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India

Sugar Semi-annual

2016

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Report Highlights:

Indian centrifugal sugar production in marketing year (MY) 2016/17 (out-year) is revised down by six percent to 23.9 million metric tons (MMT). Despite higher sugar production in Uttar Pradesh, lower than anticipated sugar production from Maharashtra and Karnataka will further push overall production levels below last year. Assuming normal sugarcane yields and a net decline in planted area, overall sugarcane production during the out-year is now revised lower to 324 MMT from 4.57 million hectares. Commercial trade will be minimal.

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

Commodities:

Sugar Cane for Centrifugal
Sugar, Centrifugal

Production:

Centrifugal Sugar Production Forecast Six Percent below MY 2015/16
The out-year centrifugal sugar production forecast (MY 2016/17) is revised down six percent to 23.9 MMT. Lower than anticipated production from Maharashtra and Karnataka will further push overall production levels down, despite higher output from Uttar Pradesh. Average sugar recovery rates will remain modest at 11.3 percent, but 0.2 percent below last year. Sugar mills, particularly in Maharashtra and Karnataka, are unlikely to delay cane crushing during the impending harvest season due to likely cane shortages in those regions. Industry sources indicate that millers in Uttar Pradesh are also expected to commence crushing on time, given the gradual reduction of miller debt, as well as the anticipated election season in that state.

Recent domestic price stabilization should improve cash flow and help millers settle debts. On Fair and Remunerative Price (FRP) basis, Indian millers have settled almost 93 percent of debt owed to sugarcane farmers. Uttar Pradeshi millers owe almost half of outstanding debt, millers in Maharashtra and Tamil Nadu owe 15 percent, followed by six percent for millers in Karnataka millers. Cane arrears as of July 31, 2016, were INR 3.2 billion (Source: Ministry of Consumer Affairs, Food and Public Distribution, Government of India). Further, Post estimates that the cane supplies to *gur* (jaggery or crude, non-centrifugal lump sugar) manufacturing units will return to more normal production levels, with out-year *gur* production reaching 6.5 MMT, a 3.3-percent increase over last year. Centrifugal sugar production in current year is revised lower to 27.5 MMT to adjust for relatively lower sugar production estimate from Uttar Pradesh.

Sugarcane Production Forecast Revised Lower from 333 MMT to 324 MMT
The latest *kharif* crop situation report indicates total cane planting in MY 2016/17 at 4.57 million hectares, an eight-percent decrease from MY 2015/16. Although sugarcane planting has increased in Uttar Pradesh, additional acres there equate to less than one-third of the total decline in Maharashtra and Karnataka. Farmers in Maharashtra, and Karnataka chose to ratoon their crop in 2016 (implying no new area was brought under cane planting) and hence the combined planted area in these two states declined 31 percent below last year. Conversely, new cane planting in Uttar Pradesh raised area planted by six percent over last year. Industry sources estimate that more than one-third of total sugarcane acres under production are high-yielding, early-maturing cane varieties. Favorable weather and normal monsoon rains in 2016 throughout the major sugarcane growing regions will marginally affect cane yields. Therefore, assuming normal cane yields and net decline in planted area, overall sugarcane production is revised down from 333 MMT to 324 MMT.

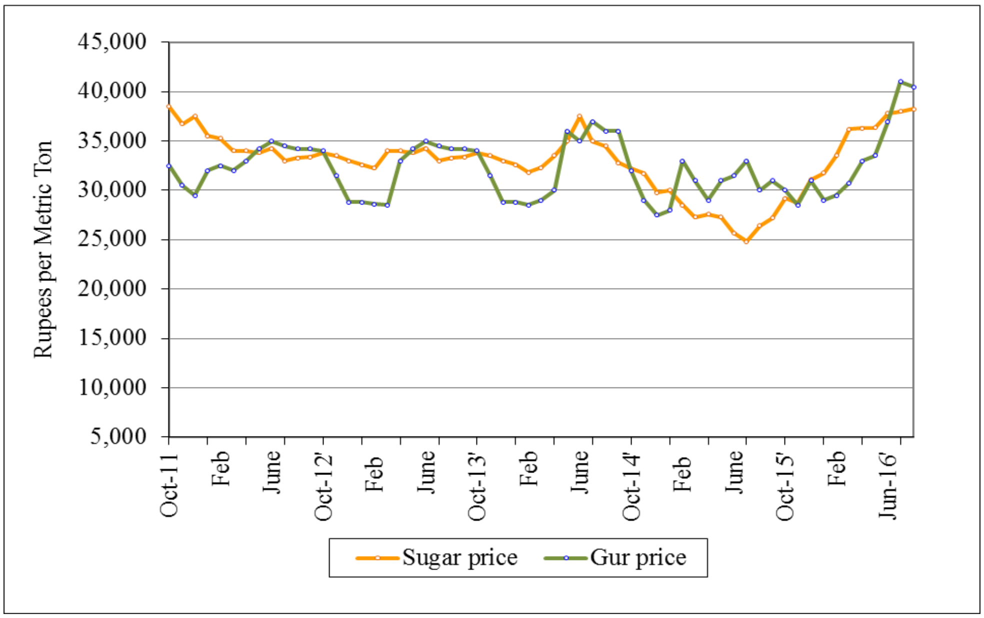
The fourth advance estimate from the Ministry the Agriculture calculates sugarcane production in current year at 352.16 MMT, slightly above Post's previous estimate. Sugarcane area planted is also revised up from 4.92 million hectares to 4.96 million hectares based on the latest estimates.

Consumption:

Consumption Remains Steady
India's sugar consumption estimate for the out-year and the current year remain unchanged at 27.2 MMT and 26.8 MMT as they continue to reflect recent consumption trends (Table 1).

Market Prices
As of January 2016, sugar and *gur* prices rallied in anticipation of tighter supplies during the out-year (Figure 1). In last two months, *gur* prices have strengthened to historic highs, although prices are likely to moderate during the ensuing crushing season (out-year). Currently, Indian wholesale sugar prices range from $560 to $565 per MT, while *gur* is selling at a premium of $50 per MT to sugar.

Figure1. India: Sugar and Gur Prices in Delhi Market



Source: Industry and Trade sources

Trade:

Sugar exports in the out-year are estimated at 1.5 MMT. Most of these sales will be refined sugar re-exported under the Advance License Scheme (ALS). Under the ALS, local sugar millers are allowed to import raw sugar duty-free against a future export commitment. Commercial sugar trade will be minimal. Although international sugar prices have strengthened lately, Indian sugar export sales are still not price competitive on the global market. Also, the recent strengthening in domestic sugar prices will encourage mills to sell locally. Current year export estimates remains unchanged at 3 MMT. Sudan, Somalia, Sri Lanka, Pakistan and Djibouti are key markets for Indian sugar exports. Imports were mostly from Brazil and smaller quantity from New Zealand.

Trade Policy

India's sugar import duty remains unchanged at 40 percent as of the date of publication. Sugar can be exported under the open general license (OGL). The sugarcane production subsidy was removed in May 2016 because sugar prices were substantially higher than levels required for operational viability of the sugar industry. Subsequently, the minimum indicative export quota (MIEQ) for selling 4 MMT of sugar (raw, white/refined) in MY 2015/16 was also withdrawn in June 2016. These programs were intended to incentivize exports, inject liquidity, and lower India's surplus.

Stocks:

Ending stocks for the out-year is revised down from 6.9 MMT to 6.3 MMT and is insufficient to meet the normal stock requirements (three-month consumption).

Production, Supply and Demand Data Statistics:

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

Sugar, Centrifugal	2014/2015		2015/2016		2016/2017	
Market Begin Year	Oct 2014		Oct 2015		Oct 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	8227	8227	10607	10607	9707	9689
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	30460	30460	27700	27530	25500	23945
Total Sugar Production	30460	30460	27700	27530	25500	23945
Raw Imports	1000	1000	1100	1350	1000	1400
Refined Imp.(Raw Val)	0	0	0	2	0	0
Total Imports	1000	1000	1100	1352	1000	1400
Total Supply	39687	39687	39407	39489	36207	35034
Raw Exports	500	500	100	100	0	0
Refined Exp.(Raw Val)	2080	2080	2800	2900	1000	1500
Total Exports	2580	2580	2900	3000	1000	1500
Human Dom. Consumption	26500	26500	26800	26800	27200	27200
Other Disappearance	0	0	0	0	0	0
Total Use	26500	26500	26800	26800	27200	27200
Ending Stocks	10607	10607	9707	9689	8007	6334
Total Distribution	39687	39687	39407	39489	36207	35034

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

Sugar Cane for Centrifugal	2014/2015	2015/2016	2016/2017
Market Begin Year	Oct 2014	Oct 2015	Oct 2016

India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	5144	5144	4918	4918	4700	4577
Area Harvested	5144	5144	5060	4918	4700	4577
Production	362333	362333	347000	352163	333000	324000
Total Supply	362333	362333	347000	352163	333000	324000
Utilization for Sugar	265400	265400	245000	239000	225000	211000
Utilization for Alcohol	96933	96933	102000	113163	108000	113000
Total Utilization	362333	362333	347000	352163	333000	324000

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

Sugar Cane	Area[1]	Yield[1]	Product[1]	Sugar[1]	Khandsari[2]	Gur[2]	Seed[2]
	Mha	MT/ha	MMT	MMT	MMT	MMT	MMT
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	5.08	71.07	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	5.14	70.44	362.33	265.40	8.00	45.45	43.48
2015/16	4.96	71.00	352.16	239.00	8.50	62.40	42.26
2016/17	4.57	70.84	324.00	211.00	9.00	65.00	38.85

Note: Figures for 2015/16 and 2016/17 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 / MY→	2013/14 Final	2014/15 Revised	2015/16 Estimate	2016/17 Forecast
Andhra Pradesh	9.8	9.0	8.1	10.0
Bihar	4.4	5.3	5.2	5.0

Gujarat	11.7	11.4	11.5	10.0
Haryana	5.0	4.7	5.5	5.5
Karnataka	42.0	50.0	42.0	32.0
Maharashtra	77.1	105.0	84.0	57.0
Punjab	4.4	4.7	6.3	5.0
Tamil Nadu	17.0	12.0	14.0	14.0
Uttar Pradesh	65.0	71.0	69.0	74.0
Others	7.6	7.0	6.7	6.1
Total	244.06	280.10	252.30	218.60

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

Year	**2014**	**2015**	**2016**	**Percent Change**
January	32,600	30,000	31,750	6
February	31,800	28,500	33,500	18
March	32,300	27,300	36,200	33
April	33,500	27,600	36,300	32
May	35,000	27,300	36,350	33
June	37,500	25,700	37,800	47
July	35,000	24,800	37,980	53
August	34,500	26,400		
September	32,800	27,200		
October	32,200	29,200		
November	31,700	28,700		
December	29,800	31,100		
Exchange Rates:	60.85	64.13	66.89	
	Local Currency INR/US $			

Note: Exchange rates for 2014, 2015 and 2016 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	**2014**	**2015**	**2016**	**Percent Change**
January	28,800	28,000	29,000	3.57
February	28,500	33,000	29,500	10.61
March	29,000	31,000	30,750	0.81
April	30,000	29,000	33,000	13.79

May	36,000	31,000	33,500	8.06
June	35,000	31,500	37,000	17.46
July	37,000	33,000	41,000	24.24
August	36,000	30,000		
September	36,000	31,000		
October	32000	30,000		
November	29000	28,500		
December	27500	31,000		
Exchange Rate:	60.85	64.13	66.89	
	Local Currency INR/US $			

Note: Exchange rates for 2014, 2015 and 2016 refer to respective Marketing Years (October-September).
Source & Contract Term: Indian Sugar Mills Association and NFCSF; month-end prices in the Delhi wholesale market.