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India

Sugar Semi-annual

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Report Highlights:
The centrifugal sugar production for marketing year (MY) 2015/16 is forecast at 28.5 million metric tons (MMT), six percent below last year. Despite higher production in Uttar Pradesh, lower sugar production from Maharashtra and Karnataka will push overall production levels below last year. Concurrently, sugarcane production in MY 2015/16 is revised lower to 345 MMT to indicate lower-than-expected cane yields. Sugar exports in MY 2015/16 are revised from 2.2 MMT to 2.5 MMT as per the latest trade estimate. Imports will remain negligible.

Note: All sugar data in the report are raw value basis unless otherwise mentioned.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Production:

MY 2015/16 Centrifugal Sugar Production Estimated Six Percent below Last Year

The centrifugal sugar production forecast for MY 2015/16 is revised down six percent to 28.5 MMT. Weaker sugar production from Maharashtra and Karnataka will push overall production levels down, despite higher output from Uttar Pradesh. Assuming sugar prices remain depressed in the short to medium-term, cane supplies to sugar mills will decline. Additionally, Post anticipates 0.1 percent decline in the average sugar recovery rate (for cane planted in both tropical and sub-tropical regions) to 11.1 percent, which will further additional production costs. Cane supplies to local *gur* (jaggery or crude, non-centrifugal lump sugar) manufacturers, which are typically small, backyard enterprises, will resume to normal.

Centrifugal sugar production in MY 2014/15 is revised up three percent to 30.2 MMT based on higher-than-expected sugar production from Maharashtra and Uttar Pradesh. Incidentally, centrifugal sugar production levels reached were the second highest of the last decade and reached record production in Maharashtra.

Adverse Weather Conditions Will Lower Cane Yields in MY 2015/16

Post revises down sugarcane planted area and production forecast for MY 2015/16 from 5.06 million hectares (MH) and 350 MMTs to 4.9 MH and 345 MMT, respectively. Lower than anticipated cane yields will reduce cane production in MY 2015/16. The Government of India's (GOI) first advance estimate of sugarcane production for crop year 2015/16 (July-June) is 341.4 MMT. Also, the latest planting progress report available from Agriculture Ministry, government of India (GOI), indicates planting in MY 2015/16 as roughly the same as last year.

Deficit monsoon rains from late July through mid-September in Marathwada and northern Karnataka region negatively affected cane growth in those regions and will lower yields as a result. Concurrently, higher cane productivity in Uttar Pradesh experienced more favorable weather conditions during the monsoon and cane productivity in that state was higher. Although better conditions in Uttar Pradesh partially offset the yield loss in Maharashtra and Karnataka, overall cane yields are lower.

Incidentally, late monsoonal rains are expected to relieve some dry areas, particularly in Marathwada region which has been facing an acute water shortage (drinking and irrigation). At the end of July, cumulative levels of rainfall were relatively stable and were three percent below average. However, by mid-September, precipitation was 16 percent below average before narrowing to 14 percent by end of September.

Total cane area planted in MY 2014/15 is forecast down from the previous estimate by 26,000 hectares to 4.87 MH approximately while cane production remains unchanged at 347 MMT. The GOI estimate is slightly higher at 359.3 MMT. Average cane productivity is increased to reflect the change noted above.

Consumption:

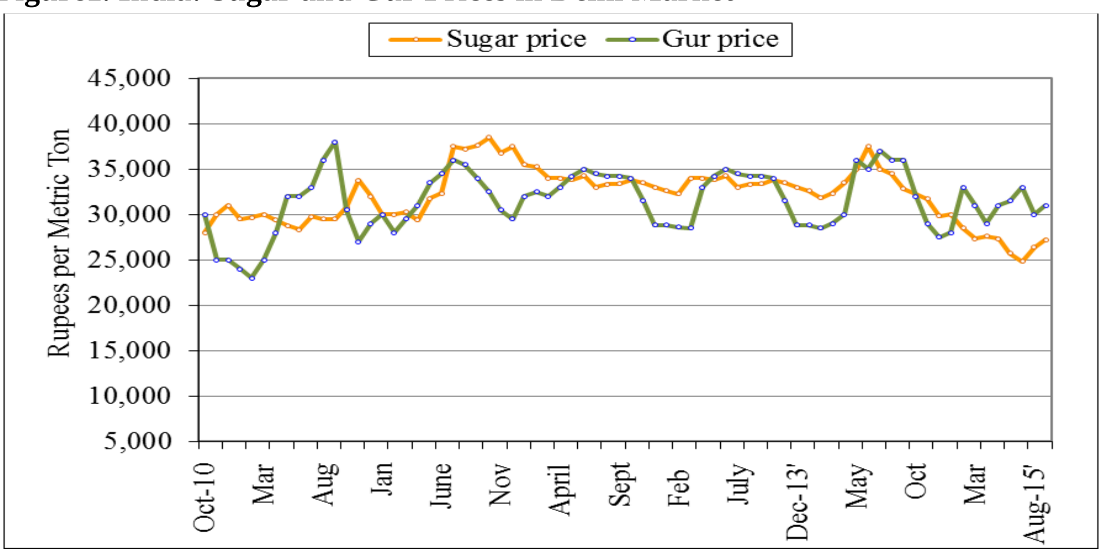
Sugar consumption estimate for MY 2014/15 is revised lower to 27 MMT while MY 2015/16 remain unchanged at 28 MMT as they accurately reflect the most recent consumption trend (Table 1).

Market Prices

Domestic sugar prices in MY 2014/15 remained under pressure due to five consecutive years of surplus sugar production. Consequently, sugar prices have decreased by almost 16 percent in last 12 months (Figure 1). Additional losses are likely to extend loss through MY 2015/16 until a point when supplies underpin sugar prices (international price movement can impact domestic prices). Sugar mills in India are mandated by the Government to crush cane despite the market disparity (rising costs of production, lower sugar prices) to generate cash flows and help clear partial debt. The move will help mills become eligible for getting government assistance in form of interest free loan or subsidy. As of September 2015, sugar prices in the major domestic wholesale market in India were in a range from $365 to $420 per MT.

Compared to sugar prices, *gur* prices remained strong due to short supply of canes to local jaggery manufacturers and had strengthened by more than eight percent during same period. However, *gur* prices and its movement will be guided by the sugar price fluctuations.

Figure1. India: Sugar and Gur Prices in Delhi Market



Source: Industry and Trade sources

Trade:

Sugar export forecast for MY 2015/16 is revised from 2.2 MMT to 2.5 MMT, of which 1.5 MMT will be raw sugar exports and remaining white or refined sugar. The trade date is revised to indicate growing demand from African, Asian and neighbors. Additionally, any subsidy from the government will incentivize sugar export sales. Commercial imports are forecast to be negligible given the glut in domestic market.

Sugar exports for MY 2014/15 are also revised to 2.5 MMT to indicate latest trade estimate. Of total exports, a million ton is estimated sale of crystal white sugar and another million ton as refined sugar re-exported under Advance License Scheme (ALS) program. Sudan, Somalia, Sri Lanka, UAE, Saudi Arabia, Djibouti, Iran, Pakistan, Tanzania and Kenya were major importers of Indian sugar. Further, about 500,000 metric tons is believed to be raw sugar exports permitted under export subsidy program for MY 2014/15. In February 2015, the GOI had approved 1.4 MMT of raw sugar under the subsidy at the rate of $64.25 per MT (INR 4000 per MT). Note: Under the ALS, local sugar mills are allowed to import raw sugar at zero duty against a future export commitment.

Trade Policy

Imports

On April 29, 2015, the Union Cabinet gave its approval to increase the duty on sugar imports under open general license (OGL) from 25 percent to 40 percent. The objective of increasing the tariff was to discourage imports, prevent excessive inventory, and support local sugar prices. On August 21, 2014, the GOI raised its tariff for refined and raw sugar from 15 percent to 25 percent (Customs Notification No.26/2014).

Further, according to the Press Information Bureau's (PIB) press release, the "Duty Free Import Authorization" scheme (DFIA), for sugar has been withdrawn to prevent leakage of sugar made from such duty free imports in the domestic markets. Under the DFIA, exporters of sugar could import duty free, permissible quantities of raw sugar for subsequent processing and disposal. Similarly, the period for discharging export obligations under the Advanced Authorization Scheme for sugar has been reduced to six months, so as to prevent any possibility of any leakage into the domestic markets.

Exports

Sugar can be exported under Open General License (OGL). According to the Ministry of Commerce's Notification No 3/2015-2020, the requirement of registration of sugar quantity prior to exports with Director General of Foreign Trade (DGFT) has been waived off to expedite sugar export sales. Industry sources report that the GOI is contemplating a new sugar export subsidy program to boost sugar exports during MY 2015/16. The raw sugar export subsidy program for last two seasons did not yield sales in terms of volume.

Stocks:

Sugar end stocks for MY2015/16 and MY2014/15 have been revised lower to 6.4 MMT and 7.7 MMT, respectively. The MY 2015/16 end stocks are relatively tight for first time in last decade and are not sufficient to meet the normal stock requirements (three months consumption).

Production, Supply and Demand Data Statistics:

Table 1. India: Centrifugal Sugar (Raw Value Basis), In Thousand Tons

Sugar, Centrifugal	2013/2014	2014/2015	2015/2016

Market Begin Year	Oct 2013		Oct 2014		Oct 2015	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	9,373	9,373	8,227	8,227	10,210	8,948
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	26,605	26,605	29,483	30,240	29,050	28,530
Total Sugar Production	26,605	26,605	29,483	30,240	29,050	28,530
Raw Imports	1,050	1,050	1,000	1	900	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
Total Imports	1,050	1,050	1,000	1	900	0
Total Supply	37,028	37,028	38,710	38,468	40,160	37,478
Raw Exports	1,275	1,275	100	500	1,200	1,500
Refined Exp.(Raw Val)	1,526	1,526	1,400	2,020	1,000	1,000
Total Exports	2,801	2,801	1,500	2,520	2,200	2,500
Human Dom. Consumption	26,000	26,000	27,000	27,000	28,000	28,000
Other Disappearance	0	0	0	0	0	0
Total Use	26,000	26,000	27,000	27,000	28,000	28,000
Ending Stocks	8,227	8,227	10,210	8,948	9,960	6,978
Total Distribution	37,028	37,028	38,710	38,468	40,160	37,478

Table 2. India: Sugarcane, Centrifugal, Area In Thousand Hectares And Others In Thousand Tons

Sugar Cane for Centrifugal	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	5,012	5,012	4,900	4,874	5,060	4,884
Area Harvested	5,012	5,012	4,900	4,874	5,060	4,884
Production	352,140	352,140	347,000	347,000	350,000	345,000
Total Supply	352,140	352,140	347,000	347,000	350,000	345,000
Utilization for Sugar	234,320	234,320	258,000	265,600	252,000	250,000
Utilizatn for Alcohol	117,820	117,820	89,000	81,400	98,000	95,000
Total Utilization	352,140	352,140	347,000	347,000	350,000	345,000

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

Sugar Cane	Area1	Yield1	Product1	Sugar2	Khandsari2	Gur2	Seed2
	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	69.35	299.32	176.65	11.00	75.75	35.92
2001/02	4.41	67.09	295.95	180.32	10.50	69.62	35.51
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	63.29	28.06
2004/05	3.66	64.74	237.08	124.77	9.50	74.36	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	222.00	10.00	80.86	42.66
2007/08	5.06	68.81	348.18	249.91	7.00	49.49	41.78
2008/09	4.44	64.19	285.02	145.00	6.50	99.32	34.20
2009/10	4.18	70.01	292.30	185.55	6.50	65.17	35.08
2010/11	4.89	70.09	342.38	240.00	7.50	53.79	41.09
2011/12	5.04	71.66	361.03	257.00	7.00	53.70	43.32
2012/13	5.06	67.38	341.20	251.50	7.00	41.75	40.94
2013/14	5.01	70.26	352.14	234.32	8.00	67.56	42.25
2014/15	4.87	71.19	347.00	265.60	8.00	31.76	41.64
2015/16	4.88	70.64	345.00	250.00	8.00	45.60	41.40

Note: Figures for 2014/15 and 2015/16 are FAS estimates.
Source: [1] Directorate of Economic and Statistics, Ministry of Agriculture
[2] FAS/New Delhi Estimate.

Table 4. India: Mill Sugar Production by State, in thousand metric tons, crystal weight basis

State / MYà	**2012/13**	**2013/14**	**2014/15**	**2015/16**
	Final	**Revised**	**Estimate**	**Forecast**
Andhra Pradesh	9.9	9.8	9.0	8.0
Bihar	5.0	4.4	5.3	5.7
Gujarat	11.3	11.7	11.4	11.0
Haryana	4.1	5.0	4.7	4.6
Karnataka	34.0	42.0	50.0	48.0
Maharashtra	80.0	77.1	105.0	86.0
Punjab	4.3	4.4	4.7	4.5
Tamil Nadu	19.1	17.0	12.0	11.0
Uttar Pradesh	74.7	65.0	71.0	76.0
Others	9.1	7.6	5.0	7.2
Total	251.42	244.06	278.10	262.00

Source: MYs 2012/13 and 2013/14 - Indian Sugar Mills Association; MYs 2014/15 and 2015/16 – FAS/New Delhi Estimate.
Note: Excludes Khandsari sugar, as state-wise breakout is not available

Table 5. India: Commodity, Centrifugal Sugar, Price Table, in INR per metric ton

Year	2013	2014	2015	Percent Change
January	35,500	32,600	30,000	-9
February	35,250	31,800	28,500	-12
March	34,000	32,300	27,300	-18
April	34,000	33,500	27,600	-21
May	33,800	35,000	27,300	-28
June	34,250	37,500	25,700	-46
July	33,000	35,000	24,800	-41
August	33,300	34,500		
September	33,400	32,800		
October	33,800	32,200		
November	33,500	31,700		
December	33,000	29,800		
Exchange Rates:	58.48	60.85	63.45	
	Local Currency INR/US $			

Note: Exchange rates for 2013, 2014 & 2015 refer to respective Marketing Years (October–September)
Source & Contract Terms: Indian Sugar Mills Association and NFCSF; month-end prices in the Delhi wholesale market.

Table 6. India: Commodity, Gur, Price Table
(Prices in INR per metric ton, actual weight basis)

Year	2013	2014	2015	Percent Change
January	32,000	28,800	28,000	-2.78
February	32,500	28,500	33,000	15.79
March	32,000	29,000	31,000	6.90
April	33,000	30,000	29,000	-3.33
May	34,200	36,000	31,000	-13.89
June	35,000	35,000	31,500	-10.00
July	34,500	37,000	33,000	-10.81
August	34,200	36,000		
September	34,200	36,000		
October	34,000	32000		
November	31,500	29000		
December	28,800	27500		
Exchange Rate:	58.48	60.85	63.45	
	Local Currency INR/US $			

Note: Exchange rates for 2013, 2014 and 2015 refer to respective Marketing Years (October–September).
Source & Contract Term: Indian Sugar Mills Association and NFCSF; month-end prices in the Delhi wholesale market.

Table 7. India: Comparative Commodity Support Price Table, INR per metric ton, Minimum Support Price (MSP) or Fair Remunerative Price (FRP)

Marketing Year	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Wheat	13,500	14,000	14,500	-
Rice (Grade A)	12,800	13,450	14,000	14,500
Sugarcane	1,7001	2,100	2,200	2,300
State Advised Price (SAP) for Sugarcane, by State				
Uttar Pradesh	2,750-2,900	2,750-2,900	2,750-2,900	-
Haryana/Punjab	2,350-2,760	2,750-3,000	2,800-3,100	
Southern States[2]	2,200-2,500	2,500-2,650	2,200-2650	

Note:
1 FRP for 2015/16 at 9.5 percent recovery, subject to a premium of INR 2.42 for every 0.1 percent increase in recovery above 9.5 percent.
2: Sugar mills pay market price.
Source: Indian Sugar Mills Association