

***PRESENTATION ON SUGAR SITUATION:***

***PRODUCTION, PRICES, IMPORTS AND***

***FUTURE SCENARIO***

***Date: 21.02.2017***

# Current year 2016-17 sugar balance sheet

2

Opening balance (as on 1 <sup>st</sup> Oct, 2016)	77.5 lakh tons
Estimated sugar production (as per market reports)	203 lakh tons
Sugar availability during the season (considering market reports)	280.5 lakh tons
Estimated sugar consumption (as per current trend)	240-243 lakh tons
<b>Closing balance (as on 30<sup>th</sup> Sept, 2017)</b>	<b>37-40 lakh tons</b>

# Why imports needed at all?

3

- a) To fill gap due to any shortage of sugar from domestic production and/or
- b) To control any abnormal increase in sugar prices

# Is there any shortage of sugar??

4

- There is no shortage to meet domestic requirement during 16-17 SS, i.e. upto Sept. 2017
- Question is about opening stocks on 1<sup>st</sup> Oct '17, and whether 37-40 lakh tons is good?
  - It totally depends on by when new season's sugar comes into market
  - And whether or not the OB is well distributed across the country
- And also, how is next season's production expected to be

# New season's sugar in market by end Oct. ,17

5

- Diwali is earlier this year on 19<sup>th</sup> Oct, 2017
  - North India mills will start earlier by end of Oct, 2017 next season (they started crushing by 10<sup>th</sup> Nov. this season), and
  - Crushing in other parts too expected by Oct' 17
- New sugar will be in market by end Oct '17
- Sales in Oct. in the past has been around 22 lakh tons
  - OB on 1<sup>st</sup> Oct '17, expected at 37-40 lakh tons
  - And new sugar will be in market, much before old sugar finishes

# Distribution of sugar stocks on 1<sup>st</sup> Oct. '17

Region	Lakh tons of sugar	Requirement in Oct'17
North India	30.88	8.35
West India	8.44	<b>8.50</b>
South India	0.42	<b>5.25</b>
Total	39.74	22.1

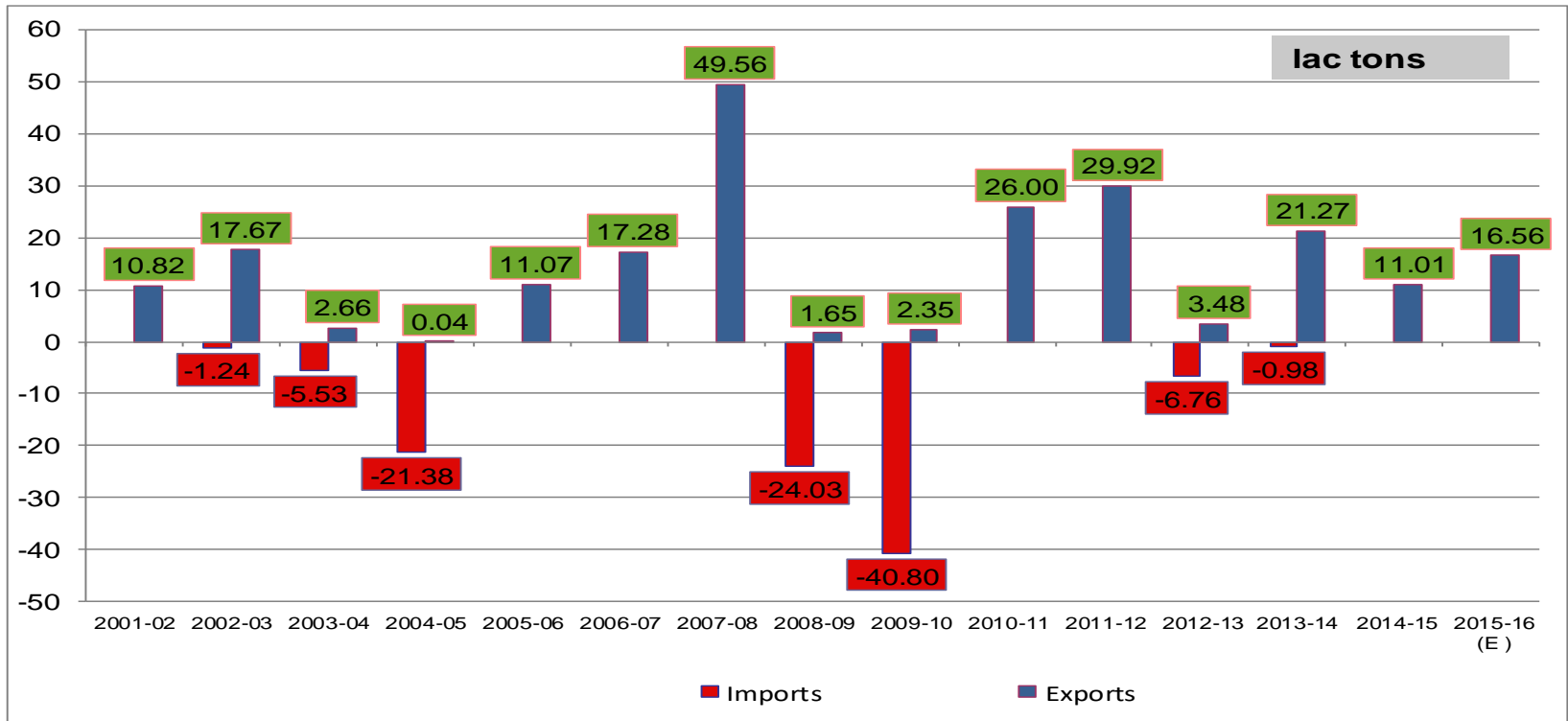
# 2017-18 sugar season

7

- Very early to put a number to next year's production
  - Sowing is still going on in some parts of the country
- Good initial sowing reports, good rainfall & water availability
  - Indicates much bigger cane crop and sugar in 2017-18
  - One needs to wait till at least July, to know whether it will be surplus or not and if so, by how much

# Sugar trade from & to India

8



Too much sugar to the tune of 41 lakh tons imported in uncontrolled manner in 09-10  
We had to export 55 lakh tons in next two years

India struggled to export sugar in last 6 years to an unviable global market.

Yet, 7.75 lakh tons was again imported in the midst of surplus sugar in 12-13 & 13-14

**Sugar prices fell massively in the years thereafter. Mills incurred losses and cane arrears of farmers & debt burden on industry increased manifold**



# Hence, industry requests for careful, calculated & controlled imports, if any

9

- Both ISMA and NFCSFL against unnecessary hurry to import
- Unrestricted and uncontrolled imports will burden industry & farmers in medium and long term
- Previous imports created problems for millers and farmers
  - Losses to mills, stressed balance sheets and NPAs/sickness
  - Massive jump in debt burden, by over 4 times (Rs.12,000 crore in 2008 to Rs.50,000 crore in 2016)
  - Cane price arrears reached historically high levels of Rs.22,000 crore

# Retail sugar prices in 5 big cities

Rs. per kilo

DATE	Delhi	Mumbai	Bengaluru	Kolkata	Chennai
1 Sept '16	42	41	39	41	42
15 Sept '16	42	41	39	41	42
1 Oct '16	43	41	40	41	43
15 Oct '16	43	41	-	41	43
1 Nov '16	43	41	-	41	43
15 Nov '16	42	41	-	41	43
1 Dec '16	42	41	-	41	42
15 Dec '16	41	41	40	41	42
1 Jan '17	40	41	-	42	41
15 Jan '17	42	42	-	43	-
1 Feb '17	42	43	42	43	44
15 Feb '17	42	43	42	44	45
20 Feb '17	42	43	42	44	45

# Ex-mill sugar prices across India

Rs. per qtl.

	U.P.	Maha.	Karn.	T.N.	Bihar
Oct' 16	3605	3290	3320	3300	3650
Nov' 16	3513	3265	3293	3302	3595
Dec' 16	3545	3308	3306	3390	3529
Jan' 17	3650	3530	3570	3590	3700
Feb' 17 (Avg. till 20 <sup>th</sup> )	3720	3680	3780	3750	3750

# Cost of production at 37.30 per kilo in North

12

- Higher SAP in North India, increased by 10-15%
- Lower production & recovery in West & South India: means higher per unit cost
- **Plus, proposed increase in FRP for next year will increase costs by another 10% in 2017-18**
- At these costs, retail sugar prices also needs to be higher
  - Otherwise, cane price and bank loan repayments will fall in arrears

# Domestic prices still below costs

13

- Ex-mill prices of Rs.36-37/- kilo are close to cost of production, but still not fully covering it
- In fact, current prices need to improve by a couple of rupees to give a margin to millers, which in turn can be used to
  - Incentivise farmers to grow more cane, to make India self-reliant again
  - Also cover our interest burden on term loans and depreciation
  - Ensure millers repay the SEFASU & soft loans, taken to fund losses, which can be repaid from margins over costs
  - Ensure sugar industry remains bankable and viable

# Imported sugar is costlier

14

- Current global prices and domestic prices make imports unviable even at zero import duty
  - Imported sugar costlier by Rs.3 to 4.5 per kilo
- If imports allowed at current prices:
  - It will push up domestic prices by a few rupees
  - Also that imports may not happen if there is no significant margin
  - It could, however, allow the speculators only to move the sugar they have booked or already brought, giving undue advantage to them

# Global sugar prices expected to fall

15

- As on 17<sup>th</sup> Feb, 2017, global futures showing downward trend

	Mar' 17	May' 17	July' 17	Aug'	Oct' 17
NY (Raws)	20.30	20.26	20.03	20.01	20.09
LDP (Whites)	-	550.10	542.00	526.30	516.30

- 700 delegates/experts in Dubai sugar conference in Feb '17, concluded global surplus of 10 to 30 lakh tons in 17-18
- Brazil to have normal- good season starting from April 2017
- EU quota controls getting over from Sept,2017
- All these suggest: global sugar prices to remain on lower side

# Timing and quantity of imports important

16

- **Enough time of 6-7 months to import**, as per need
- No problems in logistics or port handling even in monsoon
  - In previous export-import programmes, India has moved 3 to 5 lakh tons of sugar in each/any of the monsoon months in June, July and Aug, both from imports and for exports
- World market expecting India to import 10 to 15 lakh tons
  - If India decides to import only 5 lakh tons and if India delays its import decision by a couple of months, by which time Brazilian crushing wd have also started, global prices may see a fall
- **Hurried import decision today will push domestic prices up**



# Sugar be imported where required most ....

17

- Region-wise sugar stocks show more sugar in North and **shortage or inadequacy, if any, is in West and South India**
- Maharashtra, Karnataka, AP, Telengana and Tamil Nadu have suffered due to drought and low capacity utilisation
  - Imports could help domestic mills utilise capacities better, pay cane price arrears: **so give first opportunity to cane based domestic millers**
- **Imports should hence be brought from West and South India**
- India generally imports Brazilian sugar (almost nil Thai sugar)
  - Easier to get Brazilian sugar in West and South ports

# Concluding.....

18

## 1. Sugar availability

- Mills will start by end Oct, 2017, by when new sugar will hit market, hence old sugar should last till at least start of Nov, 2017
- OB of 37 to 40 lakh tons, to last till latter part of Nov, 2017

## 2. Decision on imports be taken in April'17 or later

- By then, Indian production will be absolutely clear & Brazilian crushing will have started.
- Otherwise, imports will not happen, or domestic prices will jump
- India has imported large quantities in monsoon months in past

## 3. Quantity to be imported be calculated, specified & controlled

- Not more than 4-5 lakh tons needed in any case

# Concluding....

19

4. Indian Govt. can make imports more viable

- By reducing import duty on the specified quantity of imports i.e. on a maximum of 4-5 lakh tons

5. Where is the shortage, if any?

- The inadequacy at best is in West and South India, and not North
- Hence, imports should come only through ports there, to reduce inland transportation cost

**Thank you**