

INDIAN SUGAR UPDATE REPORT



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1 – 2021/22 SEASON

By November 15th, Indian sugar mills had produced 2.11 million tonnes (Mt) of sugar accounting for the 2021/22 season [Oct – Sept basis]: up from 1.64 Mt (29%) produced at the same time a year ago.

Major increase in sugar output were recorded in Maharashtra and Karnataka while Uttar Pradesh is slightly behind last year's figures (unseasonal rainfalls in [Oct 21] having slowed harvesting operations in the state).

At this point of the season, more than 300 sugar mills are reportedly operating.

Table 1 – India's Sugar Production During 2021-22 [Oct – Sept]

State	2021/2022# [Mt sugar]	2020/2021* [Mt sugar]	Y-o-Y variations [Mt sugar]	Y-o-Y variations [%]
Uttar Pradesh	0.288	0.385	-0.097	-25
Maharashtra	0.91	0.565	0.345	61
Karnataka	0.762	0.566	0.196	35
Gujarat	0.075	0.080	-0.005	-6
Other States	0.074	0.04	0.034	85
ALL INDIA	2.109	1.636	0.473	29

With domestic sugar output projected at [31 – 31.5] Mt and carry-forward stocks totalling about 7.5 Mt, 2021/22 sugar availabilities should total [38.5 – 39] Mt: a number that largely offset domestic consumption which is pegged at 26.5 Mt this season.

However, the actual sugar availabilities may be lower than what official numbers suggest: an estimated 3.5 Mt sugar equivalent of cane juice and B-heavy molasses being likely “diverted” for domestic ethanol purposes this season.

Driven by remunerative international prices which are making Maharashtra and Karnataka exports profitable without any financial assistance, a total of [5 – 6] Mt of sugar should be exported this season.

2 – SUGAR EXPORTS

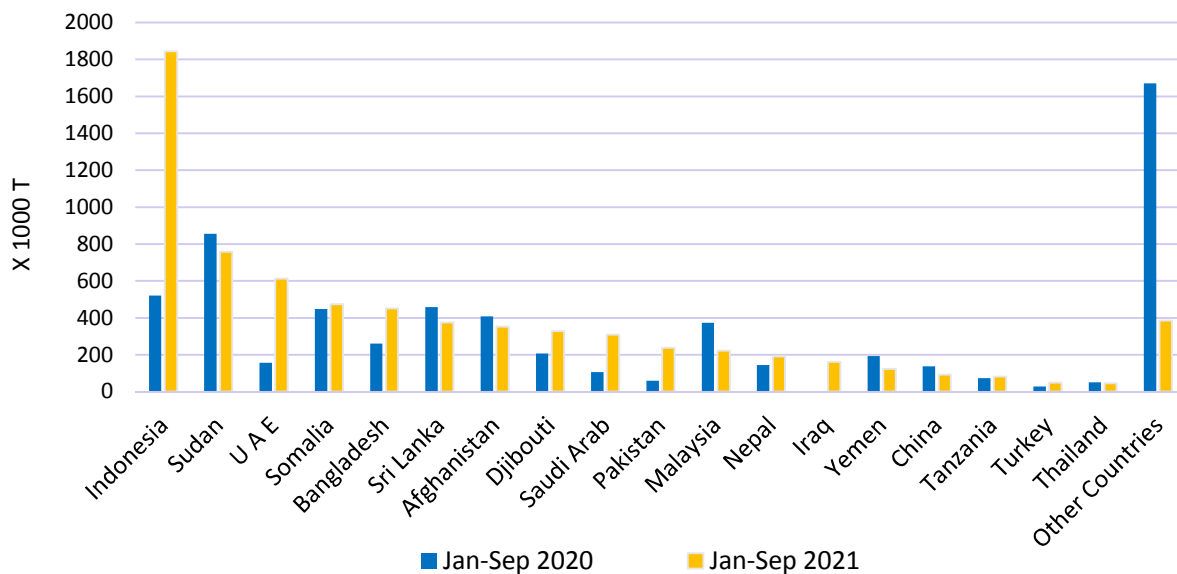
According to our information, Indian sugar mills have already signed export contracts for a total 2.5 Mt of sugar this season: 0.27 Mt having already been shipped from local ports.

From a geographical point of view and according to official export statistics (Graph 1), Indian sugar shipments recorded over the first 9 months of 2021 were mainly destined to African, Asian and Middle-Eastern countries with:

- significant year-on-year increases for Indonesia, UAE, Bangladesh, Saudi Arabia and Djibouti,
- year-on-year declines to Sudan, Sri Lanka and Afghanistan.

With more than 1.8 Mt purchased over the period, Indonesia is, by far, the biggest importer of Indian sugar in 2020/21.

Graph 1 – Indian sugar exports [Jan 21 – Sep 21]



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

Looking at 2021/22, the Government of India (GoI) is not expected to announce any sugar export subsidies: higher international sugar prices offering positive returns to Maharashtra and Karnataka sugar mills at this point.

Overall, 2021/22 Indian sugar exports are expected to range between [5 – 6] Mt.

4 – DOMESTIC PRICES

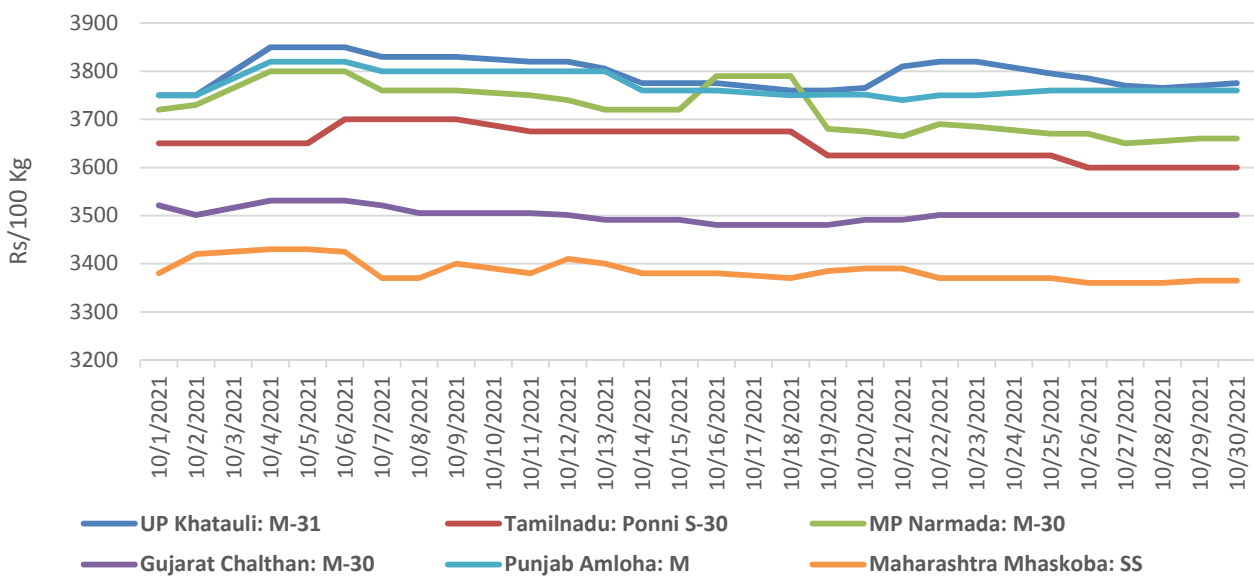
Despite a demand increase for the festive season (Sep-Oct), large availabilities from sugar mills have kept prices relatively flat in recent weeks.

From a regional point of view, ex-mill (M-grade) sugar prices in Uttar Pradesh averaged Rs. 3,796/100 Kg (Graph 3): up 1.45% from a month ago and 14% from a year ago.

In Maharashtra, prices for (SS-grade) sugar were reportedly:

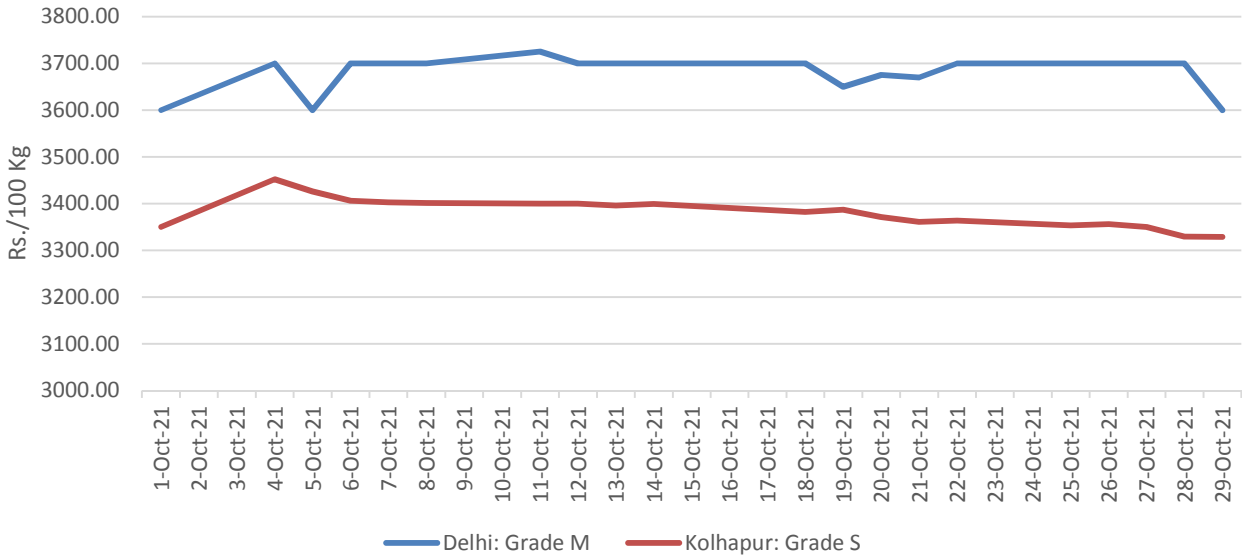
- down 1.9% from the previous month averaging Rs 3,385/100 kg,
- up 7.75% from a year ago.

Graph 3 - Ex-mill sugar prices [Oct 21]



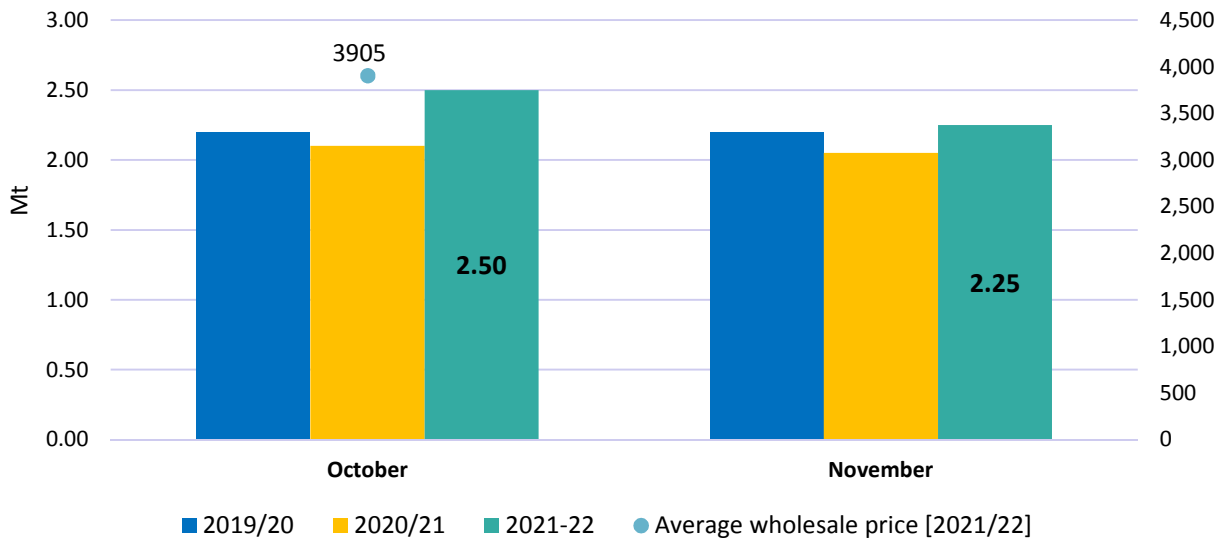
On the wholesale segment, prices averaged Rs 3,905/100 Kg nationwide: up 2% from September. M-grade sugar was traded at an average Rs 3,681/100 kg in Delhi while S-grade sugar averaged Rs 3,381/100 kg in Kolhapur (Graph 4).

Graph 4 – Domestic wholesale sugar prices [Oct 21]



Meanwhile and as the festive season is now over, government authorities have announced a lower sales quota for [Nov 21]. They also allowed sugar mills to sell unsold stocks accounting for their [Oct 21] sugar quota in [Nov 21].

Graph 5 - Monthly sales quota allocations



5 - WEATHER CONDITIONS

According to data released by the Indian Meteorological Department (IMD), India's cumulative rainfalls during this year's post-monsoon season up until 17th Nov 2021 were 38% above the Long Period Average values (LPA).

Table 2 - Post-monsoon Season Rainfalls (1st October to 17th November 2021)

Regions	Actual [mm]	Normal [mm]	Variations [%]
ALL INDIA	131.9	95.9	38%
Northwest India	68.2	28.9	136%
Central India	72.1	63.6	13%
South Peninsula	313.2	215.8	45%
East & northeast India	157.3	145.5	8%

With "normal" rainfalls recorded during the southwest monsoon (June – September), this situation could negatively affect cane sugar content.

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

- The Food Ministry of India extended by 1 month the period for the sale of [Oct 21] sugar quota i.e. up until 30.11.2021.
- Uttar Pradesh sugarcane arrears stood at Rs. 38.95 billion by the end of the 2020/21 season.
- Maharashtra sugarcane arrears stood at Rs. 2.27 billion by the end of the 2020/21 season.
- In an attempt to encourage mills to divert a larger part of their production for ethanol purposes (therefore offsetting part of the sugar supply/demand imbalance on the domestic market), the Central Government of India has revised up ethanol purchasing prices for Oil Marketing Companies (OMCs) accounting for Ethanol Supply Year 2021/22 i.e. from 1st December 2021 to 30th November 2022:
 - a) the price of ethanol from C-heavy molasses was increased from Rs. 45.69 /l to Rs. 46.66/l
 - b) the price of ethanol from B-heavy molasses was increased from Rs. 57.61/l to Rs. 59.08 /l
 - c) the price of ethanol from cane juice/sugar/sugar syrup was increased from Rs. 62.65 /l to Rs. 63.45/l.
- The Central Government has set a 10% ethanol blending rate for 2022, so the annual requirement for ESY 2021/22 is expected to be 4.59 billion litres.



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