

INDIAN SUGAR UPDATE REPORT



Q4 2021

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KEY FINDINGS

<p>2021/22 campaign</p> <p>Indian sugar production [Oct 21 – Dec 21] = 11.5 Mt Indian sugar production [end-season estimate] = 31.5 Mt</p>	<p>↑ 4% y-o-y ↑ 1.3% y-o-y</p>
<p>2021/22 sugar exports</p> <p>Effective shipments [Oct – Dec] : [1.7 – 2] Mt End-season estimate: 5.5 Mt</p>	<p>↑ [278 – 344]% y-o-y ↓ 21% y-o-y</p>
<p>Domestic prices</p> <p>Ex-mill sugar prices [Q4 2021]: Rs. 3,536/ QTL Wholesale sugar prices [Q4 2021]: Rs 3,800/QTL</p>	<p>↑ 8.19% y-o-y ↑ 5.6% y-o-y</p>
<p>Carryover stocks</p> <p>October 1st, 2021: 7.5 Mt October 1st, 2022: 7 Mt</p>	<p>↓ 22.7% y-o-y ↓ 6.67% y-o-y</p>

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

1 – 2021/22 SEASON

By 31st December 2021, Indian sugar mills had produced 11.5 million tonnes (Mt) of sugar: up 4% from the 11.06 Mt reported at the same time a year ago¹.

From a regional point of view and at this stage of the season, the harvested cane output is up in all producing states except Uttar Pradesh (UP) where the delayed start of the crush is still weighing on the amount of sugar produced to date. However, UP is expected to be the biggest sugar producing state of the country by the end of the season thanks to a combined i) increase in cane acreage and ii) improved sugar recovery rate.

From an industrial point of view, 492 sugar mills (out of a total 558) are currently operating nationwide.

Table 1 - Indian sugar production data

State	2021/22# [Mt sugar]	2020/21* [Mt sugar]	Y-o-Y variations [Mt sugar]	Y-o-Y variations [%]
Uttar Pradesh	3.09	3.37	-0.28	-8
Maharashtra	4.58	3.99	0.59	15
Karnataka	2.5	2.42	0.08	3
Gujarat	0.35	0.34	0.01	3
Tamil Nadu	0.10	0.09	0.01	11
Other States	0.88	0.85	0.03	4
ALL INDIA	11.50	11.06	0.44	4

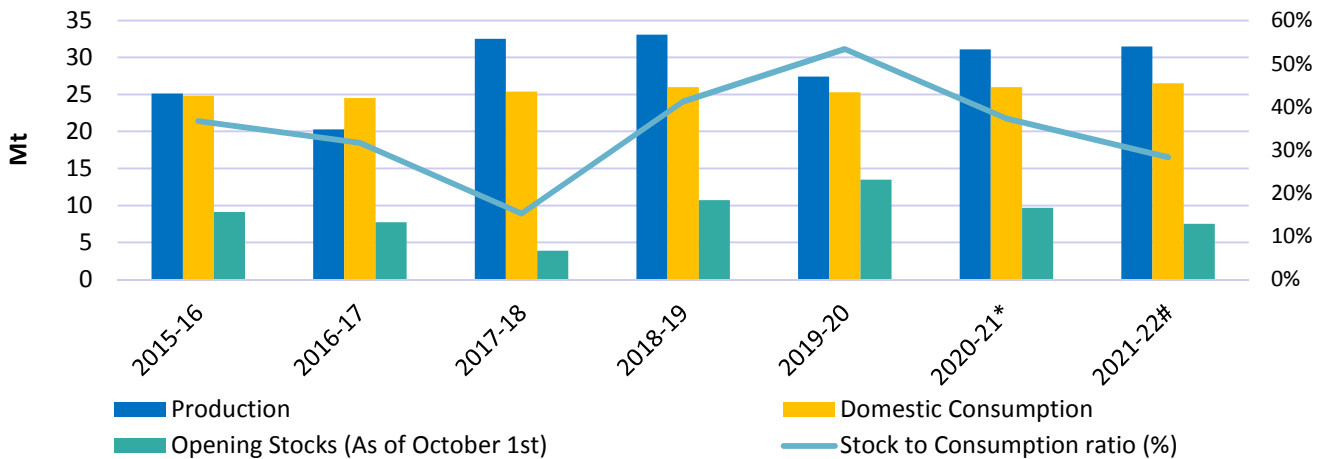
* estimate | # forecast

Additionally, we anticipate about 3.5 Mt sugar-equivalent to be diverted for ethanol purposes : up from the 2.4 Mt recorded in 2020/21, 0.93 MT in 2019/20 and 0.34 Mt in 2018/19.

As for domestic consumption and although there remains a lot of uncertainty surrounding the Covid-19 situation, a rebound is anticipated this season at 26.5 Mt (Graph 1).

¹ Overall, the country is expected to produce 31.5 Mt of sugar throughout the entire 2021-22 season (Oct/Sep basis).

Graph 1 - Indian sugar production, consumption and opening stocks



* estimate | # forecast

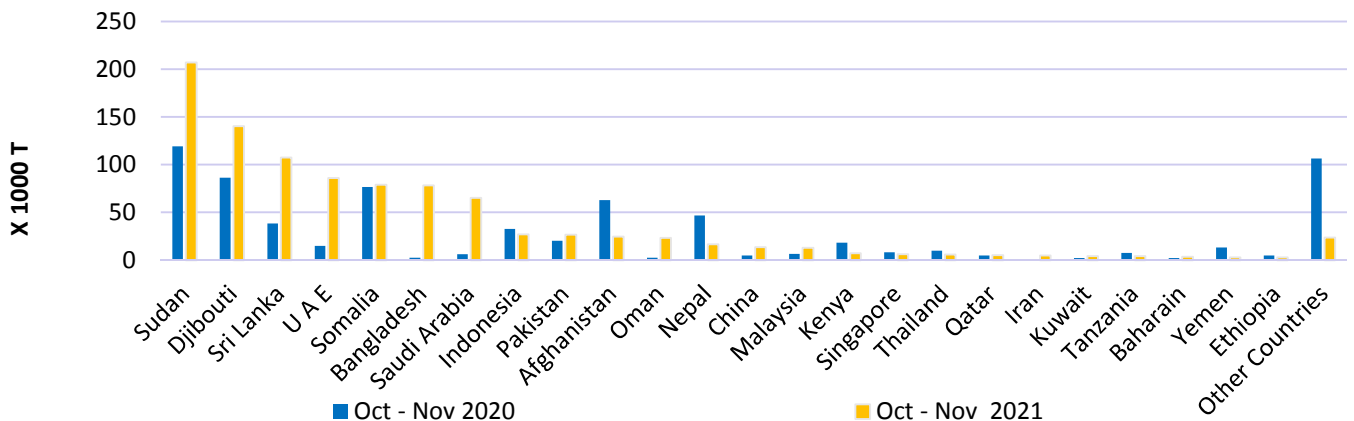
2 – SUGAR EXPORTS

According to our information, Indian sugar factories have already contracted [3.8 – 4] Mt of sugar : [1.7 – 2] Mt having been shipped out of the country so far.

This situation is well ahead of last year when Indian sugar mills had exported a mere 0.45 Mt of sugar at that point of the season...before hitting an historical high of 7 Mt at the end of the season.

However, the situation is very different. Governmental measures supporting exports have not been renewed and international sugar prices do not yield sufficient economic returns compared to domestic sugar prices for a number of producers². Consequently, it looks as if the positive export-contract dynamic witnessed at the beginning of the season has now been drawn to a halt.

Graph 2 – Indian sugar exports by destinations



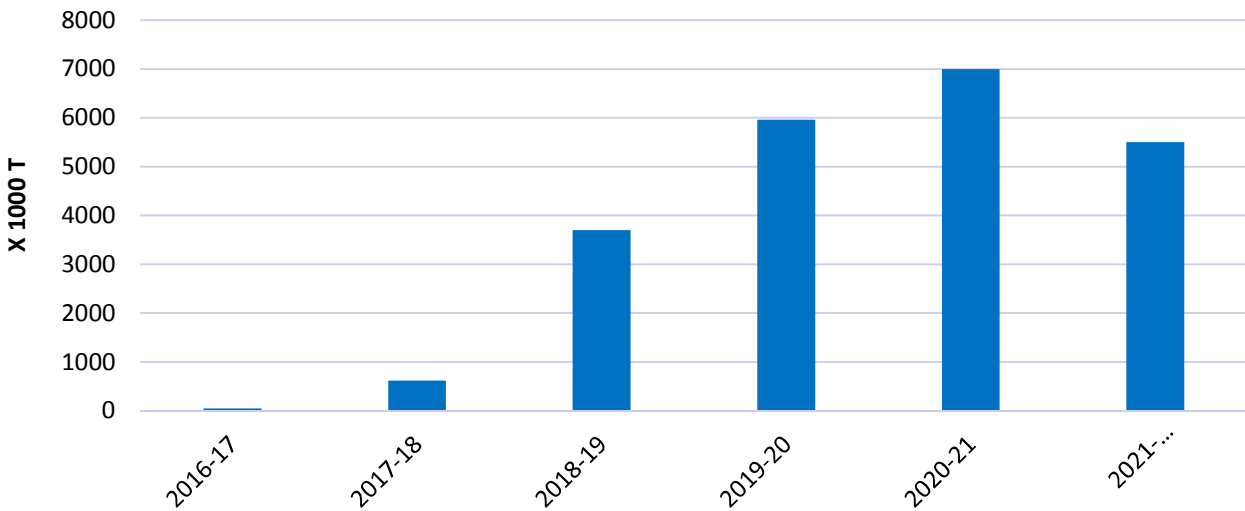
Note: Above data does include export volumes of refined sugar resulting from “tolling” operations under the Advance Authorisation Scheme (AAS)

² Due to lower logistical costs to reach ports, sugar mills located in Karnataka and Maharashtra are considered to be the only ones who have an economic incentive to export on the international sugar market. For North Indian sugar mills, local sugar prices do yield better returns than international sugar prices which should trade above 20 cents to become attractive.

From a geographical point of view and as illustrated on Graph 2, Sudan remains the number #1 importer of Indian sugar this season followed by Djibouti, Sri Lanka and UAE. Despite sizeable declines recorded in Afghanistan and Nepal, India is a major supplier for East African, Asian and Middle Eastern countries.

Looking ahead and even though the current international market is not economically attractive, we consider that Indian sugar exports, fuelled by the demand coming from traditional buyers of Indian sugar - such as Sri Lanka, Bangladesh, Sudan, Iran, UAE, Somalia - will eventually total 5.5 Mt 2021/22 (Graph 3).

Graph 3 – Indian sugar (raws + whites) exports



* forecast

3 – DOMESTIC PRICES

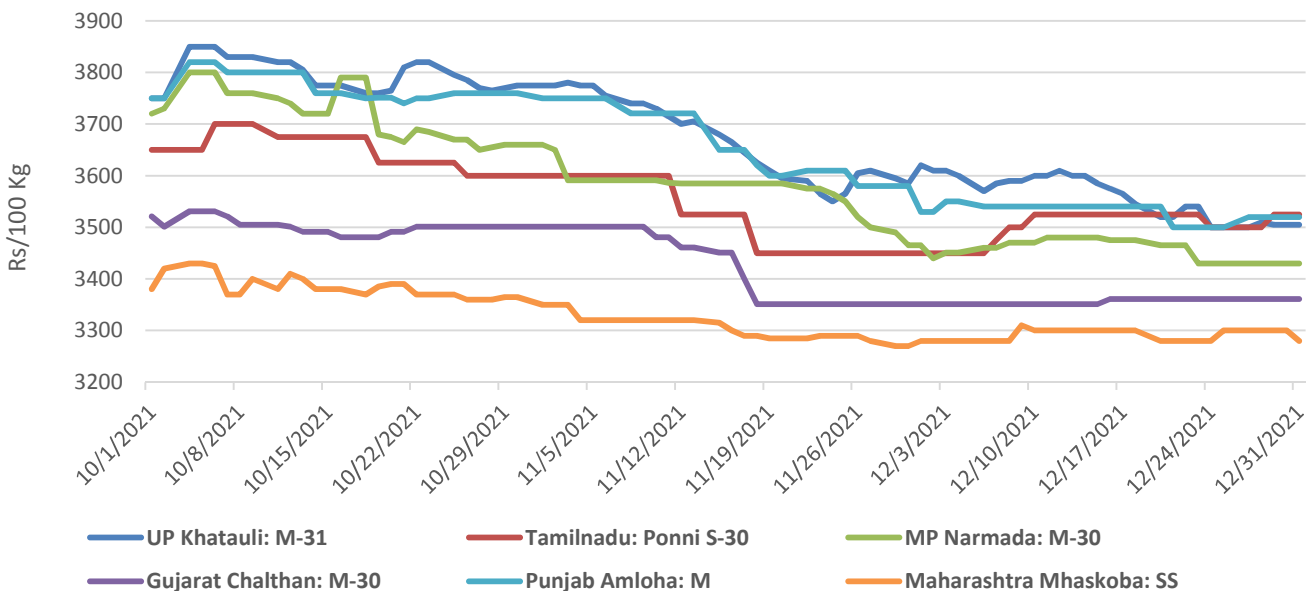
Compared to Q3 2021, ex-mill sugar prices appreciated throughout Q4 2021 driven by a normalization of economic and public activities since the Government eased down Covid-19 restrictions.

From a regional point of view (Graph 4), ex-mill sugar prices in Uttar Pradesh (M-grade) averaged Rs. 3,673/100 Kg: up 4% from the previous quarter and up 10% from a year ago.

In Maharashtra, SS-grade sugar prices averaged Rs 3,327/100 kg: up 2% from the previous quarter and up 6% from a year ago.

Overall, the evolution of ex-mill sugar prices throughout Q4 2021 resulted in a 2% increase nationwide and were traded at an average rate of Rs. 3,536/100 Kg.

Graph 4 - Ex-mill sugar prices : [Q4 2021]



Similarly, domestic wholesale and retail sugar prices appreciated.

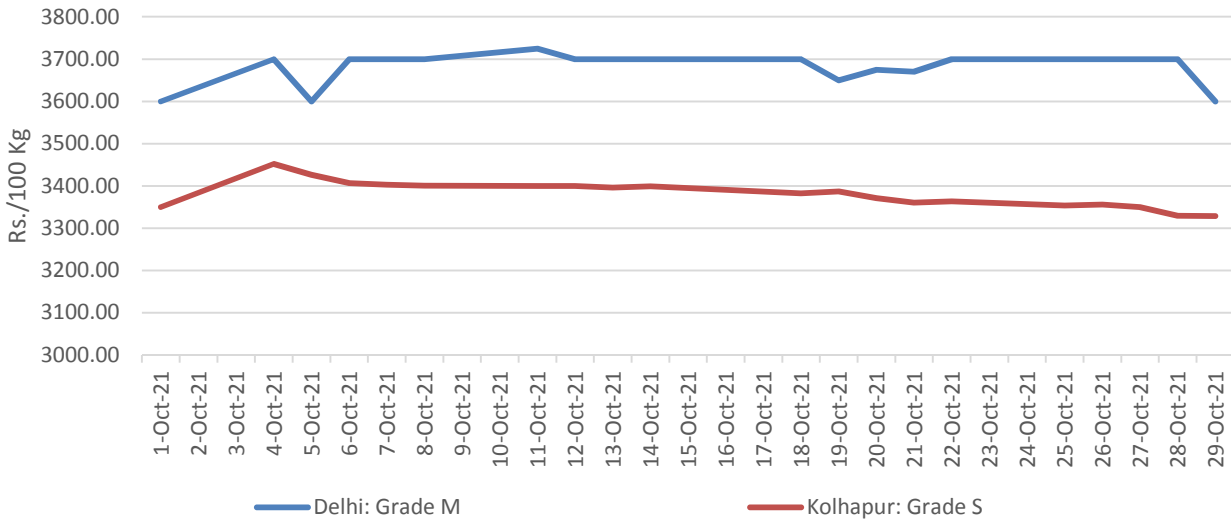
From a quantitative point of view:

- wholesale sugar prices averaged Rs 3,800/100 Kg: up 2% from the previous quarter and up 5.6% from a year ago,
- average retail sugar prices were up 6% from the previous quarter at Rs. 42 per Kg.

From a regional point of view (Graph 5):

- M-grade wholesale sugar was traded at an average Rs 3,567/100 kg in Delhi,
- S-grade wholesale sugar averaged Rs 3,299/100 kg in Kolhapur.

Graph 5 – Wholesale sugar prices in Delhi (M-Grade) and Kolhapur (S-Grade)



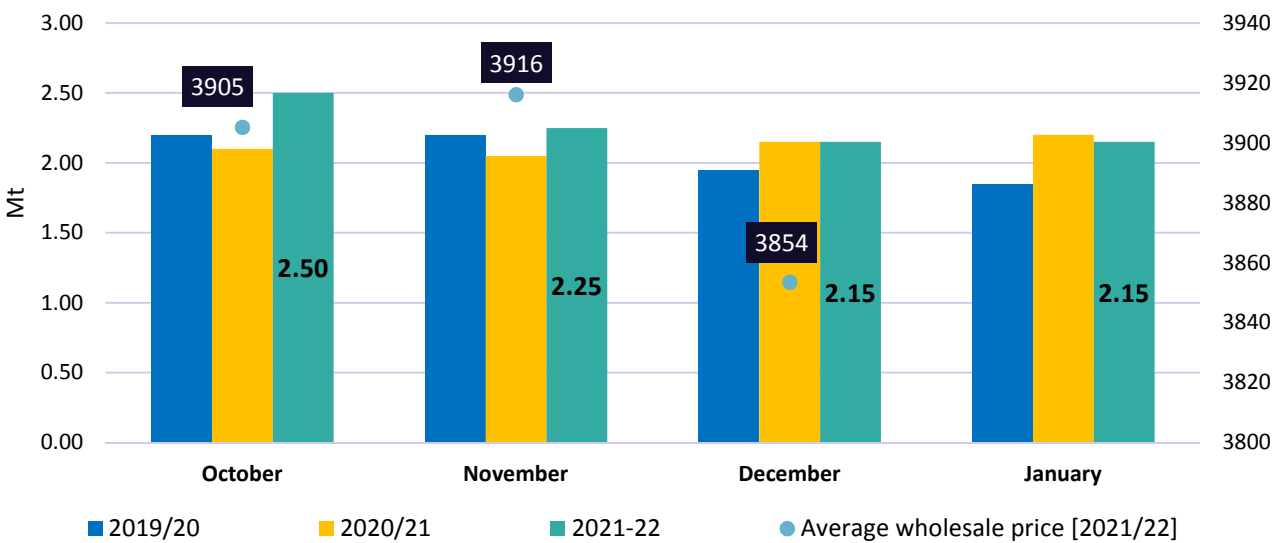
4 – DOMESTIC SALES

The Food Ministry of India has maintained the [Jan 22] monthly sugar sales quota at 2.15 Mt (Graph 6): a similar level compared to [Dec 21].

No major change in demand is expected until [Mar 22] which will mark the start of the wedding season.

Meanwhile and due to logistical issues, the Food Ministry has allowed sugar mills to sell sugar accounting for the [Dec 21] sugar sales allocation up to 31st January 2022.

Graph 6 – Domestic monthly sales quota allocations

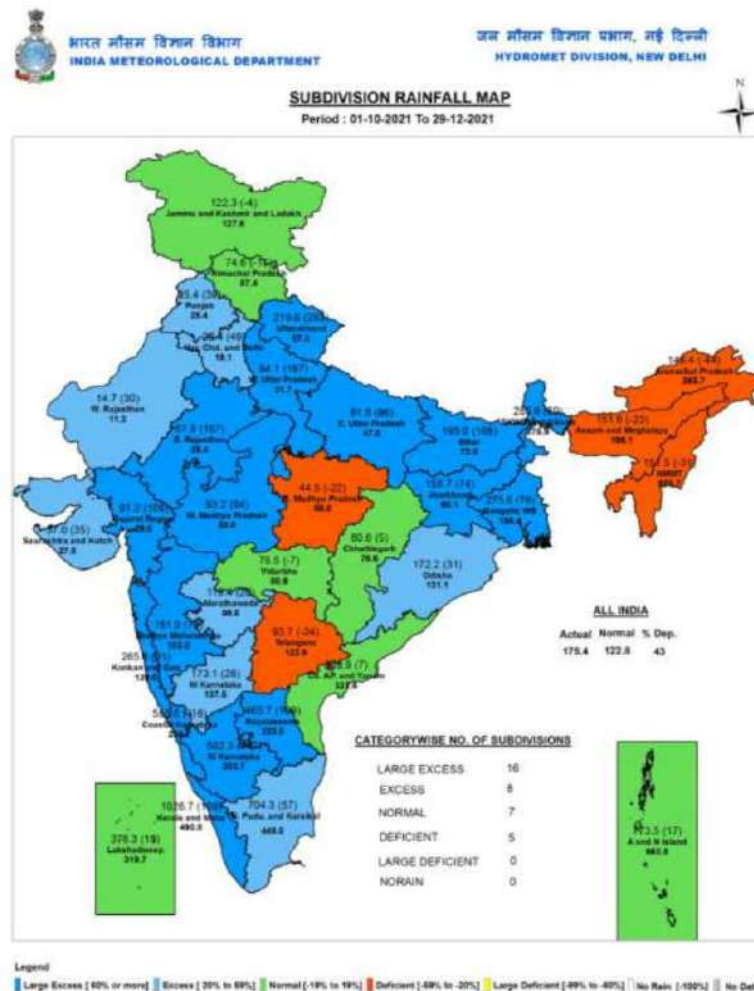


5 - WEATHER CONDITIONS

According to data released by the Indian Meteorological Department (IMD), cumulative rainfalls recorded during this year's post-monsoon season - i.e. from October to December– were equivalent to 44% of the Long Period Average “normal” values (Table 2).

Table 2 - Seasonal rainfall scenario for the 2021 Post-Monsoon season

Regions	Actual [mm]	Normal [mm]	Variations [%]
ALL INDIA	177.7	123.8	44%
Northwest India	80.5	55.9	44%
Central India	106.4	76.0	40%
South Peninsula	444.6	277.1	60%
East & northeast India	186.3	166.7	12%



With neutral Indian Ocean Dipole (IOD) conditions prevailing, it looks as if the 2022/23 cane should benefit from normal conditions which should not significantly affect development growth.

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

- Indian sugarcane arrears for last season's (2020/21) cane purchase stood at Rs. 44.45 billion on Dec 6th 2021
- Maharashtra cane arrears accounting for the current 2021/22 season are representing nearly Rs. 21.17 billions so far
- The Food ministry has expressed the need to boost railway transportation of sugar in the country.
- Sugar mills and distilleries have reportedly contracted for nearly 3.69 billion liters of ethanol with Oil Marketing Companies (OMCs) in 2021/22 (Dec-Nov basis)
- The Central Government has set a 10% ethanol blending rate for 2022 as well as a 20% target for 2025

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