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India

Sugar Semi-annual

2014

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Report Highlights:
Post forecast centrifugal sugar production for marketing year (MY) 2014/15 at 27.3 MMT (raw value), a decrease of 640,000 metric tons (MT). This revision reflects less-than-anticipated sugarcane acreage in Uttar Pradesh and adjoining states. Tighter sugar supplies will boost opportunities for imports in MY 2014/15, which are now forecast at 1.0 MMT (mostly raw). Sugar exports for MY 2013/14 are revised from 1.8 MMT to 2.7 MMT as per the most recent trade estimates.

Commodities:

Sugar, Centrifugal

Sugar Cane for Centrifugal

Production:

Note: Sugar data in this report are raw value basis unless otherwise noted. Post forecast India's centrifugal sugar production for MY 2014/15 at 27.3 MMT, a decrease of 640,000 MT. This revision reflects less-than-anticipated sugarcane acreage, particularly in the sub-tropical areas, to include Uttar Pradesh and adjoining states. According to the Ministry of Agriculture's latest planting progress report, total sugarcane area decreased from 5.03 million hectares in MY 2013/14 to 4.9 million hectares in MY 2014/15. Consequently, sugarcane production in MY 2014/15 is reduced by 5.0 MMT to 346 MMT. The production forecast for *gur* (a crude form of non-centrifugal lump sugar) is also revised down due to the latest estimates. For additional information, please refer to GAIN IN4029.

As noted above, cane acreage in MY 2013/14 was 5.03 million hectares, a decrease of 90,000 hectares from the previous estimate. Despite the forecast decrease in acreage, cane production in MY 2013/14 is revised up marginally to 350 MMT due to evenly distributed and timely monsoon rains in the western and southern states. Favorable precipitation in these regions helped raise average yields to 69.6 MT/hectare (an increase of two percent over the previous estimate) and contributed to a marginal overall production increase. Post notes that its forecast and the Government of India's (GOI) estimates (PIB Press Release) are generally complimentary regarding this production increase. However, centrifugal sugar production in MY 2013/14 is revised lower to 26.6 MMT. Marketing trends in MY 2013/14 saw farmers sell unusually high levels of sugarcane to directly to local *gur* producers versus sugar mills (particularly in Uttar Pradesh). One Post source estimated that an additional 11 MMT of cane was diverted to *gur* production.

Consumption:

Sugar consumption estimates for MY 2013/14 and MY 2014/15 remain unchanged (Table 1).

Market Prices

Throughout the first half of MY 2013/14, sugar prices were down nine percent from the previous year's corresponding period, primarily due to higher than anticipated stocks. However, more recently prices have rebounded on the back of stronger exports. In August 2014, sugar prices in the major Indian wholesale market ranged from $530 to $610 per MT. Post expects that sugar prices in MY 2014/15 will remain firm due to tighter supplies, although domestic price fluctuations can occur due to international prices. Although the *gur* market has been under pressure due to stronger supplies (resulting from the aforementioned higher-than-anticipated diversion of cane for *gur), gur* prices in MY 2014/15 will generally be driven by India's sugar market.

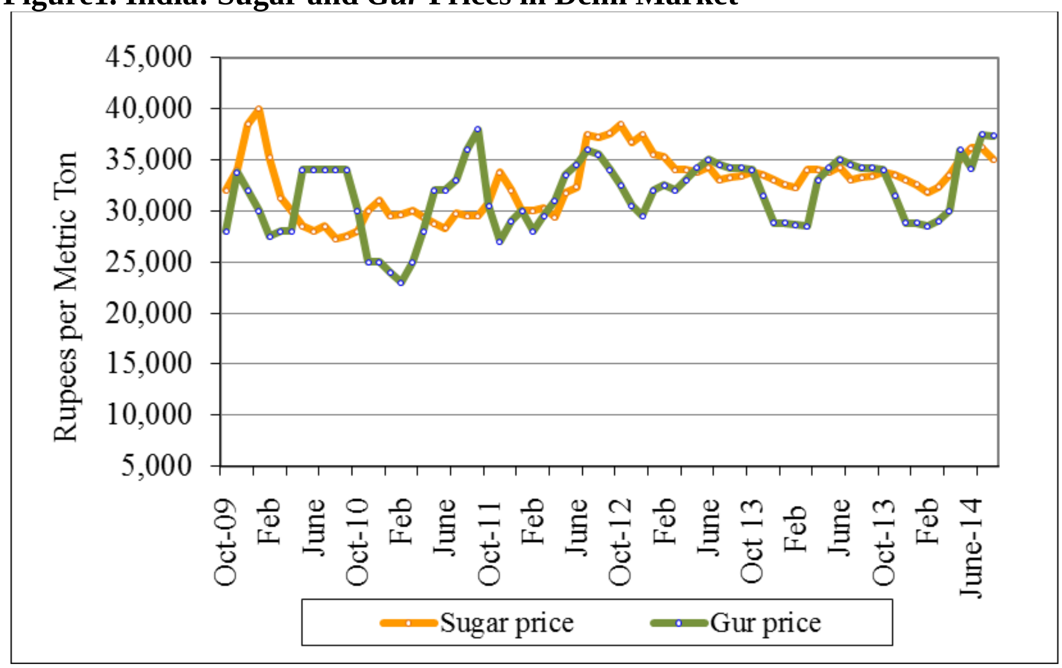
Trade:

Post's forecast for sugar exports in MY 2014/15 remains unchanged at 1.5 MMT based on the assumption that the GOI will continue to subsidize raw sugar exports through September 2015. Assuming the GOI maintains its export subsidy program, which it reviews the subsidy every two months, local supplies will constrict as consumption levels continue to increase. As a result, sugar exporters (mostly raw) should see enhanced opportunities in the Indian market. As a result, Post forecast MY 2014/15 sugar imports at 1.0 MMT.

For MY 2013/14, Post increases its sugar export forecast from 1.8 MMT to 2.7 MMT based on the latest trade data. Exports of raw and refined sugar exports are likely to be relatively equal. Strong import demand from Africa, Asia, and neighboring countries, as well as the GOI's exports subsidies, should encourage Indian shippers to export more raw sugar. (See following link for additional information: India Sees Surge in Agricultural Exports to Least Developed Countries). During the first three quarters of MY 2013/14, India exported around 2.3 MMT of raw and refined sugar, 70 percent of which went to Iran, Sudan, Sri Lanka, Somalia, UAE, Tanzania, and Saudi Arabia.

In terms of imports, industry sources expect that India will import over 700,000 MT of sugar (mostly raw) during MY 2013/14. Most of India's raw sugar imports are sourced from Brazil.

Figure1. India: Sugar and *Gur* Prices in Delhi Market



Source: Industry and Trade sources

Trade Policy

Imports

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). The objective of increasing the tariff was to discourage imports, prevent excessive inventory, and support local sugar prices. Prior to the August 2014 change, the tariff was last revised in July 2013 (Customs Notification No. 34/2013).

Exports

Currently, sugar exporters require an Open General License (OGL) and prior registration with the Ministry of Commerce's Directorate General of Foreign Trade for each consignment. In February 2014, the Indian Cabinet Committee on Economic Affairs authorized over 4.0 MMT of raw sugar as eligible to receive export subsidies under a new, two-year subsidy program. On August 8, 2014, the Ministry of Consumer Affairs, Food, and Public Distribution revised the raw sugar subsidy for the period of August 1 to September 30 to $55.09 (INR 3,371) per MT. The current subsidy notification is the fourth consecutive announcement since February 2014. To date, the GOI has not issued a subsequent notification for the period covering October and November.

Stocks:

Sugar ending stocks for MY2014/15 and MY201314 are revised down to 8.0 MMT and 7.8 MMT, respectively. The current inventory for MY 2014/15 is sufficient to meet the normal stock requirements, which is three months.

Production, Supply and Demand Data Statistics:

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

Sugar, Centrifugal India	**2012/2013**	**2013/2014**	**2014/2015**
	Market Year Begin: Oct 2012	**Market Year Begin: Oct 2013**	**Market Year Begin: Oct 2014**

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	7,163	7,163	11,068	9,373	10,413	8,018
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	27,337	27,337	27,045	26,605	27,900	27,250
Total Sugar Production	27,337	27,337	27,045	26,605	27,900	27,250
Raw Imports	1,695	810	100	850	0	1,000
Refined Imp.(Raw Val)	27	27	0	0	0	0
Total Imports	1,722	837	100	850	0	1,000
Total Supply	36,222	35,337	38,213	36,828	38,313	36,268
Raw Exports	61	61	1,100	1,250	1,000	1,000
Refined Exp.(Raw Val)	93	903	700	1,560	500	500
Total Exports	154	964	1,800	2,810	1,500	1,500
Human Dom. Consumption	25,000	25,000	26,000	26,000	27,000	27,000
Other Disappearance	0	0	0	0	0	0
Total Use	25,000	25,000	26,000	26,000	27,000	27,000
Ending Stocks	11,068	9,373	10,413	8,018	9,813	7,768
Total Distribution	36,222	35,337	38,213	36,828	38,313	36,268

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.

Table 2. India: Commodity, Sugarcane, Centrifugal, PSD
(Area in ‘000 hectare and others in ‘000 MT)

Sugar Cane for Centrifugal India	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	5,060	5,060	5,120	5,030	5,030	4,870
Area Harvested	5,060	5,060	5,120	5,030	5,030	4,870
Production	341,200	341,200	346,810	350,000	350,810	346,000
Total Supply	341,200	341,200	346,810	350,000	350,810	346,000
Utilization for Sugar	251,500	251,500	242,000	234,320	245,350	240,000
Utilizatn for Alcohol	89,700	89,700	104,810	115,680	105,460	106,000
Total Utilization	341,200	341,200	346,810	350,000	350,810	346,000

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

Sugar Cane	Area[1]	Yield[1]	Product[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	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	5.03	69.58	350.00	234.32	8.00	65.68	42.00
2014/15	4.90	71.05	346.00	240.00	8.00	56.48	41.52

Note: Figures for 2013/14 and 2014/15 are FAS estimates.
Source: [1] Directorate of Economic and Statistics, Ministry of Agriculture
[2] Indian Sugar Mills Association except 2013/14 and 2014/15
[3] FAS/New Delhi estimate

Table 4. India: Mill Sugar Production by State (thousand MT, crystal weight basis)

State / MYà	2011/12	2012/13	2013/14	2014/15
	Final	Revised	Estimate	Forecast
Andhra Pradesh	1,140	990	980	700
Bihar	450	503	440	500
Gujarat	1,000	1,130	1,170	1,200
Haryana	490	408	500	500
Karnataka	3,870	3,402	4,200	4300
Maharashtra	8,980	8,002	7,710	8,900
Punjab	390	430	440	400
Tamil Nadu	2,380	1,906	1,700	1,500
Uttar Pradesh	6,970	7,465	6,500	6,300
Others	670	906	760	710
Total	26,340	25,142	24,400	25,010

Sources: MYs 2011/12 and 2012/13 - Indian Sugar Mills Association; MYs 2013/14 and 2014/15 – FAS/New Delhi Estimate.
Note: Excludes *khandsari* sugar, as state-wise breakout is not available.

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

Year	2012	2013	2014	Percent Change
January	30,000	35,500	32,600	-8

February	30,000	35,250	31,800	-10
March	30,250	34,000	32,300	-5
April	29,400	34,000	33,500	-1
May	31,750	33,800	35,000	4
June	32,300	34,250	36,160	6
July	37,500	33,000	36,200	10
August	37,200	33,300	35,050	5
September	37,600	33,400		
October	38,500	33,800		
November	36,250	33,500		
December	37,500	33,000		
Exchange Rates:	52.73	58.48	60.54	
	Local Currency INR/USD			

Note: Exchange rates for 2012, 2013 and 2014 refer to respective marketing years (October–September).
Source & Contract Terms: Indian Sugar Mills Association and NFCSF; month-end prices in Delhi's wholesale market.

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

Year	2012	2013	2014	Percent Change
January	30,000	32,000	28,800	-10
February	28,000	32,500	28,500	-12
March	29,500	32,000	29,000	-9
April	31,000	33,000	30,000	-9
May	33,500	34,200	36,000	5
June	34,500	35,000	34,140	-2
July	36,000	34,500	37,450	9
August	35,500	34,200	37,370	9
September	34,000	34,200		
October	34,000	34,000		
November	32,500	31,500		
December	32,500	28,800		
Exchange Rate:	52.73	58.48	60.54	
	Local Currency INR/USD			

Note: Exchange rates for 2012, 2013 and 2014 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 MT, Minimum Support Price (MSP) or Fair Remunerative Price (FRP)

Marketing Year	2010/11	2011/12	2012/13	2013/14

Wheat	11,200	12,850	13,500	14,000
Rice (Grade A)	10,300	11,100	12,800	13,450
Sugarcane	1,391	1,450	1,7001	2,100
State Advised Price (SAP) for Sugarcane, by State				
Uttar Pradesh	2,050-2,100	2,350-2,500	2,750-2,900	2,750-2,900
Haryana/Punjab	1,900-2,200	2,200-2,310	2,350-2,760	2,750-3,001
Southern States[2]	1,750-2,300	1,800-2,050	2,200-2,500	2,500-2,650

Exchange rate:
2012/13 (April-March) $1 = 54.12 Indian Rupees
2013/14 (April-March) $1 = 60.28 Indian Rupees
[1] FRP for 2013/14 at 9.5 percent recovery, subject to a premium of INR 2.21 for every 0.1 percent increase in recovery above 9.5 percent.
[2]: Sugar mills pay market price.
Source: Indian Sugar Mills Association
No**te:** The Commission for Agricultural Costs and Prices, GOI has recommended a FRP for sugar season 2014/15at INR 220 per quintal at 9.5 percent recovery level.