

INDIAN SUGAR UPDATE REPORT



AUGUST – SEPTEMBER 2021

Editors: Alexis PATRY | Harshad SHELAR



TABLE CONTENT

1 – 2021/22 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 – 2021/22 SEASON

India's 2020/21 [Oct-Sept basis] sugar production totalled 31 million tonnes (Mt): up 14% from the previous season.

However, all eyes are now focused on the new sugar season 2020/2022 which will start on October 1st, 2021. Although a large number of sugar mills should start crushing by mid-October the crush season will be in full swing from November 2021 onwards.

From a quantitative point of view:

- **total 2021/22 cane acreage was estimated at 5.47 million hectares by [Sep 21] according to the Ministry of Agriculture : up 1.37% from the current season,**
- **the country's 2021/22 sugar production is anticipated to total 31.6 Mt [Oct – Sept basis],**
- **an estimated [3 – 3.5] Mt sugar-equivalent is projected to be used for ethanol purpose.**

Table 1 - Indian sugar production

State	2020/2021 [Mt sugar]	2019/20 [Mt sugar]	Y-o-Y variations [Mt sugar]	Y-o-Y variations [%]	2021/2022 Forecast [Mt sugar]
Uttar Pradesh	11.06	12.64	- 1.58	- 13	11.00
Maharashtra	10.64	6.18	4.46	+ 72	11.20
Karnataka	4.35	3.42	0.93	+ 27	4.40
Gujarat	1.03	0.93	0.10	+ 11	1.00
Tamil Nadu	0.82	0.73	0.09	+ 12	1.00
Other States	3.10	3.40	- 0.30	- 9	3.00
ALL INDIA	31.00	27.30	3.70	+ 14	31.60

Meanwhile and besides exports likely to hit the 6 Mt once again this coming season, high inventories (8 Mt by October 1st) are expected to weigh on the domestic market. This situation is likely to weight on local white sugar prices in coming months. As a result, Indian sugar factories should favor raw sugar production during the first few months of the season.

In the meantime, India's ethanol production is expected to rise as the country set a 10% fuel-ethanol blending target for 2021/22 [Dec-Nov basis] while ethanol manufacturing capacities are projected to climb up to 4 billion litres by the end of the season

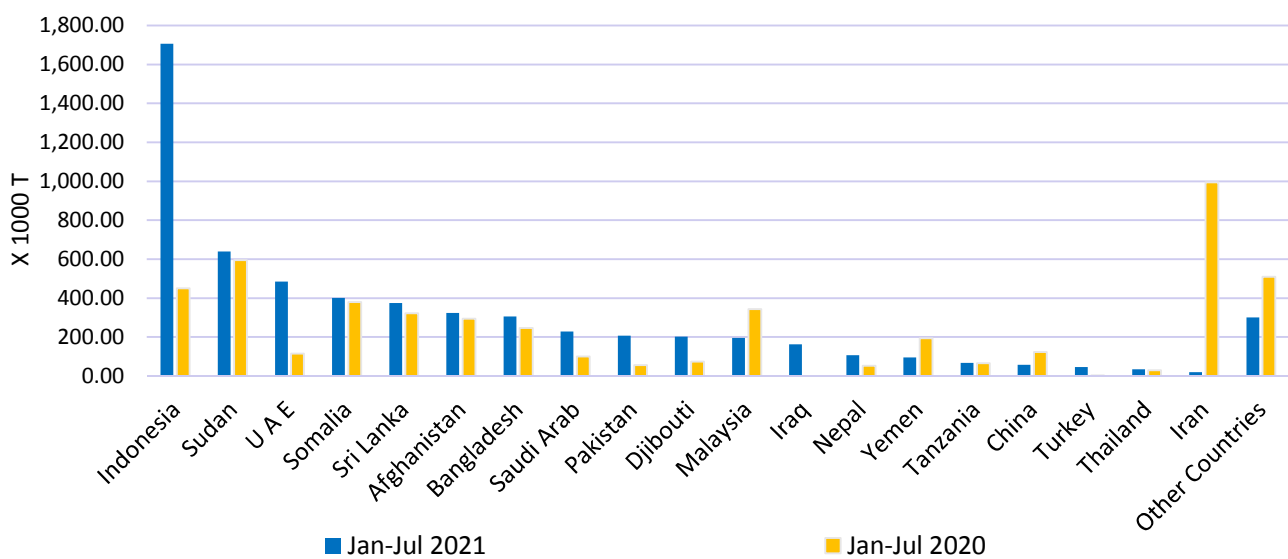
2 – SUGAR EXPORTS

By [Aug 21], India had exported 6.7 Mt of sugar: up 20% from a year ago when the country had totaled 5.6 Mt at that point of the season.

According to our information, total 2020/21 sugar export could eventually hit the 7-Mt mark as nearly 0.3 Mt of sugar has already been transported to the ports for shipping.

In this regard, the positive dynamics on international sugar markets clearly played a significant role and supported the export of an additional 1 Mt of Indian sugar (last year a total of 5.96 Mt of sugar was exported).

Graph 1 – Indian sugar exports [Jan-Jul 2021]



Note: Above data does 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, UAE, Somalia and Sri Lanka were the 5 major importers of Indian sugar this season,
- exports to Iran stopped as the country’s Indian rupee reserves in Indian banks reportedly shrunk and made Indian sugar exporters feared they would not be paid on time.

Meanwhile, the current geopolitical and economic situation in Afghanistan and Sri Lanka could affect Indian 2021/22 sugar exports in those two countries.

Overall and should international sugar prices remain firm, Indian sugar millers will certainly be encouraged to maximize their raw sugar production and export as it offers better returns than sales on domestic local sugar markets at this point. However, the absence of an export subsidy (the Government of India is expected to discontinue the sugar export subsidy scheme especially with the WTO likely to rule in favour of Brazil, Australia and Guatemala which challenged this system) could affect the export momentum should international demand revive.

According to trade sources, millers have reportedly already signed forward contracts for nearly 1.2 Mt of 2021/22 (most of it being raw sugar).

All in all, 2021/22 Indian sugar exports are expected to total 6 Mt.

3 – DOMESTIC PRICES

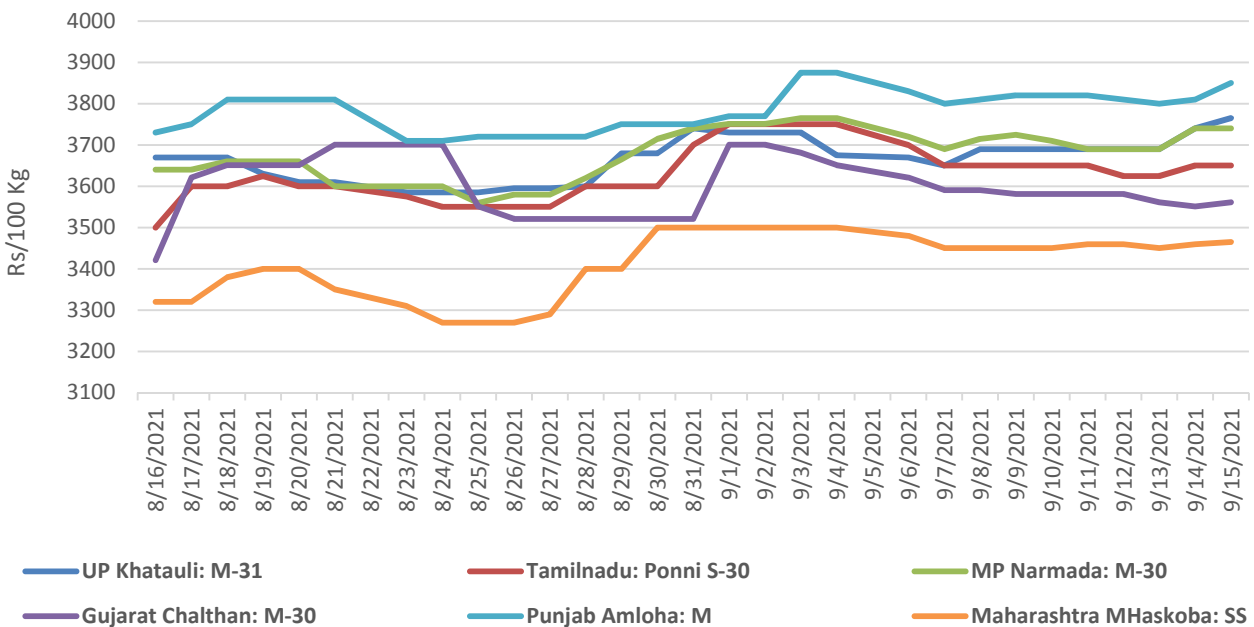
Supported by local “festive” demand as well as firm international sugar prices, domestic sugar prices remained supportive this month.

With better returns coming from exports, a number of mills decided to divert some of their stocks towards international sugar markets even without the export subsidy. As a result, an estimated 1 Mt of extra sugar has been exported under the Open General Licence category. This situation positively affected the domestic market as millers are no longer in a hurry to sell sugar locally.

From a regional point of view (Graph 2), ex-mill sugar prices in Uttar Pradesh (M-grade) averaged Rs. 3,667/100 Kg over the past month: up 8% from a month ago and 10% from a year ago !

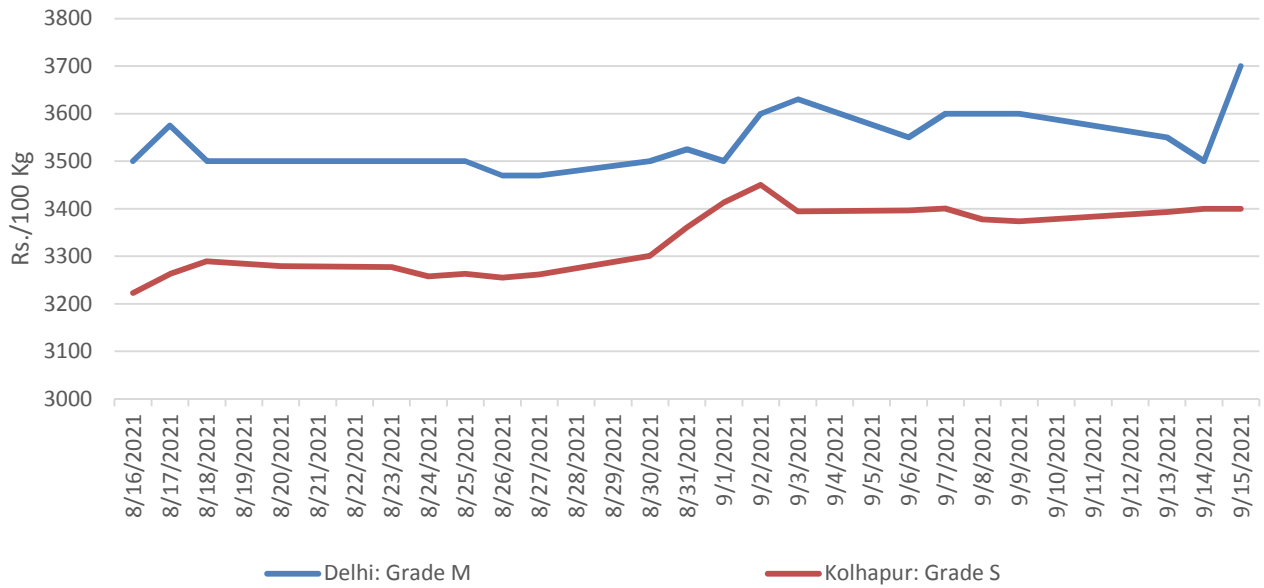
In Maharashtra SS-grade sugar prices were traded 9% higher than last month, and 2% higher than a year ago.

Graph 2 - Ex-mill sugar prices [August 16th – Sept 15th]



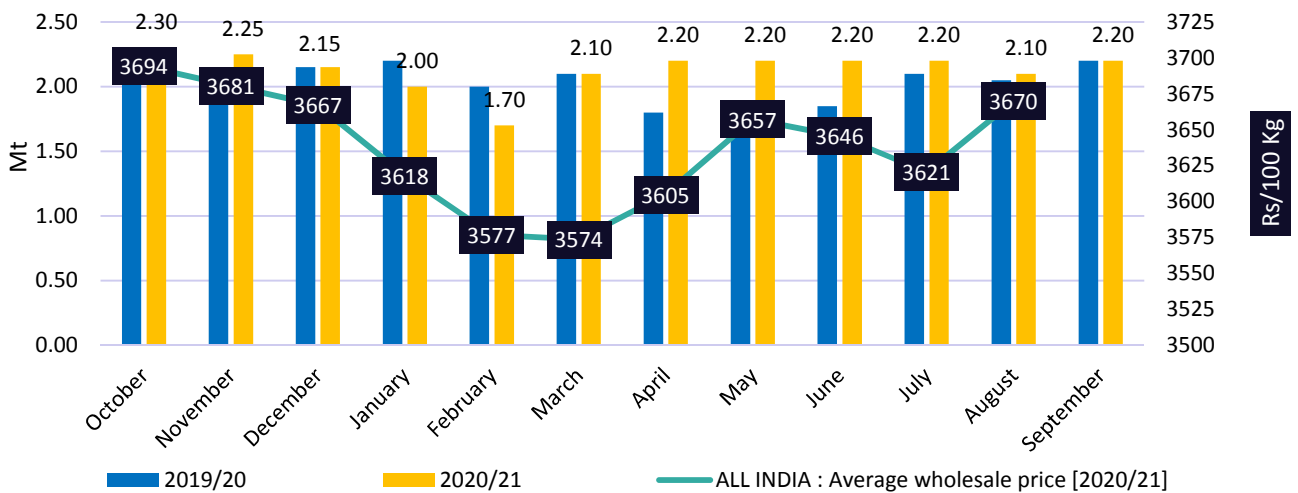
Looking at the wholesale segment, sugar prices also appreciated amidst relatively strong demand. According to our information, wholesale sugar prices averaged Rs 3,800/100 Kg nationwide while M-grade sugar was traded at an average Rs 3,541/100 kg in Delhi and S-grade sugar averaged Rs 3,335/100 kg in Kolhapur (Graph 3).

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



Lastly, the Food ministry increased the monthly sales quota (Graph 4) for [Sep 21] by 0.1 Mt compared to [Aug 21]. However, this is lower than what the industry asked for : festivals like Ganesh Chaturthi, Navratri, Dussehra and Diwali being likely to boost local demand until [Nov 21].

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 Monsoon Rainfall (June 1st, 2021 to September 9th 2021) was 7% below LPA - Long Period Average.

Details of the rainfall distribution in the main four regions of India are given in (Table 2).

Table 2 - Seasonal Rainfall Scenario for Monsoon Season of 2021(01st June to 9th, Sept, 2021)

Regions	Actual [mm]	Normal [mm]	Variations [%]
ALL INDIA	707.2	764.5	-7%
Northwest India	455.1	530.8	-14%
Central India	770	862.5	-11%
South Peninsula	688.6	605.1	14%
East & northeast India	1083.6	1205.2	-10%

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

- The Cabinet Committee on Economics has approved the Fair and Remunerative Price (FRP) of sugarcane for sugar 2021/22. It has been set at Rs. 290 per quintal for a basic recovery rate of 10%: a Rs. 2.90 per quintal premium being offered for each 0.1%-increase in recovery rate above 10% (similarly, a Rs. 2.90 per quintal reduction of the FRP is applicable for every 0.1%-decrease in recovery rate below 10%).
- There will be no deduction on the FRP paid by sugar mills if the recovery rate falls below 9.5%. In that case, the farmers will get Rs. 275.50 per quintal.
- Under the Ethanol Blended Petrol (EBP) programme, the target for the current Ethanol Supply Year (ESY) 2020-21 is set at 3.25 billion litre (equivalent to an 8.5% fuel-ethanol blending rate). At this point and according to our information, sales have reached 2.43 billion litres or the equivalent of an 8.01% fuel-ethanol blending rate.
- Indian sugar mills are yet to clear Rs. 80 billion of cane arrears. For 2020/21, Maharashtra sugar factories still have arrears amounting to Rs. 3.34 billion while Uttar Pradesh sugar mills' dues are reportedly equivalent to Rs. 63 billion.
- India might not renew its sugar export subsidy scheme in 2021/22.



www.apic-consulting.com

Disclaimer

With respect to all the information contained herein, neither APIC Consulting Pte. Ltd, nor any officer, servant, employee, agent or consultant thereof make any representations or give any warranties, expressed or implied, as to the accuracy, reliability or completeness of the information contained herein, including but not limited to opinions, information or advice which may be provided to users of the document. No responsibility is accepted to users of this document for any consequence of relying on the contents hereof.