

Why mills want sugar export policy to be announced early

DATA FOCUS.

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As sugarcane crushing season gets underway, amid signs of a consecutive year of bumper sugar production, Indian mills want an early announcement of the export policy for the commodity.

The Indian Sugar Mills Association (ISMA) has been asking the government in recent months to announce the export policy, even as global raw sugar prices hovered around 19 cents per pound. Prices dropped to a one-year low in the last week of July 2022. ISMA says prices have since remained volatile, hovering around 18 cents per pound.

CS Brazil is set to recover sugar production to over 36 million tonnes (mt) in 2023-24 from an estimated 33 mt in 2022-23. According to the industry, this sugar will hit the global market by May 2023. Freight rates have also fallen, which will favour exports from Brazil; Thailand production is expected to increase to 11.5-12 mt in the 2022-23 season.

VIABLE OPTION

Raw sugar futures for May 2023 can be delivered up to April 28, 2023. There is an opportunity for Indian sugar mills to export maximum quantity up to April 2023, and a single-tranche export policy is a viable option. The industry says Indian sugar mills produce plantation white sugar, which is not in demand in the global market.

“With a clear export policy, mills can plan their production for the next season in advance. Mills can then enter into future contracts for March and May 2023,” ISMA stated in a recent presentation to the government.

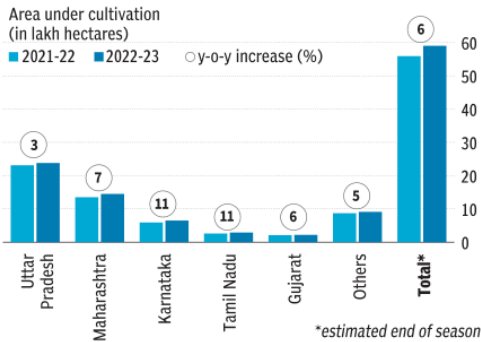
ETHANOL PRODUCTION

Net sugar production in 2022-23, before diversion to ethanol, is estimated to be higher by about 5 per cent at around 4.1 crore tonnes, against 3.92 crore tonnes in 2021-22. Since the target of 12 per cent blending is expected to be achieved, about 545 crore litres of ethanol would be supplied in 2022-23.

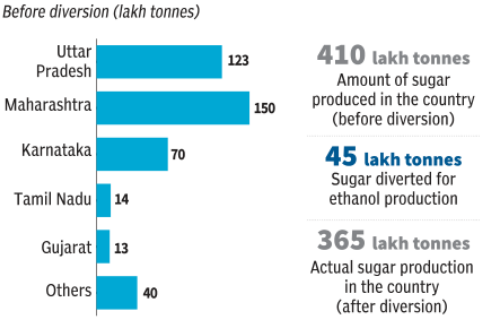
Sugar diversion for ethanol is estimated to be higher by 32 per cent at 45 lakh tonnes against an estimated 34 lakh tonnes last season.

India’s sugar rush

Rise in sugarcane cultivation acreage



Estimated sugar production this FY



States’ share of sugar exports (2021-22)

State	Exports volume (in lakh tonnes)	Percentage of total exports	Number of participating mills
Andhra Pradesh & Telangana	1	0.97	3
Bihar	0.45	0.43	2
Gujarat	12.5	12.07	15
Haryana	0.11	0.11	1
Karnataka	15.32	14.78	48
Madhya Pradesh & Chhatisgarh	0.12	0.11	2
Maharashtra	63.68	61.46	160
Tamil Nadu	0.59	0.57	6
Uttar Pradesh	9.66	9.33	32
Uttarakhand	0.15	0.14	2
West Bengal	0.04	0.04	1
Grand total	103.61	100	272

Source: ISMA

But, even after a reduction of 45 lakh tonnes due to diversion of cane juice/syrup and B-molasses to ethanol, ISMA estimates sugar production in 2022-23 at around 3.65 crore tonnes.

With an opening balance, as on October 1, 2022, of around 55 lakh tonnes, sugar production for 2022-23 is estimated at around 3.65 crore tonnes. After domestic sales of around 2.75 crore tonnes, nearly 90 lakh tonnes would need to be exported to maintain the same closing stock.

Sugarcane farmers in Maharashtra have demanded

₹350 per tonne more than the government-declared fair and remunerative price (FRP) in the first instalment of payment.

Farmers’ organisation Swabhimani Shetkari Sanghatana has warned of an agitation if the demand is not accepted. However, sugar mills say the government should intervene to help mills resolve their financial crisis.

Announcement of export policy will help mills strengthen their position and pay FRP on time, industry players say.