Sugar prices fall on poor demand and rush from mills to sell stocks

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WITH MILLERS RUSHING to sell stocks to make payments to farmers along with lacklustre demand in the market, sugar prices have fallen by at least ₹400-450 per quintal since Diwali to ₹3,050-3,100 per quintal. Traders expect prices to fall further to ₹2,800-2,900 per quintal unless the government intervenes and brings back the release mechanism.

According to Mukesh Kuvediya, secretary general, Bombay Sugar Merchants Association, prices have fallen on the estimates of higher production at 250 lakh tonnes and a carry forward stock of some 40 lakh tonnes in addition to the millers going in for liquidation of their stocks at the start of the crushing season.

"Mills are competing for sales and consumer demand is low since not much consumption happens during the winter", he said.

Kuvediya pointed out that prices have fallen from ₹3,650 per quintal during Diwali by nearly ₹400-450 per quintal. On Wednesday, S30 prices were in the range of ₹3,150-3,200 per quintal and M30 grade prices were around ₹3,280 per quintal. The downfall is likely to continue since there is a surplus in the international market and very little demand for sugar, he said.

Rumours that Pakistan is likely to export some 15 lakh tonnes has also added to the weak sentiment, he added.

Although there have been no imports into India so far, the transportation cost from Uttar Pradesh to Punjab is higher than transportation from across the border and moreover the Pakistan government is offering an export subsidy of ₹7-8 per kg. Pakistan is expected to export some 15 lakh tonnes.

According to Yogesh Pandey, a sugar expert, ex-mill prices in Maharashtra are currently at ₹3,050 per quintal on higher estimates of a bumper crop next season and the simultaneous rush of millers to sell stocks to make farmer payments is only adding to the problem. The government needs to bring back the release mechanism in the sugar sector to ensure that prices do not slide down. These are likely to go down to ₹2,800-2,900 per quintal, he said. A buffer stock can also be created, he suggested.

Sugar millers in Maharashtra have already expressed concern over falling prices and have indicated that it would be difficult for them to make Fair and Remunerative Price (FRP) payments to farmers on account of not being able to meet the cost of production.

Sugar valuations have fallen and banks are advancing only ₹1,850 per quintal leaving very little in hand. Former state cooperation minister Harshavardhan Patil said most millers have agreed to pay around ₹2,500-2,600 per tonne as the first cane payment to farmers and this would be difficult in light of the falling sugar prices.

This year, Maharashtra's crushing season started on a stormy note with cane growers taking to the street demanding higher cane prices for their produce. The Centre has fixed FRP at ₹2,300-2,500 per tonne depending on the recovery.

"More than 35 lakh farmers in the state are cane growers, 8.5 lakh labourers are attached to this sector which contributes ₹50,000 crore in terms of turnover. Millers barely get ₹32 per kg and interestingly retail prices are still at ₹40-42 per kg. One needs to investigate where the margins are going," he said.

"It has taken some 13 months for prices to rise from ₹3,000 per quintal to ₹3,500 per quintal and 20 days for prices to fall by around ₹400 per quintal," he said. A meeting with chief minister Devendra Fadnavis will be held sometime next week where issues vexing the industry are likely to be discussed.

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