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India

Sugar Semi-annual

2011

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Report Highlights:
Post has raised sugarcane planted area for the October-September marketing year (MY) 2010/11 to 4.93 million hectares and production has been revised down to reflect the latest official statistics. Domestic sugar consumption in MY 2010/11 and 2011/12 have been lowered to reflect revised consumption and stock estimates. The sugar export forecast for MY 2011/12 has been raised to 2.5 million tons on expected strong export demand. Based on recent official and industry estimates, sugar exports in MY 2010/11 are also up at 3.2 million tons.

Commodities:

Sugar, Centrifugal

Sugar Cane for Centrifugal

Production:

Based on the latest planting progress report from the Ministry of Agriculture, sugarcane has been planted on 5.1 million hectares. Good monsoon rains and favorable weather conditions in major sugarcane producing regions are supporting higher sugarcane production. Post continues to forecast sugarcane and centrifugal sugar production in the October-September marketing year (MY) 2011/12 at 350 million tons and 28.3 million tons respectively (Table 1).

MY 2010/11 sugarcane planted area has been raised to 4.93 million hectares and production has been marginally lowered to 340 million tons based on the latest official statistics. Similarly, 2009/10 cane production has been raised to 292.3 million tons (Table 2). (Note: Please refer to IN1137 for information on production policy).

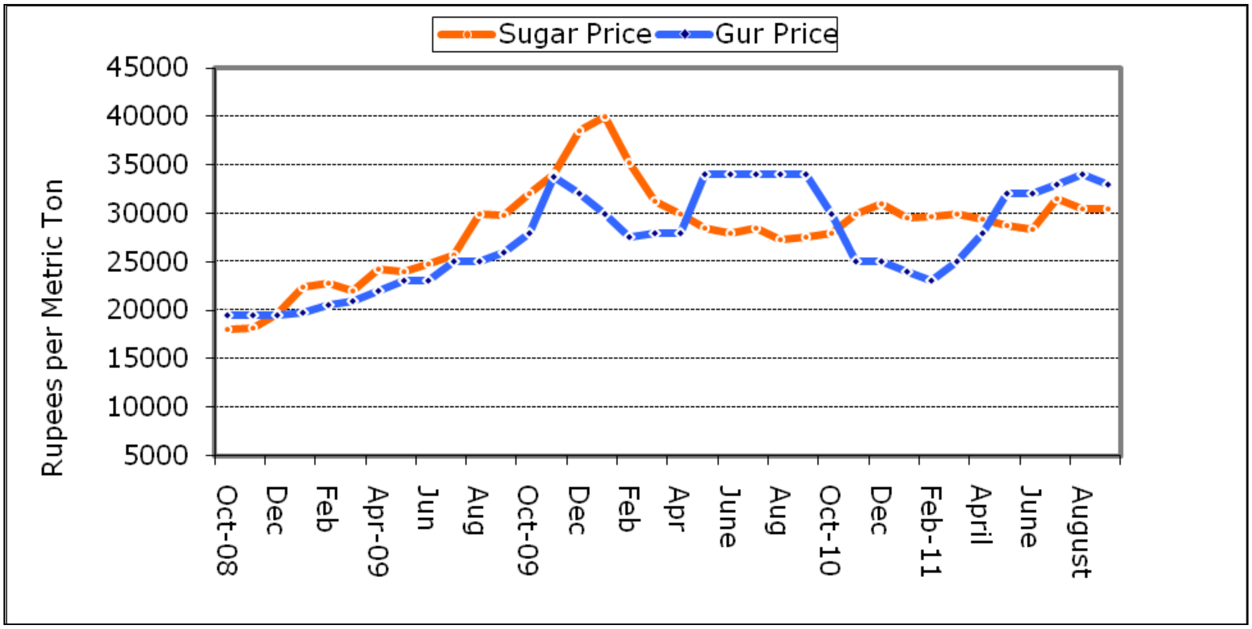
Consumption:

Post's MY 2011/12 consumption forecast has been revised lower to 25 million tons on expected tight domestic supplies. MY 2010/11 consumption has also been revised lower to 23 million tons due to higher than anticipated exports (Table 1).

MARKET PRICES

MY 2011/12 late season sugar prices have been firm due to seasonal demand and strong export off-take (Table 5). Currently, sugar prices in the major domestic wholesale market in India range from $550 to $615 per ton. Although end-season gur prices are relatively firm (Table 6) due to lower end-season gur production, gur prices in MY 2011/12 will largely be guided by the sugar price movement (Figure 1). (Note: Gur is a non-centrifugal crude sugar in lump form).

Figure 1. Sugar and Gur Prices in the Delhi Market



Source: Industry and Trade Sources.

Trade:

Exports:

Post's MY 2011/12 export forecast has been raised to 2.5 million tons on expected strong export demand. Based on recent government and industry estimates, sugar exports in 2010/11 were also raised to 3.2 million tons. The latest export statistics available from October 2010 through March 2011 indicate that India exported over 2.7 million tons of sugar, mostly to Thailand, UAE, Singapore, Malaysia, Iran, Yemen, Kenya, Djibouti, Bangladesh, and other neighboring countries such as Sri Lanka and Pakistan. Based on information from industry sources, over 500,000 tons of sugar has been exported in the second half of MY 2010/11 (April 2011 through September 2011).

Imports:

Sugar imports in MY 2010/11 have been lowered to 405,000 tons to reflect current official and industry estimates.

Trade Policy:

- The Government of India (GOI) extended duty-free imports of raw and white sugar until March 31, 2011. On April 1, 2011, the 60-percent import duty structure was reinstated. Two weeks later, the GOI abolished the import duty on raw and white sugar until June 30, 2011 through notification (No-34/2011 - Customs dated April 15, 2011). Further, through a series of notifications, (No-55/2011 and No-81/2011 - Customs), the GOI extended duty-free imports of raw and white sugar through November 30, 2011.

- In 2010/11, the GOI allowed exports of 2.8 million tons of sugar [1.2 million tons (raw value) under the Advance License Scheme (ALS) and 1.6 million tons (raw value) under open general license (OGL)] to augment liquidity of sugar mills and to enable them to settle their arrears. The Directorate of Sugar, GOI, through a circular released on January 1, 2011, decided to export 500,000 tons of raw, white and refined sugar under OGL, but actual sugar exports were 'allowed' through another circular issued on April 19, 2011, superceding its previous circular dated January 1, 2011. (Circulars are available at Export Orders OGL, Directorate of Sugar, GOI).

- In addition to exports allowed under OGL and ALS, an estimated 400,000 tons of raw sugar were exported in 2010/11. The additional exports were re-exports of raw sugar (stocked in ports) that were imported in 2008/09 and 2009/10 to augment domestic supplies, but were not utilized due to logistical and economic constraints.

Stocks:

Post's MY 2011/12 ending stocks are forecast higher at 6.9 million tons which is sufficient to meet the normal stock requirements (3 months consumption).

Production, Supply and Demand Data Statistics:

Table 1. India: Commodity, Centrifugal Sugar (raw value basis), PSD
Figures in '000 metric tons (MT)

Sugar, Centrifugal India	**2009/2010**			**2010/2011**			**2011/2012**		
	Market Year Begin: Oct 2009			**Market Year Begin: Oct 2010**			**Market Year Begin: Oct 2011**		
	USDA Official	**Old Post**	**New Post**	**USDA Official**	**Old Post**	**New Post**	**USDA Official**	**Old Post**	**New Post**
Beginning Stocks	3,510	3,510	5,361	4,664	4,664	5,204	6,994	6,214	6,059
Beet Sugar Production	0	0	0	0	0	0	0	0	0
Cane Sugar Production	20,637	20,637	20,637	26,650	26,650	26,650	28,300	28,300	28,300
Total Sugar Production	20,637	20,637	20,637	26,650	26,650	26,650	28,300	28,300	28,300
Raw Imports	3,340	3,340	1,701	1,000	1,000	402	100	100	0
Refined Imp.(Raw Val)	907	907	730	200	200	3	0	0	0
Total Imports	4,247	4,247	2,431	1,200	1,200	405	100	100	0
Total Supply	28,394	28,394	28,429	32,514	32,514	32,259	35,394	34,614	34,359
Raw Exports	42	42	53	0	0	700	0	0	0
Refined Exp.(Raw Val)	188	188	172	20	800	2,500	1,800	1,800	2,500
Total Exports	230	230	224	20	800	3,200	1,800	1,800	2,500
Human Dom. Consumption	23,500	23,500	23,000	25,500	25,500	23,000	26,500	26,500	25,000
Other Disappearance	0	0	0	0	0	0	0	0	0
Total Use	23,500	23,500	23,000	25,500	25,500	23,000	26,500	26,500	25,000
Ending Stocks	4,664	4,664	5,204	6,994	6,214	6,059	7,094	6,314	6,859
Total Distribution	28,394	28,394	28,428	32,514	32,514	32,259	35,394	34,614	34,359

Note: Stocks include only milled sugar. All khandsari sugar (a low-recovery centrifugal sugar) is consumed within the marketing year. Virtually no centrifugal sugar is utilized for alcohol, feed, or other non-human consumption.

Table 2. India: Commodity, Sugarcane, Centrifugal, PSD

Area in '000 hectare and others in '000 MT

Sugar Cane for Centrifugal India	2009/2010			2010/2011			2011/2012		
	Market Year Begin: Oct 2009			Market Year Begin: Oct 2010			Market Year Begin: Oct 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	4,180	4,200	4,200	4,810	4,810	4,930		5,200	5,100
Area Harvested	4,180	4,200	4,200	4,810	4,810	4,930		5,200	5,100
Production	277,800	277,800	292,300	328,000	340,540	340,000		350,000	350,000
Total Supply	277,800	277,800	292,300	328,000	340,540	340,000		350,000	350,000
Utilization for Sugar	190,800	185,548	185,550	237,000	245,000	245,000		255,000	255,000
Utilizatn for Alcohol	87,000	92,252	106,750	91,000	95,540	95,000		95,000	95,000
Total Utilization	277,800	277,800	292,300	328,000	340,540	340,000		350,000	350,000

Note: Virtually no cane is utilized directly for alcohol production. 'Utilization for alcohol' in the PS&D includes cane used for gur, seed, feed and waste. 'Utilization for sugar' data include cane used to produce mill sugar and khandsari sugar.

Table 3. India: Sugarcane Area, Production, and Utilization

Area in million hectares, yield in metric tons per hectare, and others in million metric tons

Sugar Cane	Area[1]	Yield[1]	Production[1]	Sugar[2]	Khandsari[3]	Gur [3]	Seed[3]
	Mha	MT/ha	MMT	MMT	MMT	MMT	MMT
1985/86	2.86	59.99	171.68	68.98	10.48	71.62	20.60
1990/91	3.69	65.39	241.05	122.32	13.18	76.63	28.93
1995/96	4.15	68.02	282.09	174.76	10.00	67.27	30.06
2000/01	4.32	68.49	295.60	176.65	11.00	72.48	35.47
2001/02	4.41	67.38	297.21	180.32	10.50	70.73	35.67
2002/03	4.52	63.58	287.38	194.33	9.50	49.07	34.49
2003/04	3.94	59.39	233.86	132.51	10.00	61.35	30.00
2004/05	3.66	64.74	237.09	124.77	9.50	74.37	28.45
2005/06	4.20	66.93	281.17	188.67	8.50	50.26	33.74
2006/07	5.15	69.03	355.52	279.25	7.50	26.11	42.66
2007/08	5.06	68.81	348.19	249.91	7.00	49.50	41.78
2008/09	4.40	64.77	285.00	145.00	6.50	99.30	34.20
2009/10	4.20	69.60	292.30	185.55	6.50	65.17	35.07
2010/11[3]	4.93	68.97	340.00	245.00	7.00	47.20	40.80
2011/12[3]	5.10	68.63	350.00	255.00	7.50	45.50	42.00

Source: 1: Directorate of Economic and Statistics, Ministry of Agriculture.
2: Indian Sugar Mills Association except 2010/11 and 2011/12.
3: FAS/New Delhi estimate.

Table 4. India: Industrial Sugar Production by State, in '000 tons crystal weight basis

State	2008/09[1]	2009/10[1]	2010/11[2]	2011/12[2]
	Final	Revised	Revised	Forecast
Andhra Pradesh	590	520	960	1000
Bihar	210	260	340	350
Gujarat	1010	1190	1400	1500
Haryana	230	250	400	500
Karnataka	1650	2560	3400	3600
Maharashtra	4580	7070	9200	9300
Punjab	240	180	300	400
Tamil Nadu	1600	1280	1700	2300
Uttar Pradesh	4060	5180	6200	6500
Others	350	440	600	600
Total	14538	18912	24500	26050

Note: Excludes khandsari sugar, as state break-out is not available.
Source: 1: MY 2008/09 and 2009/10 - Indian Sugar Mills Association.
2: MY 2010/11 and 2011/12 – FAS/New Delhi Estimate.

Table 5. India: Centrifugal Sugar Prices, crystal weight basis, rupees per metric ton

Year	2009	2010	2011	% Change
Jan	22,350	40,000	29,500	-26%
Feb	22,800	35,200	29,650	-16%
Mar	22,000	31,250	30,000	-4%
Apr	24,250	30,000	29,400	-2%
May	24,000	28,500	28,750	1%
Jun	24,750	28,000	28,300	1%
Jul	25,750	28,500	31,500	11%
Aug	30,000	27,250	30,500	12%
Sep	29,750	27,500	30,500	11%
Oct	32,000	28,000		
Nov	34,000	30,000		
Dec	38,500	31,000		
Exchange Rate	48.32	45.65	49.00	

Note: Exchange rate for 2009 and 2010 (shown in rupees per dollar) refers to Indian fiscal years 2009/10 and 2010/11 (April/March). Exchange rate of 2011 refers to the second week of October, 2011.
Source & Contract Terms: Indian Sugar Mills Association; month-end prices in the Delhi wholesale market.

Table 6. India: Gur Prices, actual weight basis, rupees per metric ton

Year	2009	2010	2011	% Change
Jan	19,750	30,000	24,000	-20%
Feb	20,500	27,500	23,000	-16%
Mar	21,000	28,000	25,000	-11%
Apr	22,000	28,000	28,000	0%
May	23,000	34,000	32,000	-6%
Jun	23,000	34,000	32,000	-6%
Jul	25,000	34,000	33,000	-3%
Aug	25,000	34,000	34,000	0%
Sep	26,000	34,000	33,000	-3%
Oct	28,000	30,000		
Nov	33,750	25,000		
Dec	32,000	25,000		
Exchange Rate	48.32	45.65	49.00	

Note: Exchange rate for 2009 and 2010(shown in rupees per dollar) refers to Indian fiscal years 2009/10 and 2010/11 (April/March). Exchange rate of 2011 refers to second week of October, 2011.
Source & Contract Term: Indian Sugar Mills Association; month-end prices in the Delhi wholesale market.

Table 7. India: Sugarcane Prices Table, rupees per ton

	2008/09	2009/10	2010/11
Minimum Support Price (MSP) or Fair Remunerative Price (FRP)			
Wheat	10,800.00	11,000.00	11,200.0
Rice (Grade A)	8,800.0[1]	9,800.00	10,300.0
Sugarcane	811.8[2]	1298.4[3]	1391.2
State Advised Price (SAP) for Sugarcane, by State			
Uttar Pradesh	1400-1450[4]	1650-1700[5]	2050-2100
Haryana/Punjab	1400-1500	1850-1900	1900-2200
Southern States[6]	1200-1600	2000-2400	1750-2300

Notes:

1: An additional bonus of Rs. 500 per MT was paid over the MSP.

2: The MSP for 2006/07, 2007/08 and 2008/09 was linked to a basic recovery rate of 9.0 percent. For every 0.1 percent increase in recovery over the 9.0 percent basic recovery rate, an additional premium of Rs. 9.0/MT was provided.

3: FRP for 2009/10 was linked to a basic recovery rate of 9.5 percent, and for every 0.1 percent increase in recovery over the basic recovery rate, an additional premium of Rs. 13.7/metric tons was provided.

4: Sugar mills paid an additional premium of Rs. 100 to 150 per metric tons to the farmers after the month of January 2009.

5: Sugar mills paid prices above SAP ranging from Rs. 2000/mt to 2800/mt.

6: Sugar mills pay market prices.

Exchange Rate

2008/09 (April/March) 1US$= 46.0 Indian Rs.
2009/10 (April/March) 1US$= 47.9 Indian Rs.
2010/11 (April/March) 1US$= 45.7 Indian Rs.
Source: Indian Sugar Mills Association.