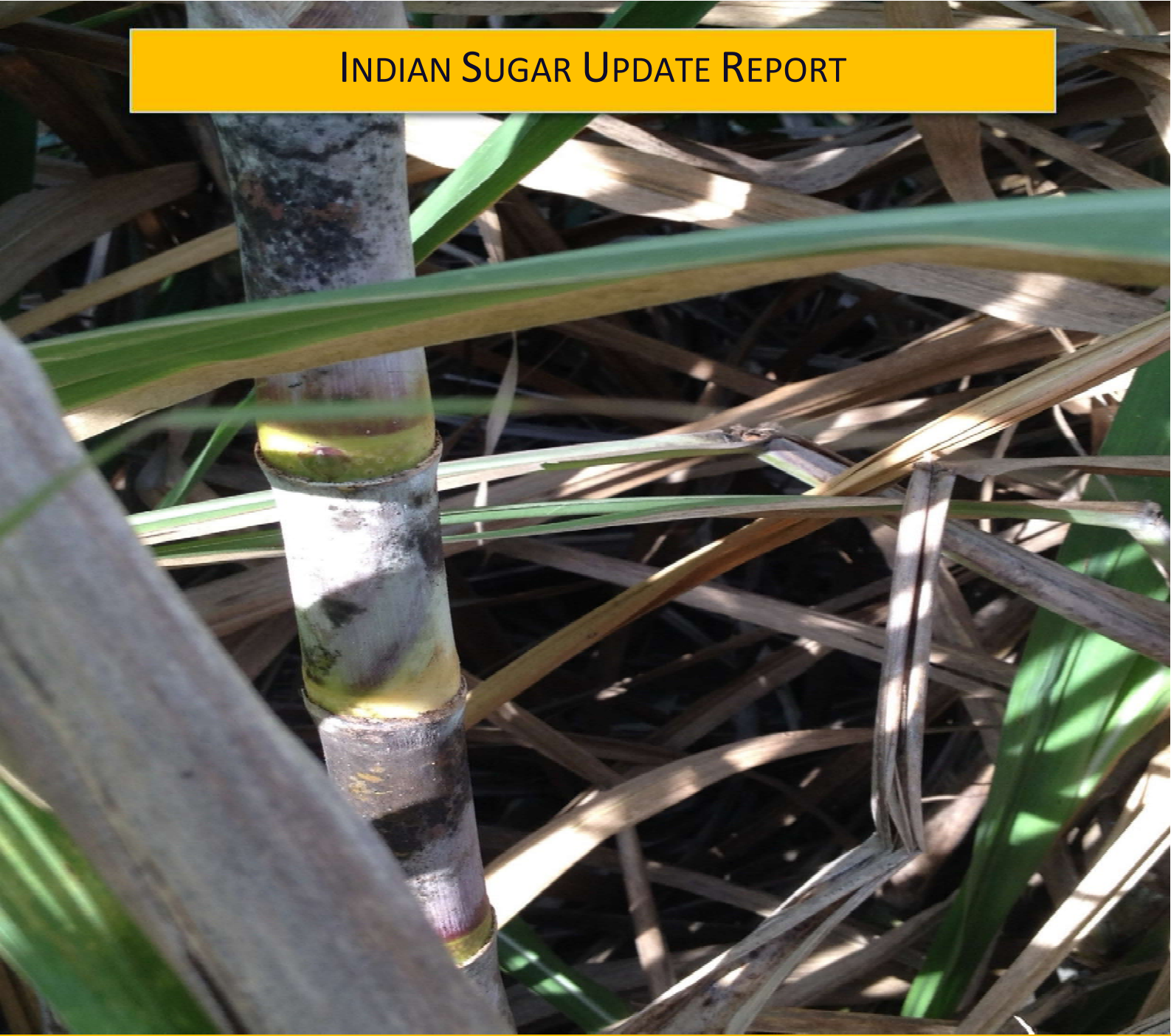


INDIAN SUGAR UPDATE REPORT



JULY-AUGUST 2021

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1 – 2020/21 & 2021/22 SEASONS

Sugar production of India nearly concluded and the country's sugar output is set to total 31 million tonnes (Mt) by end-season: up 13% from last season.

Sugar production essentially increased in Maharashtra and other Southern States (Table 1) which received above-normal monsoon rains last season, therefore boosting cane development and sugar outputs in those regions.

Table 1 - Indian sugar production

State	2020/2021' [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	12.64	-1.58	-13	11.20
Maharashtra	10.63	6.18	4.45	+72	10.50
Karnataka	4.3	3.42	0.88	+26	4.80
Gujarat	1.03	0.93	0.1	+11	1.00
Tamil Nadu	0.8	0.73	0.07	+10	1.00
Other States	3.1	3.4	-0.3	-9	3.00
ALL INDIA	30.92	27.30	3.62	+13	31.50

As for 2021/22, the situation looks as positive as (or even better than) in 2020/21 : normal monsoon rains recorded so far this season being beneficial for the “grand growth” cane development phase.

Overall and according to our estimates, the Indian sugar output is anticipated to total 31.5 Mt in 2021/22 [Oct – Sept basis].

Besides, the country should divert an estimated [3 – 3.5] Mt of sugar-equivalent volume for ethanol purposes.

With 2021/22 opening stocks close to 8 Mt and domestic demand currently set at 26.5 Mt, India will have large availabilities which could theoretically negatively affect domestic sugar prices. However, given the current rally on the international sugar market, the country will be in a position to export historically-high amounts of unsubsidized sugar on the world market.

At this stage, there is some sort of market consensus for an estimated 6.5 Mt of Indian sugar being shipped onto the international market in 2021/22.

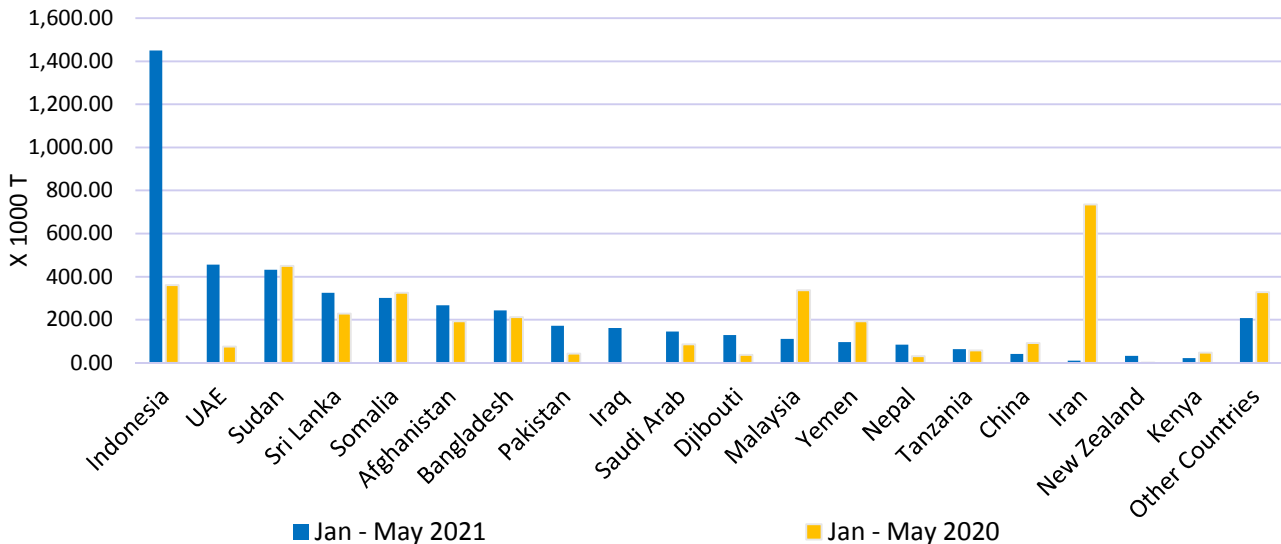
2 – SUGAR EXPORTS

With more than 7 Mt of Indian sugar having been contracted for exports before 30th September 2021, the country outperformed Gol's initial export target set at 6 Mt for 2020/21¹ [Oct – Sept basis].

Disappointing cane productivity and quality as well as recent frost episodes that hit Brazil played a key role in these better-than-anticipated results as it supported international sugar prices and offered an economic incentive to maximize Indian sugar exports...even with a reduced export subsidy.

From a geographical point of view (Graph 1), Indonesia – followed by Afghanistan and UAE - remained by far the biggest importer of Indian sugar this season (1.6 Mt of sugar imported so far in 2021).

Graph 1 – Indian sugar exports



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

With current international sugar prices making Indian world sugar exports economically viable, Indian sugar exporters will surely continue to pile up contracts for 2021/22 even though the Government should discontinue the export subsidy it previously offered.

In this perspective and according to trading sources, Indian millers have already signed forward contracts for an estimated 0.8 Mt of sugar to be shipped in 2021/22: most of the contracts involving raw sugar.

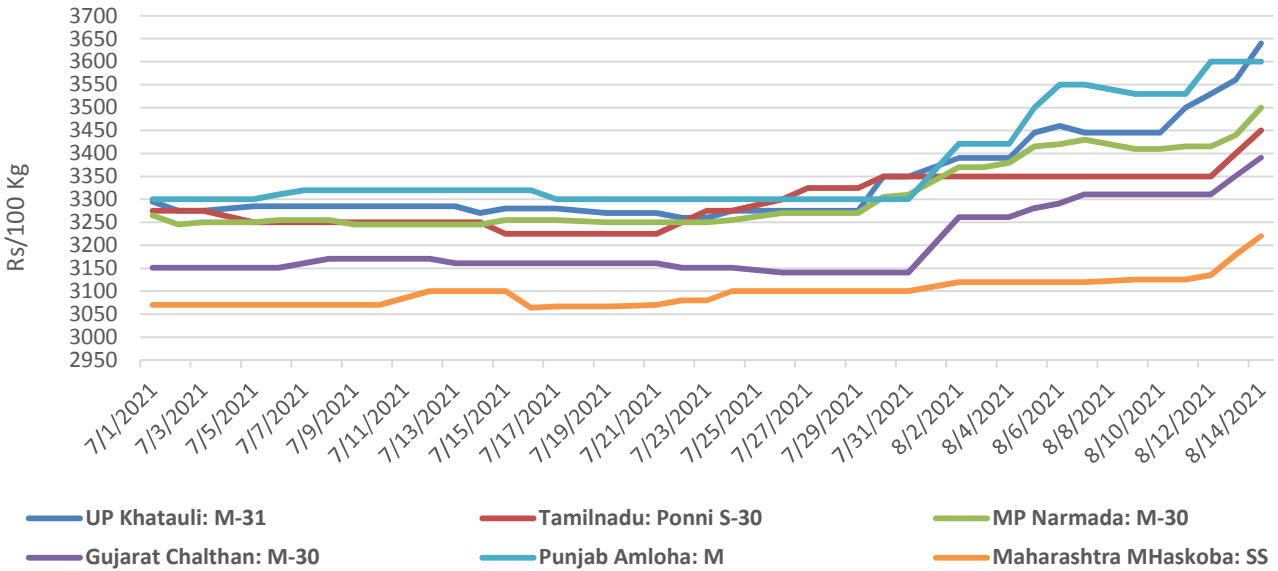
As indicated in the previous section, there is some sort of market consensus for an estimated 6.5 Mt of Indian sugar being shipped onto the international market in 2021/22.

¹ In 2019/20, India exported 5.96 Mt of sugar.

3 – DOMESTIC PRICES

Domestic “ex-mill” sugar prices remained steady in [Jul 21] but spiked (Graph 2) over the first half of [Aug 21].

Graph 2 – Domestic “ex-mill” sugar prices

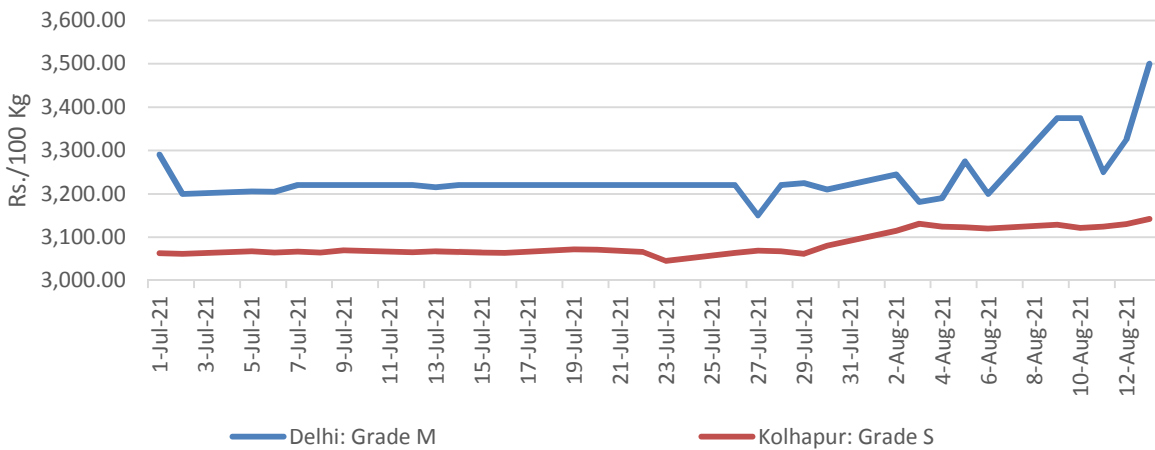


With international sugar prices on the rise, a number of sugar mills started diverted some of their stocks towards the international market where better returns could be generated.

From a regional point of view, ex-mill sugar prices in Uttar Pradesh (M-grade) averaged Rs. 3,341/100 Kg while Maharashtra SS-grade traded at an average Rs 3,100/100 kg over [Jul – mid Aug].

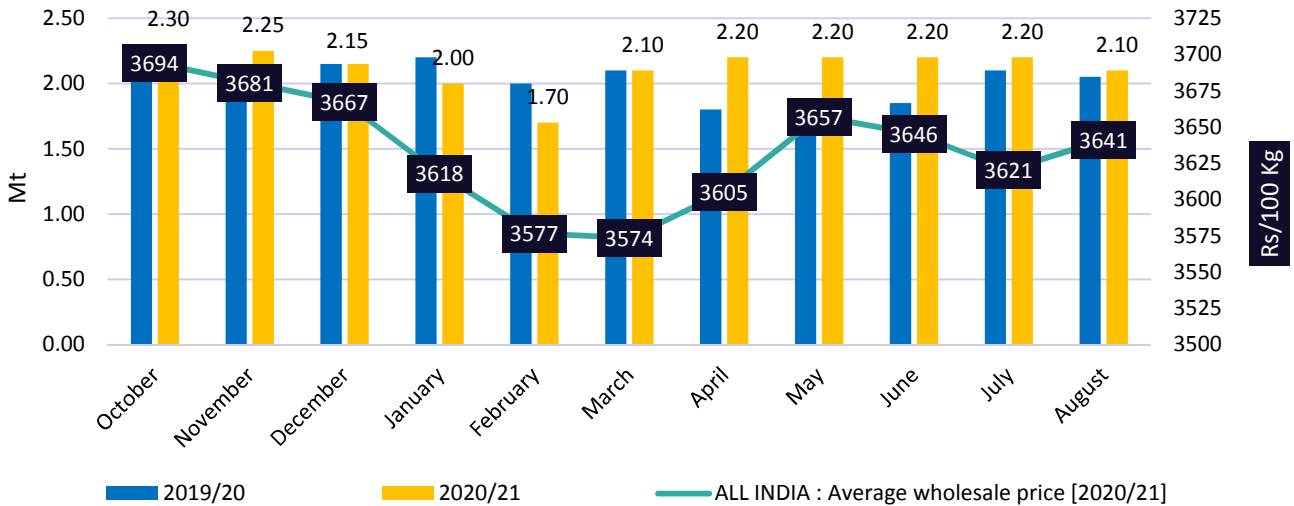
Looking at the wholesale sugar segment, sugar prices were traded at an average Rs 3,631/100 Kg nationwide. M-grade sugar was traded at an average Rs 3,241/100 kg in Delhi while S-grade sugar averaged Rs 3,085/100 kg in Kolhapur (Graph 3).

Graph 3 – Domestic wholesale sugar prices NCDEX [July – Mid-August 21]



Ahead of festivals, the Food Ministry of India increased the monthly sales quota for [Aug] : + 50,000 t from a year ago (Graph 4). This move is also meant to boost mills’ liquidity to facilitate timely cane payments to farmers.

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 for this year’s monsoon season are 14% above LPA - Long Period Average. The situation is however quite variable between regions with very significant above-average rainfalls in the South Peninsula (Table 2).

Table 2 - Seasonal Rainfall Scenario for Monsoon Season of 2021 (01st June to 6th August, 2021)

Regions	Actual [mm]	Normal [mm]	Variations [%]
ALL INDIA	714.6	826.1	14.0%
Northwest India	322.0	317	2.0%
Central India	530.3	537.1	-1.0%
South Peninsula	449.2	404.1	11.0%
East & northeast India	479.7	489.3	-2.0%

This situation should eventually result in good cane productivity for the upcoming harvesting season.

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

- The government of India is expected to withdraw the sugar export subsidy for the upcoming sugar season as international sugar prices appreciated and became remunerative against local prices.
- Under the “Ethanol Blended Petrol” (EBP) Programme, sugar factories and distilleries have reportedly contracted to supply 3.4316 billion litres of ethanol to public sector OMCs. So far, a total of 2.16 billion litres (+ 25% from a year ago) has already been physically supplied to OMCs : .
- Indian sugar mills are yet to clear Rs. 89.09 billion.
- Maharashtra cane arrears for 2020/21 amount to Rs. 3.9 billion while Uttar Pradesh sugar mills are said to owe an estimated 20% of the total cane purchase value made in 2020/21.



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