

# Govt stimulus, price surge bring respite to sugar industry

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The recent surge in sugar prices, following the announcements by the Centre to support the beleaguered industry, has provided the much needed buoyancy to the sector in the near term. This is even as the next cane crushing season is only a few weeks away.

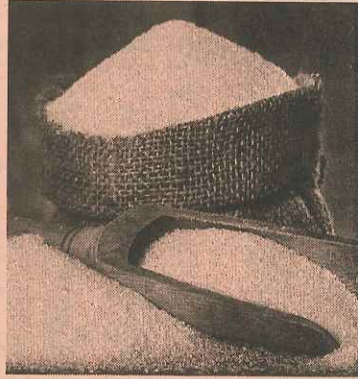
The expected decline in 2019-20 production, coupled with the announcement on the creation of a buffer stock of 4 million tonnes (mt) and a subsidy on 6 mt of export, has resulted in sugar prices rising to ₹34-34.5 a kg (ex-mill, Uttar Pradesh), according to an ICRA report.

It stands at ₹31.8-32.0 a kg in Maharashtra, against the minimum selling price of ₹31. ICRA says the measures are likely to result in mills' liquidity improving, thus supporting cane payments to farmers.

Domestic production is likely to decline to around 28.2 mt, compared to 32.9 mt in the 2018-19 season, owing to drought-like conditions in the major producing states of Maharashtra and Karnataka. "We expect the closing sugar stock for 2019-20 at 12.0-12.5 mt. Despite a sugar surplus, the government support measures have resulted in increase in prices," said Sabyasachi Majumdar, senior vice-president of ICRA.

Apart from announcing a package in July, the Union Cabinet had approved an export subsidy last month of ₹10.44 a kg, to enable mills to ship six mt in the coming season.

"It is a big relief to the industry. Six mt would translate into sugar val-



ue of ₹18,000 crore, even if we sell at ₹30 a kg. It reduces the stock and carrying cost accordingly, while mills get storage space for new sugar," Indian Sugar Mills Association director-general Abinash Verma had earlier told *Business Standard*.

However, in Tamil Nadu, only 14 of 25 private mills are likely to operate, owing to cane shortage and liquidity constraints. The South Indian Sugar Mills Association has requested staggered repayment and restructuring of dues, apart from a special package for the industry. TN's cane planting area has drastically come down, resulting in poor capacity utilisation. A request had been made to the Reserve Bank and banks to consider fresh loans and restructuring of dues.

Capacity utilisation in TN decreased from 99 per cent in 2011-12 to 35 per cent in 2018-19. Production was 2.38 mt in 2011-12 and 0.85 mt in 2018-19.

Millers claim with proper relief measures, the industry could recoup in the next 18 months.

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