‘Ample sugar available to meet domestic demand this season’

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Our Bureau
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The new sugar season that began on October 1 could see lower production in view of a prolonged dry period in August, affecting the sugarcane crop in Maharashtra and Karnataka. However, Uttar Pradesh could help bridge the gap to some extent. Uppal Shah, Co-founder and CEO, AgriMandi.live Research, tells *businessline* that though sugar production in 2023-24 is expected to be lower than the previous season, there will be no adverse impact on domestic sugar supplies or prices.

What is your outlook on sugar production in the current sugar season that began on October 1?

The sugar production in the 2023-24 season is estimated to be around 30.4 million tonnes (mt). This is after estimating the total diversion of sugar towards the ethanol-blending programme of around 4.8-5 mt of sugar.

The total sugar production this season will likely be lower than the just-ended sugar season, wherein the production was estimated at 32.9 mt after ethanol diversion.

In my view, this will not affect sugar supplies in the country. As per our estimate at AgriMandi.Live Research, the total sugar consumption in the year is expected to be around 28.1 mt, with 5.7 mt carried forward stock. The total sugar availability is sufficient for the country.

There are concerns about El Nino, which led to less rains in two key sugar-producing States – Maharashtra and Karnataka.

The good news is that the crop in Uttar Pradesh is reported to be in good condition due to favourable weather and it is expected to offset some losses in Maharashtra and Karnataka.

Also, there have been good rains in September in Maharashtra and Karnataka, which I feel will definitely help in reviving the total sugar production.

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> **UPPAL SHAH**
> Co-founder and CEO, AgriMandi.Live Research

How do you see domestic sugar prices panning out?

We expect domestic sugar prices to be steady in the country. The new season's production will commence shortly, and it will add to the supplies that will help meet the sugar demand for the festival season. I feel that sugar demand and supplies will match.

The ex-mill sugar prices for Maharashtra S-Grade is ₹3,600 a quintal and for Uttar Pradesh M-Grade ₹3,850. In my view, ex-mill prices will hover around ₹3,600-3700. The Government is monitoring sugar supplies very closely.

The government has allocated some amount of sugar from the October 2023 monthly sugar sale quota to sugar mills in September 2023 itself and allowed them to sell it, which will help maintain supplies. The government has also asked traders, millers, wholesalers and sugar processors to disclose sugar stocks weekly on the sugar stock monitoring website. This is a well-thought-out step taken and it will give it real-time sugar stock information. It will put an end to unnecessary speculations and rumours regarding sugar stock.

Is there some upside to global sugar prices?

Global sugar prices have been bullish for quite some time, mainly on reports of less sugar production in India and Thailand, which could lead to tight supplies in the global market.

We have also seen reports from the International Sugar Organisation which has indicated that there is a possibility of sugar deficit in 2023-24. The organisation has projected sugar production in 2023-24 at 174.84 mt against 177.02 mt last season.

Consumption may increase to 176.96 mt compared with 176.53 mt. Brazil has been talking about a record sugarcane crop this year. But the high Brent prices could lead to more ethanol diversion, hence sugar production in Brazil could be capped. In my view, international sugar prices will move higher by about 5-7 per cent.

How will the country's ethanol blending programme be this season?

As the new ethanol supply season is set to begin, we expect the Government to announce prices of ethanol produced from sugarcane molasses soon. We hope the Government will increase the prices of ethanol from B Heavy molasses and C Heavy molasses and give a higher premium for ethanol produced from cane/cane juice, keeping in mind that it continues to be remunerative for sugar mills to divert more sugar towards ethanol, considering that prices are higher and mills may prefer to produce sugar at this point.