

June 24, 2016

To
Shri Suveen Sinha,
Business Editor,
The Hindustan Times,
New Delhi

Sub: Inaccurate data and facts in two articles on sugar.

Sir,

Two articles have been published on sugar in your newspaper, on 22nd and 23rd June, 2016, respectively. The first article written by Mr. Zia Haq seems to suggest that the sugar output will be low as compared to consumption and India “may have to turn to imports”. The second article written by Mr. Nachiket Kelkar talks about “surge in sugar prices” and that prices of biscuits will increase because of that.

2. It is important to inform you, and through you your correspondents, about sugar and products produced from sugar as also about sugar production, consumption, availability and sugar prices, so that the articles are based on correct facts and convey the right message to your readers.

3. First of all, the Indian sugar industry has continuously produced surplus sugar since 2010-11 sugar season i.e. for the last 6 sugar seasons. This resulted in surplus sugar availability. Being a high cost producer, because of the highest sugarcane prices in the world, India was unable to export sugar without Government assistance. A comparative position of sugar production vis-à-vis domestic consumption since 2010-11 is annexed as Annex “A” for your ready reference and understanding. India would have continued to produce surplus sugar for the next few years, but drought-like conditions in Maharashtra and Karnataka, which produce 45 to 50% of the country’s sugar, is resulting in a small fall in sugar production in the next sugar season i.e. 2016-17 starting from October. However, it is very important to note that thanks to the continuous surplus sugar production in the last 6 years, the carry forward stock as on 1st October for 2016-2017 sugar season, will be over 70 lac tons which is significantly higher than the normative opening balance requirement for domestic consumption of 45 lac tons. The Government has given preliminary estimates for next year’s production of around 235 lac tons. ISMA is yet to

complete its exercise, based on satellite images, and therefore, our production estimates will be available on 8th July, 2016.

4. The next year's consumption is estimated to be around 260 lac tons which will be easily met from the sugar availability of around 305 lac tons of sugar (70 lac tons of opening balance and 235 lac tons of estimated sugar production). This number has also been mentioned by Mr. Zia Haq in his article when he suggests that sugar stocks will be 30-31 million tons. If that is so, and if the sugar availability is much higher than sugar consumption, to suggest that India will need to import sugar is not only far-fetched, but misleading and incorrect. It seems that the people who have been interviewed by Mr. Zia Haq have given wrong information to him.

5. The second article written by Mr. Nachiket Kelkar seems to suggest that sugar prices in India have gone up unreasonably. The article even mentions that the price increase is more than the food inflation. In other words, the article seems to establish that the sugar price is high. I would like to request you to kindly compare the current sugar prices with the cost of production of sugar. If the current ex-mill prices, which are around Rs. 34 per kilo on an all India average basis, and if the all India average cost of production is around Rs. 33 per kilo, there should not be any alarm raised in any article about any surge in sugar prices to unnecessarily get the consumers or Government worried. We cannot have a situation where the industry continuously loses because of depressed prices.

6. The article also states that current sugar prices have increased in comparison to last year, without appreciating and highlighting the fact that the sugar prices last year had fallen to their lowest in the previous six years, when they fell to Rs. 19 per kilo in Maharashtra and Rs. 21 per kilo in U.P. at the mill gate.

7. I am attaching the average all India ex-mill sugar prices of the last six years to make you aware of how the sugar prices had fallen in 2014-15 SS. The current sugar prices are similar to what it was in 3 out of the last 6 years, and currently is at levels what it was almost 4-5 years back. Also, if the sugar prices have recovered from the bottom most levels of the last six years, it is important to highlight that fact also, so that the readers are able to appreciate that.

8. Further, even though I have nothing against our consumers of sugar including the biscuit manufacturers, I would request you to analyze whether the biscuit manufacturers had dropped their biscuit price in the last sugar season when the sugar prices had fallen by almost 15 to 20% in comparison to the previous year. If not, why should there be a concern from them on the

improvement in the prices, which have only improved to the level of 2013-14 season. Therefore, if the biscuit manufacturers increase the biscuit prices, and justify it against the improved sugar prices, they will be doing a dis-service because they had not dropped the prices last year or passed on the benefits of lower sugar procurement prices to the consumers. This needs to be mentioned if any further articles are written on sugar prices and its impact on the final consumers, who use sugar as an input for their products.

9. I would also like to mention that 70 to 75% of our revenue goes towards payment of cane price to the farmers. Also, 65% of our sugar is taken by the bulk consumers who use it as an input to further produce their final products. Out of the balance 35%, the Government procures 10% and supplies to the BPL families through the PDS at Rs. 13.50 per kilo. Only 25% of our sugar production is bought by the housewives directly. An average family would consume just about 4 to 5 kilo of sugar a month. Therefore, a small improvement in sugar prices does not impact a family's monthly budget significantly, but ensures that the sugarcane farmers get remunerative prices for their sugarcane on time.

10. I hope you will read this article and pass it on to your correspondents so that further articles on sugar and sugar prices are written with a better understanding of the subject.

Thanking you,

Yours faithfully,



(Abinash Verma)
Director General

DOMESTIC SUGAR BALANCE SHEET

Annex 'A'

(Figures in lac tons)

S.No.	Particulars	2010-11	2011-12*	2012-13*	2013-14*	2014-15 (P)	2015-16 (E)
a	Opening Stock as on 1st Oct.	49.8	58.54	66.01	92.98	74.74*	90.80
b	Production during the Season	243.94	263.42	251.40	243.96	283.10	251.00
c	Imports ***		-	6.76	0.98	0.00	0.00
d	Total Availability	293.74	321.96	324.17	337.92	283.10	341.80
e	Off-take						
	i) Internal Consumption	207.69	226.03	227.71	241.91	256.10	256.00
	ii) Exports ***	26	29.92	3.48	21.27	10.94	16.00
	Total offtake	233.69	255.95	231.19	263.18	267.04	271.00
f	Closing Stock as on 30th Sept.	60.05	66.01	92.98	74.74	16.06	69.80
g	Stock as % of Offtake	28.90%	29.2%	40.8%	30.9%	6.3%	27.3%

* Figures taken as per Directorate of Sugar, Department of Food and PD, Government of India, New Delhi.

Average domestic sugar prices have been low

Annex-B

