

Voluntary Report – Voluntary - Public Distribution

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Report Name: New Budget Estimates for the Sugar Industry and a Revised Ethanol Import Duty

Country: India

Post: New Delhi

Report Category: Policy and Program Announcements, Sugar, Agriculture in the News, Biofuels

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Report Highlights:

On February 1, 2021, the Government of India's (GOI) Ministry of Finance presented the annual budget for Indian Fiscal Year (FY) 2021/22 (April-March) and announced budget estimates of \$595.2 million (INR 43.37 billion) for the domestic sugar industry and raised the import duty on denatured ethanol to five percent from its current applicable duty of 2.5 percent.

Background:

On February 1, 2021, the Government of India's (GOI) Finance Minister Nirmala Sitharaman presented the annual budget for Indian Fiscal Year (IFY) 2021/22 and announced budget estimates¹ of \$595.15 million (INR 43.37 billion) for the domestic sugar industry. According to an analysis by the Indian Sugar Mills Association (ISMA), IFY 2020/21 revised estimates² have increased allocations to \$737.67 million (INR 53.76 billion), with most funds utilized toward sugarcane arrear settlements.

Furthermore, for IFY 2020/21, the GOI provided a budget estimate of \$41.16 million (INR 3 billion) for sugar mills to expand and upgrade ethanol production capacity. This allocation coupled with the denatured ethanol import duty increase from 2.5 to five percent aims to make domestic ethanol production more competitive by about \$0.014 per liter (INR 1.0 per liter). These policy changes attempt to restrain imports and will likely drive demand for domestic molasses and alcohol from grain-based distilleries. The Indian sugar industry annually produces nearly three billion liters of ethanol, with approximately 66 percent in denatured ethanol (gasoline blending or used in chemical industries) and the remaining used for spirits production.

For more details, please refer to [GAIN IN-0160](#) and [GAIN IN-0122](#).

Note: 1 USD= INR 72.87

Attachments:

No Attachments.

¹ A *budget estimate* is the amount allocated in the Indian budget toward any ministry or scheme for the coming financial year.

² Revised estimates include a mid-year review of possible expenditure changes, considering other budget allocations. Revised estimates are not voted by Parliament, and do not provide any authority for expenditure. Any additional projections made in the revised estimates need to be authorized for expenditure through Parliamentary approval or by appropriation order.