

Required Report: Required - Public Distribution

Date: October 04, 2023

Report Number: IN2023-0069

Report Name: Sugar Semi-annual

Country: India

Post: New Delhi

Report Category: Sugar

Prepared By: Shilpita Das, Agricultural Specialist

Approved By: Joanna Brown, Agricultural Attaché

Report Highlights:

FAS/New Delhi's forecast for India's centrifugal sugar production in marketing year (MY) 2023/24 (October-September) is unchanged from the previous estimate of 36 million metric tons (MMT), equivalent to 33.6 MMT of crystal white sugar. A substantial supply of sugarcane and derivatives used by India's booming ethanol industry could lead to a domestic supply in 2023/24 that doesn't meet domestic consumption. Post increased India's sugar exports for MY 2022/23 to 7.4 MMT owing to continued favorable market prices. For the outyear sugar exports forecast is 6.5 MMT. The Indian government may continue restricting the sugar export for the outyear 2023/24 to maintain domestic sugar market prices, and affordability for domestic consumers.

PRODUCTION, SUPPLY AND DISTRIBUTION

Table 1. India: Centrifugal Sugar (Raw Value Basis) (Thousand Metric Tons [TMT])

Sugar, Centrifugal	2021/2022		2022/2023		2023/2024	
Market Year Begins	Oct 2021		Oct 2022		Oct 2023	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	13213	13213	9506	9506	6506	5306
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	36880	36880	32000	32000	36000	36000
Total Sugar Production (1000 MT)	36880	36880	32000	32000	36000	36000
Raw Imports (1000 MT)	340	340	1000	800	1000	1000
Refined Imp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Imports (1000 MT)	340	340	1000	800	1000	1000
Total Supply (1000 MT)	50433	50433	42506	42306	43506	42306
Raw Exports (1000 MT)	5779	5779	3200	3349	3300	3200
Refined Exp.(Raw Val) (1000 MT)	6148	6148	3300	4084	3700	3300
Total Exports (1000 MT)	11927	11927	6500	7433	7000	6500
Human Dom. Consumption (1000 MT)	29000	29000	29500	29567	31000	30506
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	29000	29000	29500	29567	31000	30506
Ending Stocks (1000 MT)	9506	9506	6506	5306	5506	5300
Total Distribution (1000 MT)	50433	50433	42506	42306	43506	42306
(1000 MT)						

Note: Stocks include only milled sugar, as all *khandsari* sugar produced is consumed within the marketing year. Virtually no centrifugal sugar is utilized for alcohol, feed, or other non-human consumption. All figures in raw value. To convert raw value to refined/crystal white sugar, divide by a factor of 1.07. Forecast for 2023/2024 market years; 2021/2022 and 2022/2023 are estimates.
Source: FAS New Delhi historical data series.

Table 2. India: Sugarcane, Centrifugal, Area in Thousand Hectares and Others, TMT

Sugar Cane for Centrifugal	2021/2022		2022/2023		2023/2024	
Market Year Begins	Oct 2021		Oct 2022		Oct 2023	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	5400	5400	5500	5400	5600	5600
Area Harvested (1000 HA)	5400	5400	5500	5500	5600	5500
Production (1000 MT)	416000	416000	413000	416000	417500	416000
Total Supply (1000 MT)	416000	416000	413000	416000	417500	416000

Utilization for Sugar (1000 MT)	340000	340000	328000	340000	335000	331000
Utilization for Alcohol (1000 MT)	76000	76000	85000	76000	82500	85000
Total Utilization (1000 MT)	416000	416000	413000	416000	417500	416000
(1000 HA) ,(1000 MT)						

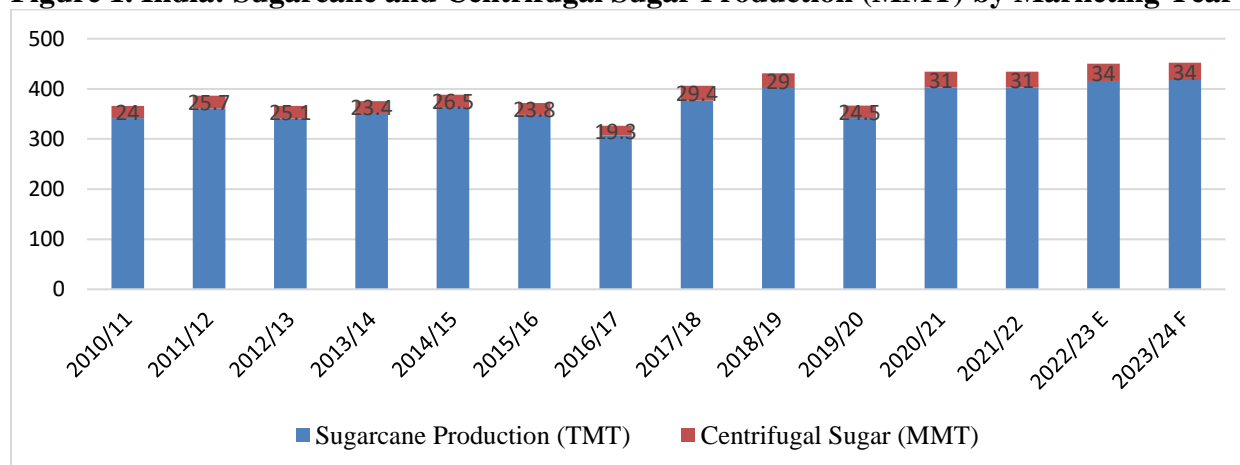
Note: Virtually no cane is utilized directly for alcohol production. “Utilization for alcohol” in the table includes cane used for gur, seed, feed, and waste. “Utilization for sugar” data includes cane used to produce mill sugar and *khandsari* sugar. Forecast for 2021/2022; market years 2022/2023 and 2023/2024 are estimates.

Source: FAS New Delhi historical data series.

PRODUCTION

FAS New Delhi (Post) forecasts India’s centrifugal sugar production as unchanged at 36 million metric tons (MMT) raw value basis for marketing year (MY) (October-September) 2023/2024. This estimation is equivalent to 33.6 MMT of crystal white sugar¹ and includes approximately 500,000 metric tons (MT) of *khandsari*.² Post increased India’s sugarcane planted area for the outyear to 5.6 million hectares (Mha) to account for expectations of a tight domestic supply linked with India’s competing goals of maintaining affordable prices for domestic consumers and accomplishing an ambitious sugar and molasses-based ethanol blend for the automobile industry. Post retains the previous sugarcane production estimates for the earlier periods (**Figure 1**).

Figure 1. India: Sugarcane and Centrifugal Sugar Production (MMT) by Marketing Year



According to post sources, early season rainfall in Maharashtra caused a drop in the amount of sugarcane harvested; however, the acreage figure is adjusted by an increase in production in Uttar Pradesh (**Figure 2**).

¹ Sugar polarization factors: to convert raw value to refined/crystal white sugar, divide by a factor of 1.07.

² *Khandsari* is a local type of low-recovery sugar prepared by open-pan evaporation.

Figure 2. India: Major Sugarcane Producing States



According to the Ministry of Agriculture and Farmers Welfare’s Third Advance Estimates of Production of Foodgrains for 2022-23, India’s total sugar production for MY 2022/2023 is estimated to reach 494 MMT, approximately seven percent higher from the previous year and in contrast to Post’s current year estimate which is 416 MMT (See: [Ministry of Agriculture and Farmers Welfare](#)).

Domestic Prices

The Cabinet Committee for Economic Affairs amended its fair and remunerative price (FRP) for sugarcane MY 2023/2024 with effect from October 1, 2023, on June 28, 2023. Based on a 10.25 percent sugar recovery rate, the FRP has been raised from INR 305 per quintal (USD \$3.72/quintal) to a new high of INR 315 per quintal (USD \$3.84/quintal).

Furthermore, for every 0.1 percent increase in recovery over and above the 10.25 percent standard, growers will receive a bonus of INR 3.07/quintal. The current rate is the highest ever provided and is 100.6 percent higher than the production cost. Growers will now receive INR 291.975/quintal (\$3.56/quintal) instead of the previous INR 282.13/quintal (\$3.44/quintal) offer, and there will be no deduction for sugar mills where sugar recovery is less than 9.5 percent.

Due to excess sugar at the mills, shifting from sugar to ethanol has improved sugar mills' financial standing by allowing them to pay farmers' cane obligations on time. The sugar industry and sugarcane farmers have benefited greatly from the expansion of ethanol as a biofuel over the past five years.

Table 3. India: Comparative Commodity Support Price Table, INR/MT, Wheat, and Rice Minimum Support Price against Sugarcane SAP and FRP

Marketing Year	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Wheat	17,350	18,400	19,250	19,750	20,150	21,250
Rice (Grade A)	15,900	17,700	18,350	18,880	19,600	20,600
Sugarcane	2,550	2,750	2,750	2,850	2,900	3,050
State Advised Price for Sugarcane, by State						
Uttar Pradesh	3,150-3,250	3,150-3,250	3,150-3,250	3,150-3,250	3,400-3,500	3,400-3,500
Haryana/Punjab	2,850-3,300	2,950-3,100	3,100-3,400	3,100-3,500	3,600-3,620	3,720-3,800*
Southern States	2,300	2,750	2,750	2,850	2,900	2,900

Note: For certain southern states, sugar mills pay the FRP; Tamil Nadu abolished its previously utilized SAP in 2018. *Price revised since previous Sugar Semi-annual report; [IN2022-0084](#).

Source: Commission for Agricultural Costs and Prices (CACP), Government of India.

State Advised Pricing (SAP)

Uttar Pradesh, Haryana, Punjab, Uttarakhand, and Karnataka employ a State Advised Price (SAP) for sugarcane, which usually transcends the Fair and Remunerative Price. Punjab and Haryana fixed the SAP for MY 222/23 at INR 380/quintal (\$4.63/quintal) and INR 372/quintal (\$4.54/quintal), respectively. Uttar Pradesh has kept the SAP at INR 350/quintal (\$4.27/quintal) for MY 2022/23. For MY 2023/24, the state to increase the SAP by INR 25/quintal (\$0.3/quintal).³ Since 2019, Karnataka has not increased the SAP in recent years and remains unchanged at INR 290/quintal (\$3.53/quintal). Uttarakhand has fixed the SAP at INR 355/quintal (\$4.32/quintal) for the current MY.

Cane Arrears

According to the Ministry of Consumer Affairs, Food & Public Distribution, India's cumulative arrears (debt) as of July 21, 2023, stood at \$1.15 billion (INR 94.99 billion).⁴ Cane arrears differ by states, the number of functional mills, and the average sugar recovery rate. As of July 21, 2023, Uttar Pradesh cane arrears stood at \$0.77 billion (INR 63.15 billion), followed by Gujarat \$0.20 billion (INR 16.51 billion) and Maharashtra \$0.08 billion (INR 6.31 billion).⁵

Consumption

Outyear sugar consumption is forecast at 30 MMT (equivalent to 32 MMT of crystal white sugar), almost two percent above the current year estimate of 29.5 MMT due to domestic demand. From August to November, the demand for sugar in the form of sweets or "mithai"

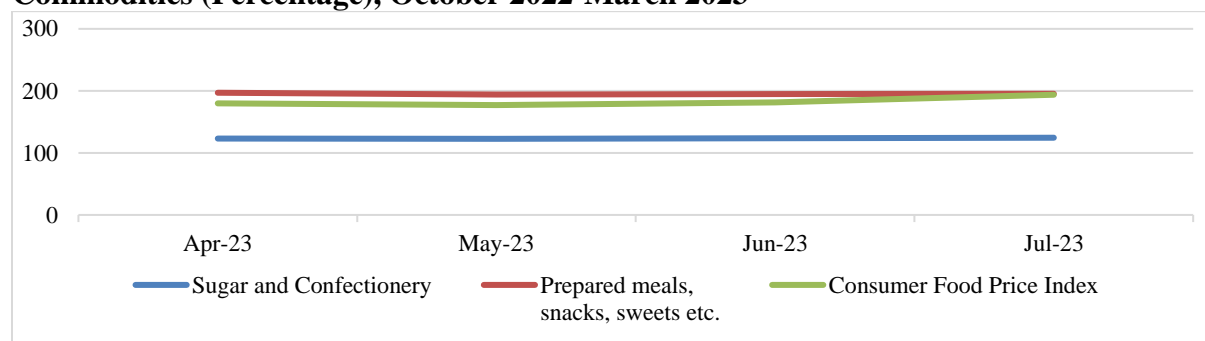
³ "Uttar Pradesh likely to increase the price of sugarcane". [CNBC](#); published September 4, 2023

⁴ Source: Government of India, Ministry of Consumer Affairs, Food & Public Distribution; Press Information Bureau Release ID: [1873022](#)

⁵ "UP sugar mills owe cane farmers over Rs 9,000 crore". [Times of India](#); published February 12, 2023.

increases in Indian households owing to the festive season. Summer seasons in India are prolonged and the demand for sweetened beverages are more during that period, and the demand is driven by heatwaves. In addition to that, there is an increasing demand for bakery and ready-to-eat foods. However, low domestic stock and diversion of sugar for ethanol production will impact the availability of sugar and price surge in local market. Nevertheless, despite ongoing food price rise, the cost of sugar and processed foods has remained constant (**Figure 3**).

Figure 3. India: Consumer Price Index and Year-on-Year Inflation Rates on Select Commodities (Percentage), October 2022-March 2023



Note: Data label included for *Consumer Food Price Index*. Inflation rate data calculated as the average of rural and urban markets and are calculated by on the provisional data month over same month of the previous year (Base year 2012).

Source: Ministry of Statistics and Program Implementation, Government of India.

Market Price

India is the world's largest supplier of raw sugar, and a decline in Indian raw sugar production caused a rise in sugar prices on the global market. However, on August 4, 2023, global price of sugar dropped after India's Food Ministry stated that the nation's sugar reserves, which stood at 10.8 MMT at the end of July, were adequate and quenched the hearsay that India could limit sugar exports.⁶

The **FAO Sugar Price Index** averaged 146.3 points in July, 3.9 percent downwards from June, but 29.6 percent above its level in the corresponding month previous year. The fall in world sugar price was due to Brazil's 2023/24 good sugarcane harvest and rainfall in the sugarcane growing areas in India.⁷ But the average international price of raw sugar again picked up and reached \$25.48/pound (\$5,617/quintal), on September 1, 2023 (**Figure 4**).⁸

⁶ "Sugar Prices Fall on an Improved Supply Outlook in India". [NASDAQ](#), published on August 4, 2023

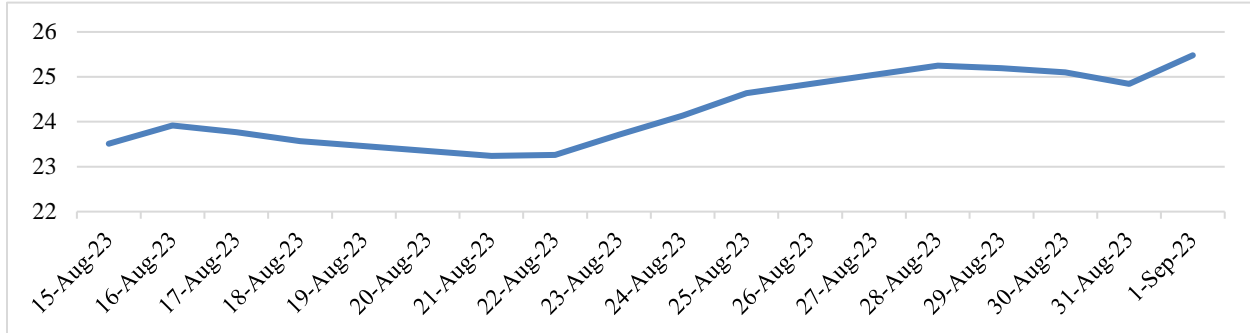
⁷ [FAO Sugar Price Index](#)

⁸ Other contributing factors to increased international sugar prices have included reduced sugar beet production in Europe, and lower sugarcane output in Thailand.

Note: For market price, August 15 - Indian holiday and September 4 – American holiday

Note: *Gur* or jaggery is a natural derivative of sugarcane

Figure 4. International Pricing of Raw Sugar (Cents per pound)

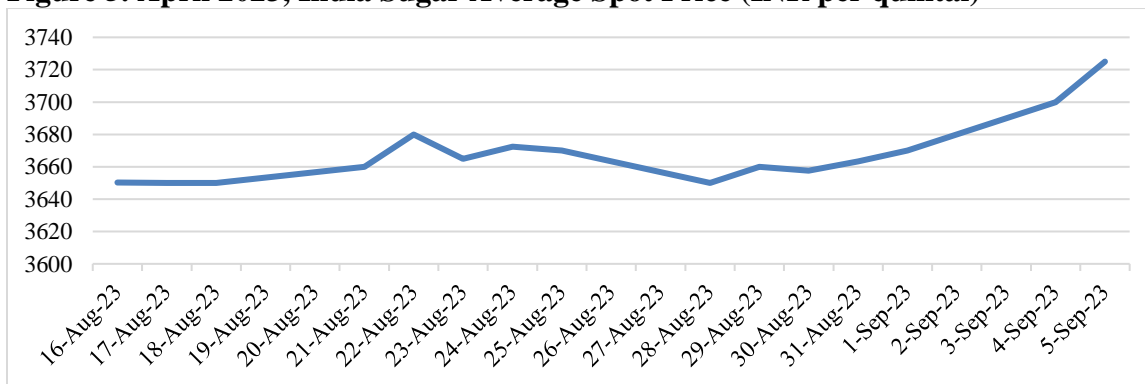


Source: [International Sugar Organization](#)

On September 5, 2023, India’s average market price of sugar across all grades totaled INR 3,725/quintal (\$45.4/quintal), compared to INR 3,467/quintal (\$42/quintal) previous MY. Post estimates that low stocks, government intervention and diversion of sugar to ethanol and beverages will further increase the market price (**Figure 5**).

In reaction to changes in domestic and global prices, *gur* prices often fluctuate along with sugar prices, sometimes at a markup and sometimes at a lower rate. The average *gur* price for September 5, 2023, has reached an all-time highest at INR 4030/quintal (\$49.14/quintal).

Figure 5. April 2023, India Sugar Average Spot Price (INR per quintal)



Source: [Spot Market Sugar Price](#).

Trade

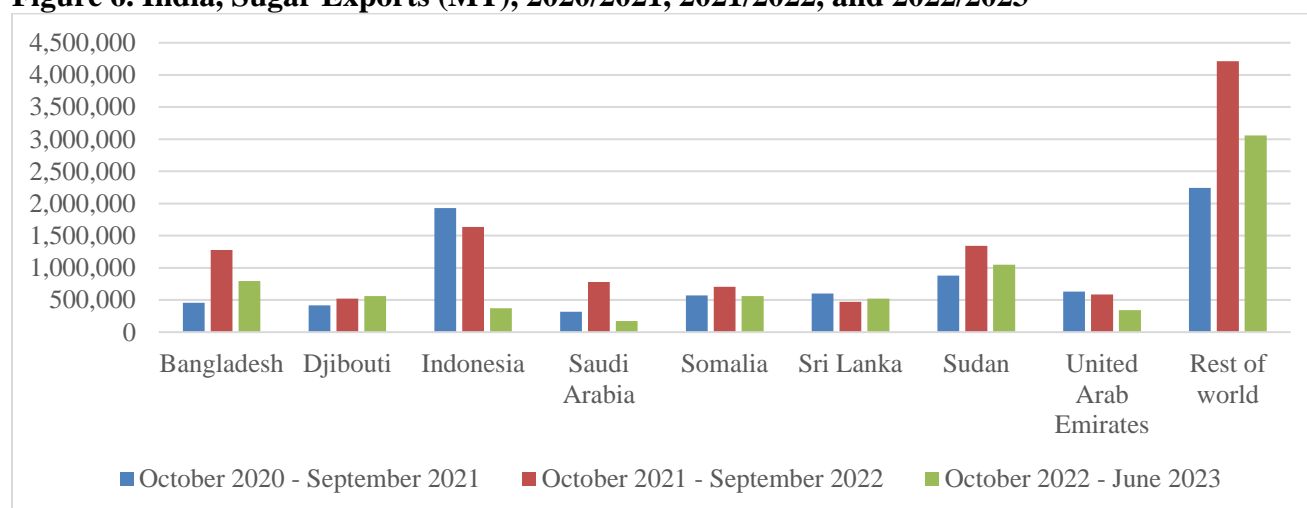
For the current MY 2022/23, Post has revised India’s sugar export to 7 MMT, exceeding the export cap of 6 MMT in July 2023. For the outyear, Post has forecasted India’s sugar exports to 6.5 MMT, considering the possibility that the Indian government will continue to impose export limits to control food inflation and meet the demand for domestic consumption.⁹ Total exports include approximately 3.3 MMT of raw sugar and 4.1 MMT of refined white sugar.

⁹ “Exclusive: India set to ban sugar exports for first time in 7 years”. [Reuters](#), published on August 24, 2023

For the current sugar season, The Ministry of Food and Public Distribution placed an export cap of 6 MMT. According to sources, with the international price 50 percent more than the domestic price, the allotment of 6.1 MMT has already been used up by Indian mills for MY 2022/23.¹⁰

For market year 2021/2022, Indonesia was the largest importer of Indian sugar, followed by Sudan and Bangladesh (**Figure 6**). Post is adjusting the current trade mix between raw and refined sugar to reflect reduced domestic sugar production and available stocks. Bangladesh (20 percent share), Iraq (10 percent), and Indonesia (9 percent) are the largest importers of Indian raw sugar for the current MY. For refined sugar, Sudan (25 percent), Djibouti (9 percent), and Somalia (8 percent), are the top destinations for MY 2022/23.

Figure 6. India, Sugar Exports (MT), 2020/2021, 2021/2022, and 2022/2023*



Source: Trade Data Monitor

Note: October 2022-June 2023 for MY 2022/2023* data. HS codes include raw sugar; 170111, 170112, 170113, 170114; and refined sugar HS codes 170191 and 170199.

Post maintains the out-year sugar import to remain flat at approximately 1.0 MMT. The Indian government increased its import tax on raw sugar from 50% to 100% on February 6, 2018, in order to safeguard the interests of Indian farmers and maintain domestic pricing.¹¹ https://dfpd.gov.in/gen_policy.htm The Advance Authorization Scheme (AAS)¹² covers the majority of India's imports of sugar, with commercial sales covering the remaining portion (see, [Directorate General of Foreign Trade](#)).

Stocks

¹⁰ "Indian sugar mills poised for stable profits despite market volatility: Crisil Ratings". [Livemint](#), published July 31, 2023

¹¹ Source: [Department of Food and Public Distribution](#).

¹² Imported raw sugar through the AAS is re-exported post refinement. The products cannot be sold in the domestic market.

FAS New Delhi has decreased India’s MY 2022/2023 sugar ending stocks to 5.3 MMT, from the annual estimate of 6.5 MMT. This estimate accounts for lower opening stocks, increased sugarcane diversion toward ethanol, and lower production in MY 2022/2023. Due to lower production in MY 2022/23 and the E-20 target by 2025, the sugar mills will begin crushing for a new MY with lower cane inventories for the first time ever. Outyear ending inventories are predicted to be lower at 5.3 MMT due to the increased demand in domestic consumption and sugarcane-derived ethanol.

National Biofuel Policy and Ethanol Blended Petrol Program

The Ethanol Blending Program (EBP), a program run by the Indian government, encourages sugar mills and distilleries to redirect surplus sugar derivatives towards the production of ethanol. Increased ethanol production from sugarcane, broken grains, and other feedstocks is the program's main goal. In comparison to Indian financial year (IFY) 2021/2022, the government's 2023/24 financial assistance program to sugar mills for production of ethanol increased by 54% (Table 3).

Table 3. Indian Government Budget Allocation-Sugar Industry (USD million/INR billion)

Allocation	IFY 2021/2022	IFY 2022/2023		2023/2024	% Change
	Realized Outlays	Initial Budget	Revised Budget	Budget	
Scheme for extending financial assistance to sugar mills to enhance and augment ethanol production capacity	\$19.35million (INR160 crore)	\$36.29 million (INR 300 crore)	\$31.43 million (INR 259.83 crore)	\$48.38 million (INR 400 crore)	54

Note: Percent change depicted for IFY 2023/2024 with initial budget estimate over the IFT 2022/2023 revised budget estimate. Source: Department of Food and Public Distribution.

To encourage increased local biofuel production, the Indian government has announced significant changes to its 2018 National Policy on Biofuels. In order to raise India's capacity for ethanol production from 7 billion liters (BL) in 2021 to 15 BL in 2025, the program includes a faster national E-20 mandate from 2030 to 2025. In accordance with the EPB program for the ethanol supply year 2022/2023 (December-November), the Ministry of Petroleum and Natural Gas has raised the procurement costs for ethanol made from sugarcane derivatives (Table 4).¹³¹⁴

¹³ Source: Government of India, Ministry of Petroleum and Natural Gas; Press Information Bureau Release ID: [1873022](#).

¹⁴ “Govt said to have hiked ethanol rates fearing fall in blending as distilleries close operation”. [Business Line](#), published August 6, 2023

Table 4: India: Ethanol Price by Feedstock for ESY 2021/22 and ESY 2022/23 (INR/Liter)

Feedstock	ESY 2021/2022	ESY 2022/2023	ESY 2022/23 (Revised – August 2023)
Sugarcane Juice/Sugar Syrup/Sugar	63.45	65.61	65.61
B-Heavy Molasses	59.08	60.73	60.73
C-Heavy Molasses	46.66	49.41	49.41
Damaged Food Grains / Corn (Maize)	51.55	55.54	62.39
Surplus Rice (from Food Corporation of India)	56.87	58.50	60.29

Source: MoPNG

Attachments:

No Attachments