With slack exports, sugar industry may miss target

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Sugar exports have marginally increased in December and all indicators suggest that the market scenario is not favourable now and the near-term outlook also looks gloomy.

This comes at a time when there is pressure on mills to export more sugar in a bid to reduce domestic inventories.

Till 5 January, total dispatches from sugar mills for exports were 7.26 lakh tonnes, of which 3.83 lakh tonnes were exported and the remaining amount is waiting to be shipped, according to data sources from Dr Amin Collateral, a supervisory and collateral agency tracking several commodities.

Exports so far are much less compared to the 5 million tonnes target for the sugar season October 2018-September 2019, according to the Centre.

Now, Maharashtra State Co-operative Bank has cleared one hurdle for cooperative sugar mills and decided that it will give a bridge loan to mills in the state against export subsidy receivables from the Centre.

This will enable banks to release large amounts of sugar stocks mortgaged by around 100 sugar mills in the state for export.

However, actual export will depend on the market condition and how much loss in exports mills can afford. Mills can recover ₹29 per kg from domestic sales, which is fixed with the maximum sales quota being announced monthly. Realisation at the current exchange rate and global price is around ₹18-19. Mills still incur losses after taking into account subsidy.

Praful Vithlani, chairman, All India Sugar Trade Association, said, "Export quota is 15 per cent of the total production and mills should look at reducing inventories at whatever price they export." He said there will always be a limit for the government to give subsidy and hence some way has out to be found.

The market situation for exports is not conducive as the rupee has appreciated against the dollar by 4 per cent while crude oil is down over 30 per cent. International sugar prices are down 15-20 per cent from the peak rates.

Last Monday, the government amended the condition for buffer stock and said that for reimbursement of subsidy for March and June quarters, mills should fully comply with the directives for the season. This means if mills fail to export their given quota, they will not get buffer subsidy.

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