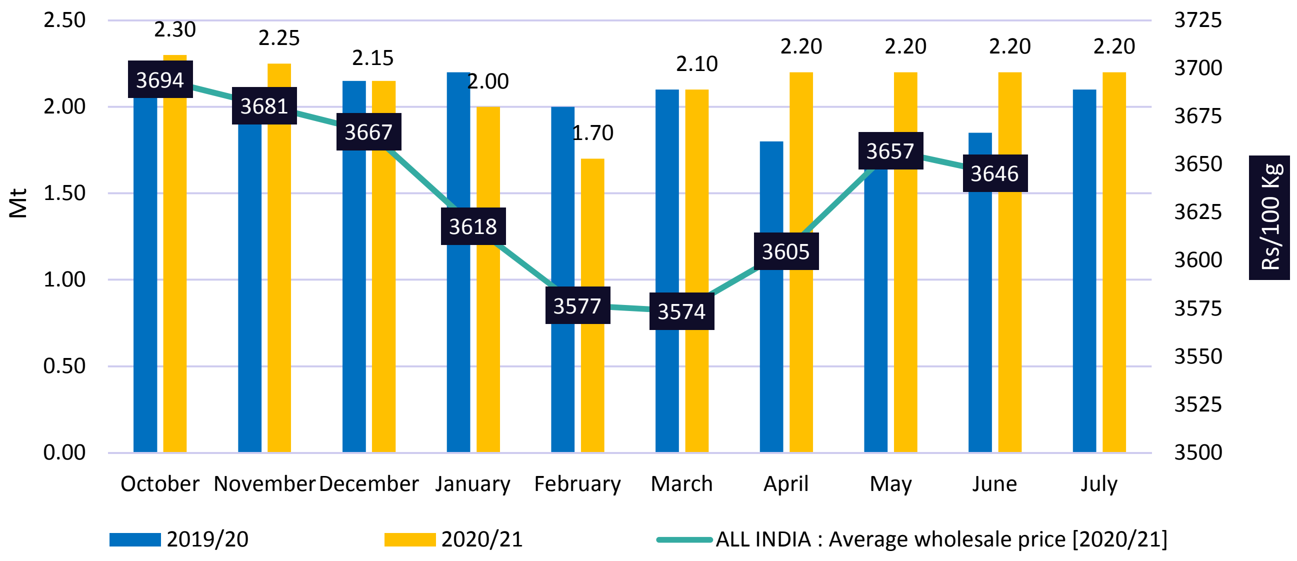
- wholesale sugar prices reportedly averaged Rs 3,632/100 Kg: up 2.5% from the previous quarter but down 0.5% from a year ago,
- average retail sugar prices marginally improved from the previous quarter at Rs. 39.68 per Kg (Graph 4),
- M-grade sugar was traded at an average Rs 3,286/100 kg in Delhi (wholesale),
- S-grade sugar averaged Rs 3,082/100 kg in Kolhapur (Graph 5).

Graph 5 – Wholesale sugar price Delhi M-Grade and Kolhapur S-Grade (NCDEX Spot)



Lastly and for the fourth month in a row (Graph 6), the Food Ministry of India set the monthly sugar sales quota to 2.2 Mt for [Jul 21].

Graph 6 - Monthly sales quota allocations [Oct-July]



4 - Weather Conditions

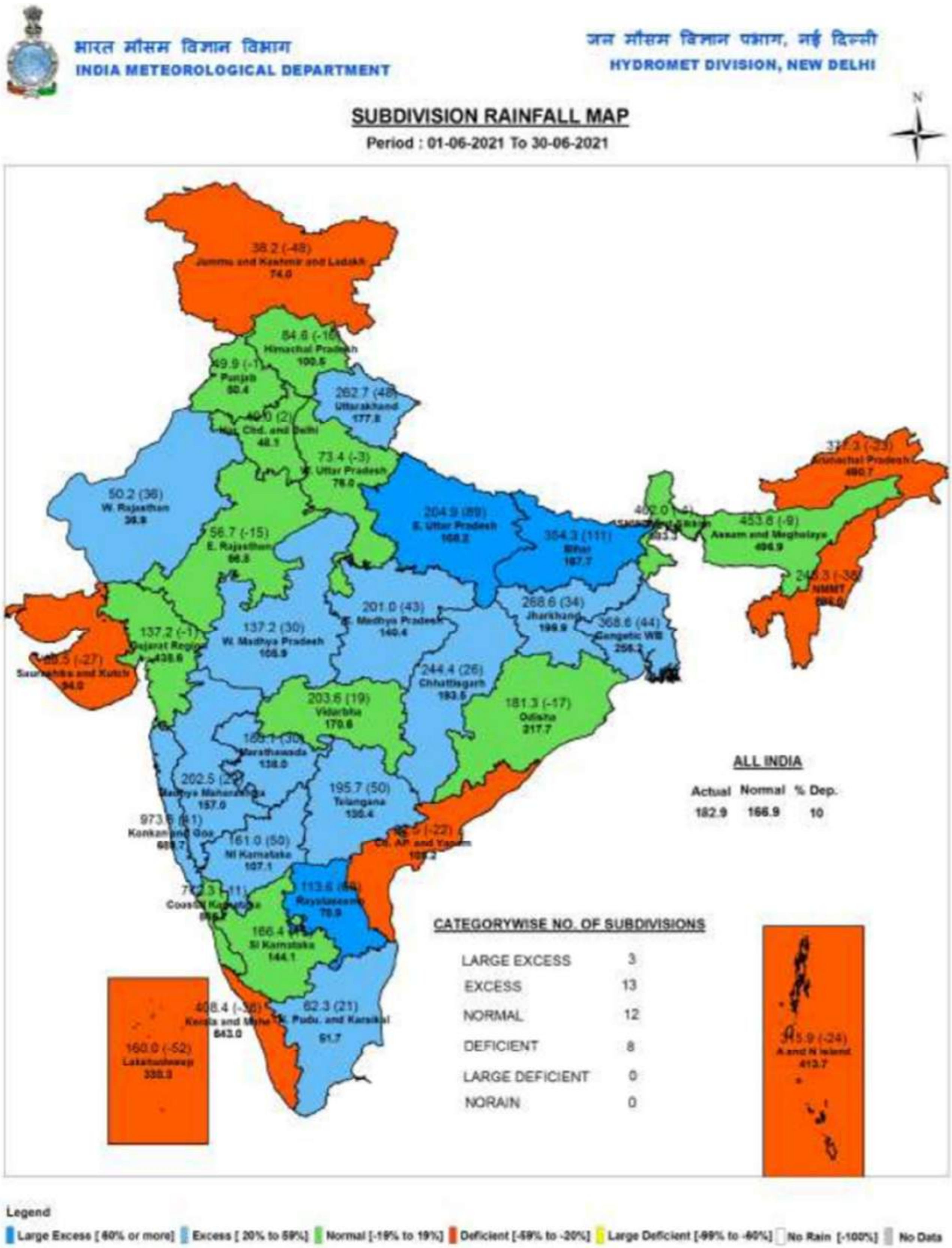
According to data released by the Indian Meteorological Department (IMD), Indian cumulative rainfalls recorded in [Jun 21] have been 10% above the Long Period Average (LPA).

Table 2 - Seasonal Rainfall Statistics for [Jun 21]

Regions	Actual [mm]	Normal [mm]	Variations [%]
ALL INDIA	**182.9**	**166.9**	**10.0%**
Northwest India	85.7	75.3	**14.0%**
Central India	198.8	169.2	**17.0%**
South Peninsula	166.2	160.2	**4.0%**
East & northeast India	357.3	347.1	**3.0%**

Overall, IMD anticipates normal to above normal monsoon rainfalls this season[1].

[1] India traditionally receives 70% of its annual rainfalls during the [June, July, August and September] period.



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5 - In Brief: Government and Industry's recent Decisions

- The Cabinet Committee on Economic Affairs (CCEA) has recommended to increase the sugarcane Fair and Remunerative Price (FRP) for 2021/22 by Rs. 5 at Rs. 285 per quintal (100 kg) for a basic sugar recovery rate of 10%.

- The Indian sugar trade body requested to the Government of India to set the Minimum Selling Price (MSP) of sugar to Rs. 34.5 per Kg.

- This season's sugarcane arrears currently stand at Rs. 190 billion: Maharashtra representing nearly Rs. 8 billions and Uttar Pradesh Rs. 90 billions.

- Sugar mils and distilleries have contracted for about 3.23 billion litres of ethanol with Oil Marketing Companies (OMCs) for the current 2020/21 season [Dec-Nov basis].

- So far this season, Indian ethanol manufacturers have supplied the equivalent of 1.76 billion liters of ethanol to OMCs: a significant rise from the 0.925 billion litres supplied at the same time a year ago.

- The government of India has set a 20% ethanol-blending target by 2025 which could result in about [10 – 11] billion liters of ethanol to be domestically produced in the country by that time.

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