INDIAN SUGAR UPDATE REPORT

NOVEMBER 2021

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TABLE CONTENT

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1 – 2021/22 SEASON

On November 30th, sugar production had totalled 4.77 million tonnes (Mt): up 11% from the 4.3 Mt processed a year ago.

While output is up in Maharashtra and Karnataka, sugar production in Uttar Pradesh trails behind last year as the State had a delayed start of the season (Table 1).

To date, a total of more than 420 (out of 558) sugar mills are operating in the country.

Table 1 – The Indian Sugar Production [Oct – Sept]

State	2021/2022 [Mt sugar]	2020/2021 [Mt sugar]	Y-o-Y variations [Mt sugar]	Y-o-Y variations [%]
Uttar Pradesh	1.04	1.27	-0.23	-18
Maharashtra	2.03	1.57	0.46	29
Karnataka	1.27	1.11	0.16	14
Gujarat	0.17	0.17	0.001	1
Other States	0.26	0.18	0.08	44
ALL INDIA	**4.77**	**4.30**	**0.471**	**11**

Overall, sugar production is expected to total [31 – 31.5] Mt in 2021/22 - on the back of a combined increase in cane acreage[1] and cane productivity - and should largely cover domestic needs for the campaign which are pegged at 26.5 Mt.

Last but not least, more sugarcane is likely to be used for ethanol purposes as the country aims at a 10% ethanol blending target for 2022.

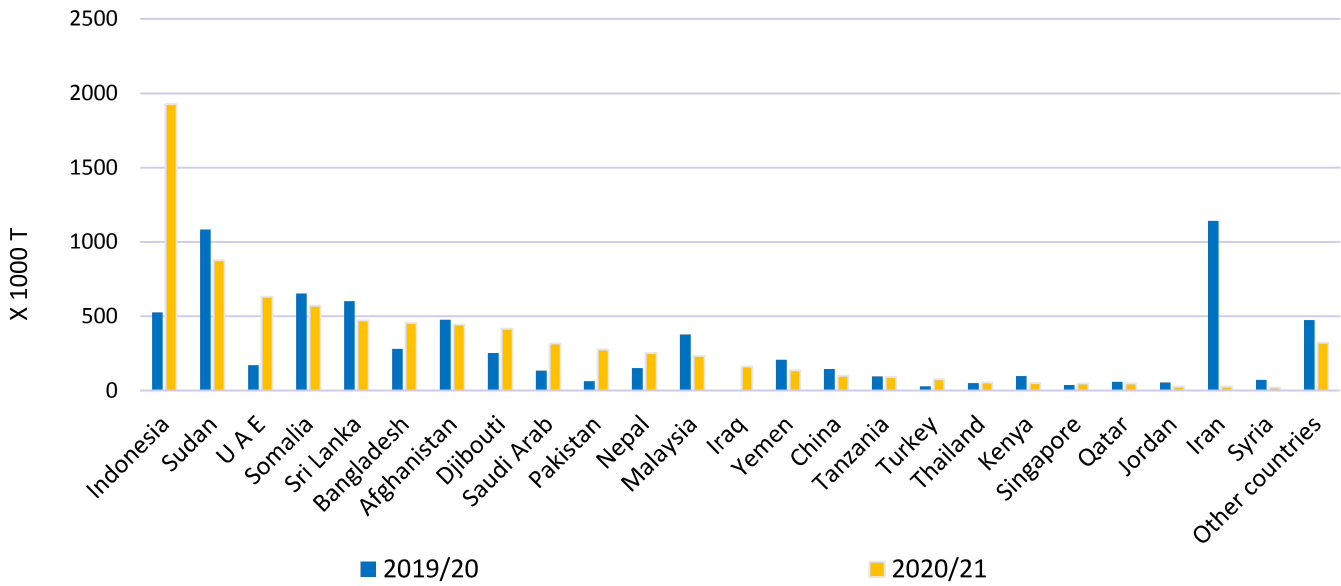
[1] The total cane acreage in 2021/22 is said to have totaled 5.497 million hectares.

3 – SUGAR EXPORTS

According to our information, Indian sugar mills had contracted for a volume of 3.5 Mt sugar: 0.9 Mt of sugar having been already shipped out of the country.

As a matter of comparison, mills had exported about 0.2 Mt of sugar at the same time a year ago : total sugar exports for the season reaching 7.2 Mt in 2020/21 (5.95 Mt in 2019/20).

Graph 1 – Indian sugar exports [Oct – Sept]



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 official export statistics covering [Oct 20 - Sep 21], Indian sugar shipments were mainly destined to African, Asian and Middle-Eastern countries with:

- significant year-on-year increases to Indonesia, UAE, Somalia, Bangladesh and Djibouti;
- significant year-on-year declines to Sudan, Sri Lanka, Malaysia, Afghanistan.

As illustrated on Graph 1, Indonesia emerged as the biggest importer of Indian sugar in 2020/21: the country purchasing nearly 1.9 Mt of Indian sugar throughout the season.

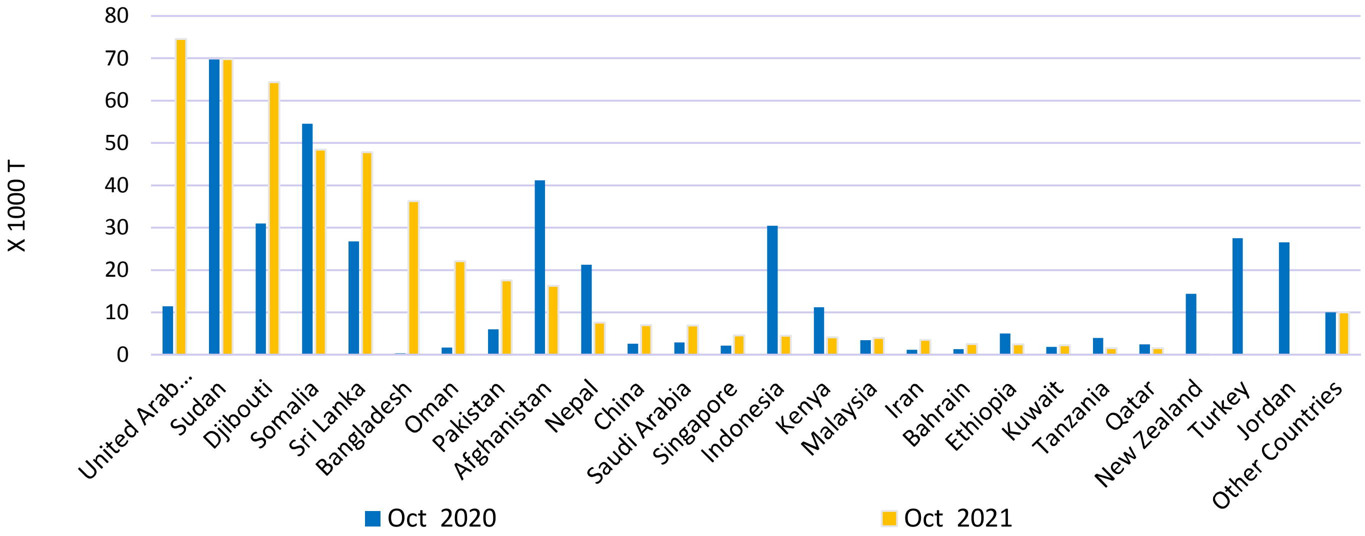
Looking at 2021/22 and unlike previous seasons, the Government of India (GoI) is yet to offer financial assistance for exports at this point.

However, with international raw sugar prices on the front-term (NY#11) being now less remunerative than local selling prices: domestic mills have reportedly ceased to sign new export contracts.

Although some sources are suggesting that national authorities could eventually reinstate an export subsidy for sugar mills later in the season, we consider that the much-anticipated WTO Panel's ruling - which is likely to be against India - will certainly limit the willingness of authorities to make such a move…Whatever the decision is, GoI is now asking sugar mills to provide sugar export data on a monthly basis.

As for [Oct 21], United Arab Emirates was the major importer of Indian sugar followed by Djibouti, Bangladesh, Oman, Pakistan and Sri Lanka (Graph 2). In the meantime, export volumes shipped to Somalia, Afghanistan, Nepal and Indonesia dropped.

Graph 2 – Indian sugar exports [Oct 21]



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

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

4 – Domestic Prices

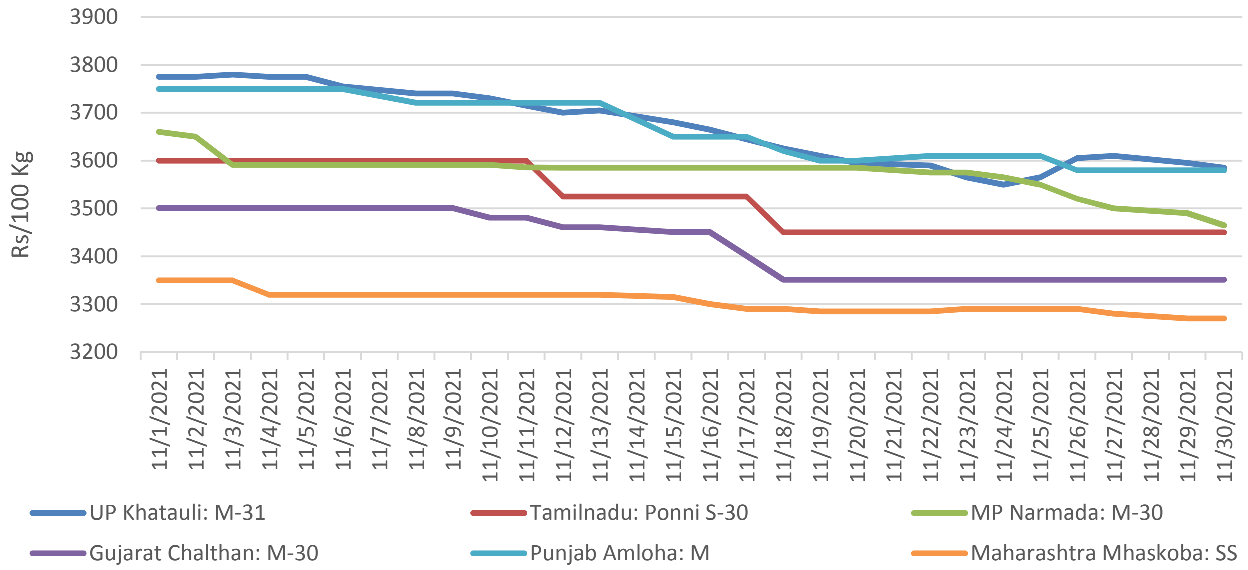
With the main festive season being over, domestic prices dropped a bit in [Nov 21].

The move was facilitated by a seasonal drop in sugar demand from bulk buyers (such as soft-cold drink and ice cream manufacturers) as we entered the "winter" season.

From a regional point of view (Graph 3), ex-mill sugar prices in Uttar Pradesh (M-grade) averaged Rs. 3,671/100 Kg: 3.3% lower than a month ago and 10.7% higher from a year ago. In Maharashtra, prices for SS-grade sugar were reportedly:

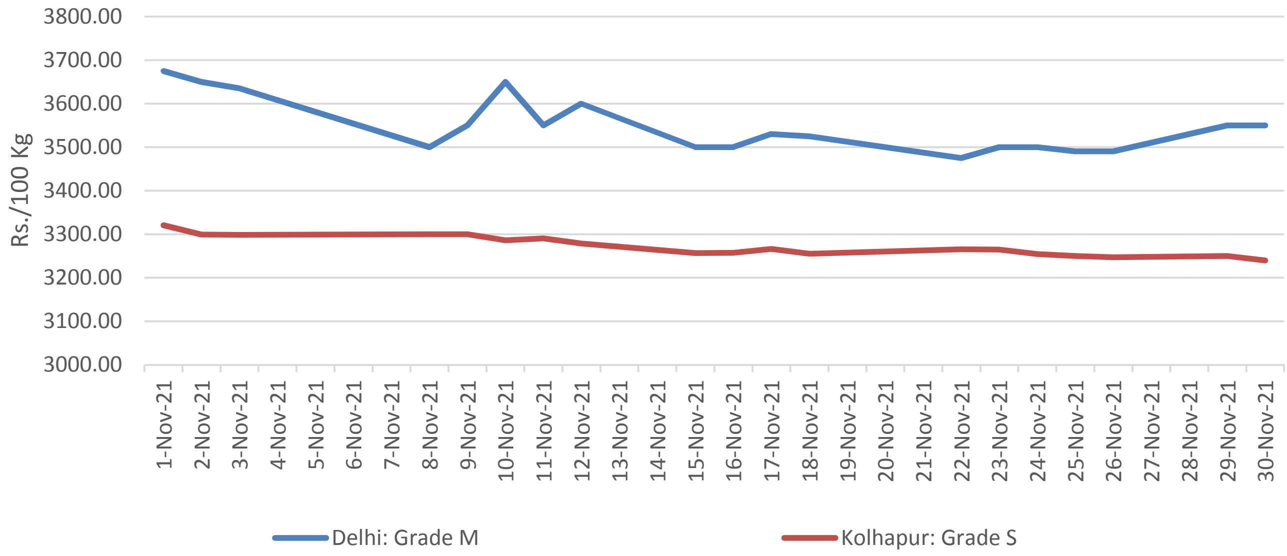
- 3% lower than a month ago averaging Rs 3,528/100 kg,
- 7.6% higher than a year ago.

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



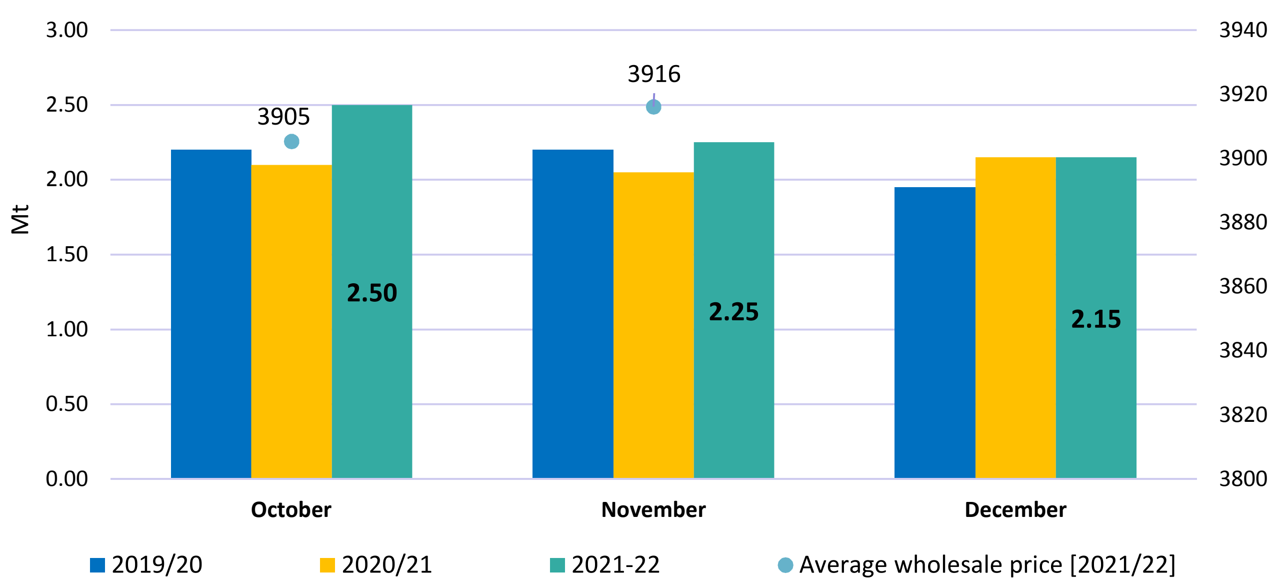
On the wholesale segment, prices averaged Rs 3,916/100 Kg nationwide. M-grade sugar was traded at an average Rs 3,548/100 kg in Delhi while S-grade sugar averaged Rs 3,272/100 kg in Kolhapur (Graph 4).

Graph 4 – Domestic wholesale sugar prices [Nov 21]



As for [Dec 21], the Central Government lowered the monthly sales quota to 2.15 Mt. Such a move is designed to limit domestic supply, therefore supporting domestic sugar prices which should facilitate the clearance of cane arrears by sugar mills.

Graph 5 - Monthly sales quota allocations in 2021/22 [Oct – Sept]



However, the potential boosts for the demand (such as the ongoing wedding season and social gatherings) may be affected by a possible third Covid-19 as the highly transmissible variant “Omicron” was reported in the country.

5 - Weather Conditions

According to data released by the Indian Meteorological Department (IMD), Indian cumulative rainfalls recorded during this year's post-monsoon season and up until 7th Dec 2021 were 53% above the Long Period Average values (LPA).

Table 2 - Post-monsoon Seasonal Rainfall Scenario (1st October to 7th December 2021)

Regions	Actual [mm]	Normal [mm]	Variations [%]
ALL INDIA	**168.3**	**110.2**	**53%**
Northwest India	75.7	36.8	**106%**
Central India	95.6	71.3	**34%**
South Peninsula	434.4	254.7	**71%**
East & northeast India	172.3	155.6	**11%**

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

- Uttarakhand set the State Advisory Price (SAP) of sugarcane at Rs 355 per quintal for early varieties, Rs 345 per quintal for common varieties. The Central Government has already fixed the Fair and Remunerative Price (FRP) of sugarcane for the sugar season 2021-22 at Rs 290 per quintal (based on a 10% recovery).

- Sugar mills are yet to clear Rs. 44.45 billion for 2020/21 season: out of this total Uttar Pradesh sugarcane arrears stood at Rs. 37.05 billon while Maharashtra accounted for nearly Rs. 3.94 billion.

- The Central Government has set a 10% ethanol blending rate for 2022. Consequently, the annual requirement for EY2021/22 is expected to be 4.59 billion litres, out of which 3.33 billion litres will be supplied by the sugar industry.

- NITI Aayog, a policy think-tank from the Government of India, has laid out an annual roadmap for ethanol blending in India. According to the proposal, a progressive increase of the fuel ethanol blend is programmed. Effective from April 2023 onwards, the blend rate is expected to reach 20% with effective availability of fuel volumes by 2025. The program involves participation of car manufacturers which are requested to boost production of E10-tuned engined vehicles and E20-tuned engined vehicles from April 2025.

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