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## India

### Sugar Semi-annual

2017

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**Report Highlights:**

India's centrifugal sugar production in marketing year (MY) 2017/18 (Oct-Sept) is revised up to 27.7 million metric tons (MMT), 7.4 percent above the previous post estimate and 25 percent above last year. The state of Uttar Pradesh (UP) is expected to be the largest producer of sugar in India with its highest production estimate in decades, followed by the state of Maharashtra. In MY 2017/18, an estimated 357 MMT of sugarcane will be produced from 5.0 million hectares with sugar recovery estimated at 11.2 percent vis-à-vis 11 percent for MY 2016/17. Commercial trade is expected to be minimal. Similarly, MY 2016/17 sugar production is raised to 22.2 MMT to indicate latest industry estimates.

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 in MY 2017/18 at 27.7 MMT, 25 Percent above Last Year**

India's centrifugal sugar (henceforth sugar) production forecast for MY 2017/18 (out-year) is revised up to 27.7 MMT, 7.4 percent above the previous post estimate and 25 percent above last year. The average sugar recovery rate is expected to remain modest at 11.2 percent; that is 0.2 percent above last year and is also highest recovery rate achieved so far. The highest estimated sugar production from UP in decades coupled with a slightly higher output from Maharashtra and Karnataka will boost sugar production in the out-year.

An early demand pull by users and a large crop will encourage sugar mills to advance crushing of canes in timely manner across major cane growing states while apparently losing the advantage of accumulating additional sucrose during the extended harvest period. Cane supplies to *gur* (jaggery or crude, non-centrifugal lump sugar) manufacturing units will return to more normal levels, with the out-year *gur* production reaching upwards of 6.6 MMT. The above prognosis assumes normal weather and market conditions going ahead.

Additionally, reduced cane arrears (particularly in UP which claim to have disbursed more than 92 percent of pending cane arrears), resultant improved cash flows, strong stock holding limits for sugar producers should help improve sugar sales to bulk users and retailers particularly when consumption demand is expected to remain strong and sugar prices are likely to remain stable.

According to the latest production data, MY 2016/17 sugar production is now estimated at 22.2 MMT, 320,000 metric tons above previous estimate. An additional half a million ton of commercial imports in MY 2016/17 has slightly improved sugar supply to 34 MMT and was just enough to meet consumption and stock requirement.

**MY 2017/18 Sugarcane Production Revised Up to 357 MMT, 16 Percent above Last Year**

The latest [crop weather watch report](#) indicates total MY 2017/18 sugarcane (cane) planting in at 5.0 million hectares, 14 percent above last year. Assuming slightly above normal yield at 71.4 tons/hectare (ha), total cane production in out-year is estimated at 357 MMT, 16 percent above last year and is 27 MMT above earlier forecast done in early April this year. Rising share of high-yielding, short-duration cane varieties; particularly in UP, and the return of cane area lost to the previous drought in Western and Southern states will support higher cane yield.

The [fourth advance estimate](#) from Ministry of Agriculture (MinAg) estimates cane production in MY 2016/17 at 306.7 MMT from 4.38 million hectares. Planted area is three percent below previous estimate of 4.5 million hectares, but a higher yield estimate of 70 tons/ha (nine percent higher than previously estimated) helped raise estimated cane production.

**On the weather front:** 2017 monsoon rainfall from June 1 to Sept 19 is reported six percent below normal except for Northwest and Central India where the deficit is more pronounced at nine percent (at time of drafting this report). Individually, rainfall in Uttar Pradesh is reported 30 percent below normal while Vidarbha (in Maharashtra) is 27 percent short of normal rainfall until Sept 19, 2017 (Source: Indian Meteorological Department). Despite the preceding fact, good water storage (above a 10 year average) across major reservoirs in North India, plus recent weather reports of late withdrawal of monsoon from Northwest India, and forecast of sporadic to heavy rainfall in current and ensuing week over southern, western and central India should bring some relief from soil moisture stress. Additionally, government of India (GOI) has fixed the Fair and Remunerative Price (FRP) of sugarcane for the next sugar season MY 2017-18 at Rs 255 per quintal linked to a basic recovery rate of 9.5%. Further, for every 0.1% increase in recovery rate the FRP will be increased by Rs. 2.68 per quintal.

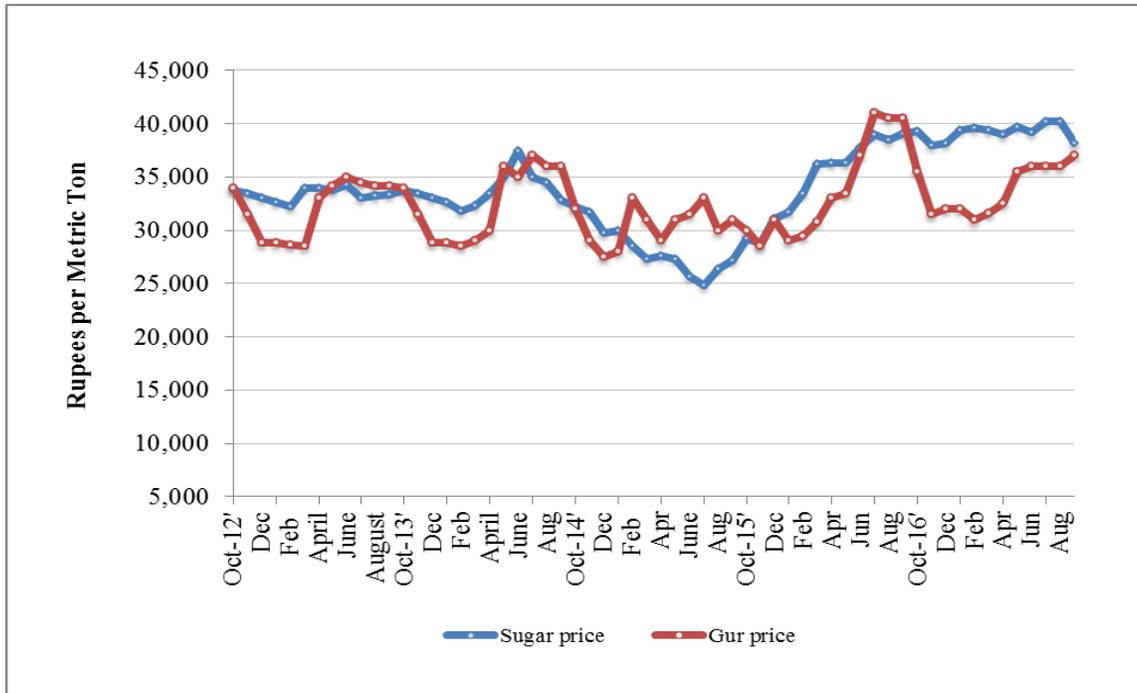
### **Consumption:**

MY 2017/18 sugar consumption is now revised up 0.5 MMT to 26.5 MMT based on lower estimated exports while the MY2016/17 estimate remains unchanged at 25.7 MMT (Table 1). The GOI's recent notification to impose stock holding limits for current month (21 percent of the total sugar available with the mills during MY 2016/17) and similarly eight percent for October will further ensure adequate supply while keeping prices stable. Sugar producers are not permitted to hold any stock of sugar in excess of prescribed/advised quantities at the end of month.

### **Market Prices**

Domestic sugar prices in 2017 have rallied by more than 50 percent through August 2017. Industry sources expect sugar prices to remain favorable as prospects of improved supply will be partially offset by early demand from significant Indian festivals. *Gur* prices have increased more than 18 percent in last seven months due to early closure of sugar mills, an extended lean period and tepid demand (Figure 2). Currently, Indian wholesale sugar price is trading at \$625 per MT, while *gur* is selling at a nominal discount of \$25 per MT to sugar. Additionally, international sugar prices fell more than 33 percent in last nine months while domestic sugar price remained strong; thereby indicating that imports can still be competitive even at the current 50 percent import duty.

**Figure 1. India: Sugar and Gur Prices in Delhi Market**



Source: Industry and Trade sources

### Trade:

Assuming normal market conditions, India may import an estimated 1.5 MMT of sugar (mostly raw) in MY 2017/18. The forecast includes an estimated 1.2 MMT of raw sugar likely to be imported under Advance License Scheme (ALS) and some 300,000 metric tons of (commercial) raw sugar allowed to be imported at a concessional 25 percent duty as notified on Sept 2017 (*see Trade Policy Below*). Note: *Under the ALS, local sugar millers are allowed to import raw sugar duty-free against a future export commitment.* If sugar production somehow is lower than anticipated, the Government of India (GOI) will likely intervene with market controls and regulate levels of imports only to augment regional disparity in supply and meet consumption demand.

Commercial sugar exports in MY 2017/18 are nil except for an estimated 1.4 MMT as refined sugar re-exported under the ALS. MY 2016/17 export statistics have only been published from October 2016 – June 2017. Note: Any additional sugar imported through September 2017 and carried forward is not reflected in above trade estimates.

### Trade Policy

On Sept 7, 2017, GOI authorized further imports of 300,000 metric ton of raw sugar at 25 percent import duty (Customs Notification No. [74/2017](#)) and under open general license to augment the supply in South Indian States. Requirements include that the import of raw sugar in physical form is completed within sixty (60) days from the date of issue of the Tariff Rate Quota Allocation Certificate or license by Directorate General of Foreign Trade (DGFT) to the importer and that the importer shall convert the raw sugar into white/ refined sugar within a period, not exceeding thirty (30) days, from the date of filing of bill of entry or the date of entry inwards, whichever is later.

Earlier, per Customs Notification [No. 66/2017](#), the import duty on raw sugar (to include imports by bulk consumer), refined or white sugar was raised by 10 percent to 50 percent, effective July 10, 2017. In April ([No. 01/2015-2020](#)) 2017, GOI allowed duty-free import of 500,000 metric tons of raw sugar (HS Code 0170114) subject to the tariff rate quota to be imported through June 12, 2017. The decision was taken to address regional production gaps and control sugar prices.

Sugar can be exported under the open general license, but sugar exports remain subject to the 20-percent export duty per the June 16, 2016, Customs Notification [No. 37/2016](#). However, refined sugar derived from raw sugar imported under the ALS shall be exempted from the 20-percent export duty, as clarified by the July 6, 2016 Customs Notification [No. 41/2016](#).

**Stocks:**

Ending stocks for MY2017/18 are forecast at 7.8 MMT and will be more than sufficient to meet India’s three-month consumption requirement. Stocks for the current MY2016/17 sugar season remain unchanged at 6.5 MMT.

**Production, Supply and Demand Data Statistics:**

<b>Table 1. India: Centrifugal Sugar (Raw Value Basis), in Thousand Tons</b>			
<b>Sugar, Centrifugal</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>

Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Beginning Stocks	10607	10607	9292	9294	6022	6695
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	27385	27385	21930	22200	25810	27737
Total Sugar Production	27385	27385	21930	22200	25810	27737
Raw Imports	1900	1900	2300	2500	1700	1500
Refined Imp.(Raw Val)	0	2	0	1	0	0
Total Imports	1900	1902	2300	2501	1700	1500
Total Supply	39892	39894	33522	33995	33532	35932
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	3800	3800	1800	1800	1000	1400
Total Exports	3800	3800	1800	1800	1000	1400
Human Dom. Consumption	26800	26800	25700	25500	26000	26500
Other Disappearance	0	0	0	0	0	0
Total Use	26800	26800	25700	25500	26000	26500
Ending Stocks	9292	9294	6022	6695	6532	8032
Total Distribution	39892	39894	33522	33995	33532	35932

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: Sugarcane, Centrifugal, Area in Thousand Hectares and others in Thousand Tons**

Sugarcane for Centrifugal Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Area Planted	4960	4960	4500	4380	4700	5000
Area Harvested	4960	4960	4500	4380	4700	5000
Production	348450	348450	288000	306700	330000	357000
Total Supply	348450	348450	288000	306700	330000	357000
Utilization for Sugar	238000	238000	190000	190000	220000	238000
Utilizatn for Alcohol	110450	110450	98000	116700	110000	119000
Total Utilization	348450	348450	288000	306700	330000	357000

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 <sup>1</sup>	Yield <sup>1</sup>	Product <sup>1</sup>	Sugar <sup>1</sup>	Khandsari <sup>2</sup>	Gur <sup>2</sup>	Seed <sup>2</sup>
	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	70.25	348.45	238.00	8.50	60.13	41.81
2016/17	4.38	70.02	306.70	193.30	8.50	68.09	36.80
2017/18	5.00	71.40	357.00	238.00	9.00	67.16	42.84

**Note:** Figures for 2016/17 and 2017/18 are FAS estimates.

**Source:** <sup>1</sup> Directorate of Economic and Statistics, Ministry of Agriculture

<sup>2</sup> FAS/New Delhi Estimate.

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

↓State / MY→	2014/15	2015/16	2016/17	2017/18
	Final	Revised	Estimate	Forecast
Andhra Pradesh	9.0	8.1	6.1	6.7
Bihar	5.3	5.2	5.5	5.0
Gujarat	11.4	11.5	11.2	12.0
Haryana	4.7	5.5	5.8	6.0
Karnataka	50.0	42.0	21.5	28.0
Maharashtra	105.0	84.0	42.0	77.0
Punjab	4.7	6.3	5.0	5.0
Tamil Nadu	12.0	14.0	10.0	6.8
Uttar Pradesh	71.0	69.0	87.0	98.0
Others	7.0	6.7	8.4	9.5
Total	280.10	252.30	202.50	254.00

**Table 5. India: Commodity, Centrifugal Sugar, Price Table**

(Prices in INR per metric ton)

Year	2015	2016	2017	Percent Change
January	30,000	31,750	39,400	19
February	28,500	33,500	39,600	16
March	27,300	36,200	39,400	6
April	27,600	36,300	39,000	7
May	27,300	36,350	39,700	8
June	25,700	37,800	39,200	4
July	24,800	39,000	40,200	3
August	26,400	38,500	40,200	4
September	27,200	39,100	38,200	2
October	29,200	39,300		
November	28,700	38,000		
December	31,100	38,200		
Exchange Rates:	63.12	66.62	65.75	
	Local Currency INR/US \$			

**Note:** Exchange rates for 2015, 2016 and 2017 refer to respective Marketing Years (October–September).

**Source & Contract Terms:** Indian Sugar Mills Association and Department of Consumer Affairs, GOI; 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	2015	2016	2017	Percent Change
January	28,000	29,000	32,000	10.34
February	33,000	29,500	31,000	5.08
March	31,000	30,750	32,000	4.07
April	29,000	33,000	32,500	1.52
May	31,000	33,500	35,500	5.97
June	31,500	37,000	36,000	2.70
July	33,000	41,000	36,000	12.20
August	30,000	40,500	36,000	11.11
September	31,000	40,500	37,000	8.64
October	30,000	35,500		
November	28,500	31,500		
December	31,000	32,000		
Exchange Rate:	63.12	66.62	65.75	
	Local Currency INR/US \$			

**Note:** Exchange rates for 2015, 2016 and 2017 refer to respective Marketing Years (October–September).

**Source & Contract Term:** Indian Sugar Mills Association and Department of Consumer Affairs, GOI; month-end prices in the Delhi wholesale market.