



# INDIAN SUGAR & ETHANOL SECTOR:

Indian Sugar Mills Association

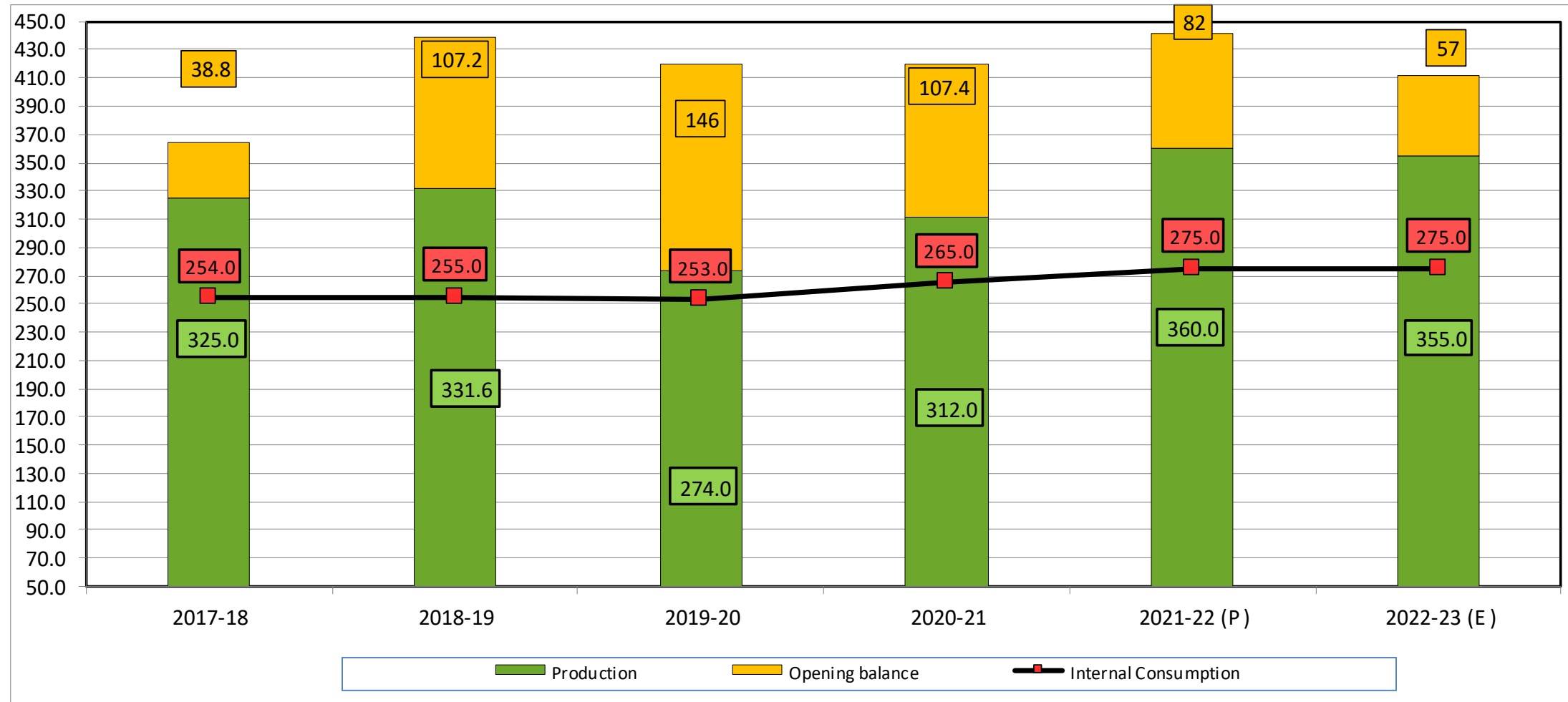


# Sugarcane is the most attractive crop

1. **Sturdy crop**: Can withstand weather fluctuations better than others
2. **Better remuneration**: Farmers get 50-60% higher returns from sugarcane as compared to any competing crop
3. **Assured buyer**: Each farmer is attached to a sugar mill. The mill can't close till it crushes all sugarcane grown in its area.
4. **Assured price**: Farmer gets full cane price fixed by Central or State Govt. even if late, which is not the case for other crops
5. **No middlemen**: Cane bought directly and payment made directly into bank accounts of farmers

# Indian sugar production, consumption and stocks - **Surplus sugar production continuously**

(in lakh tons)



# Sugar balance sheet & surplus

(in lakh tons)

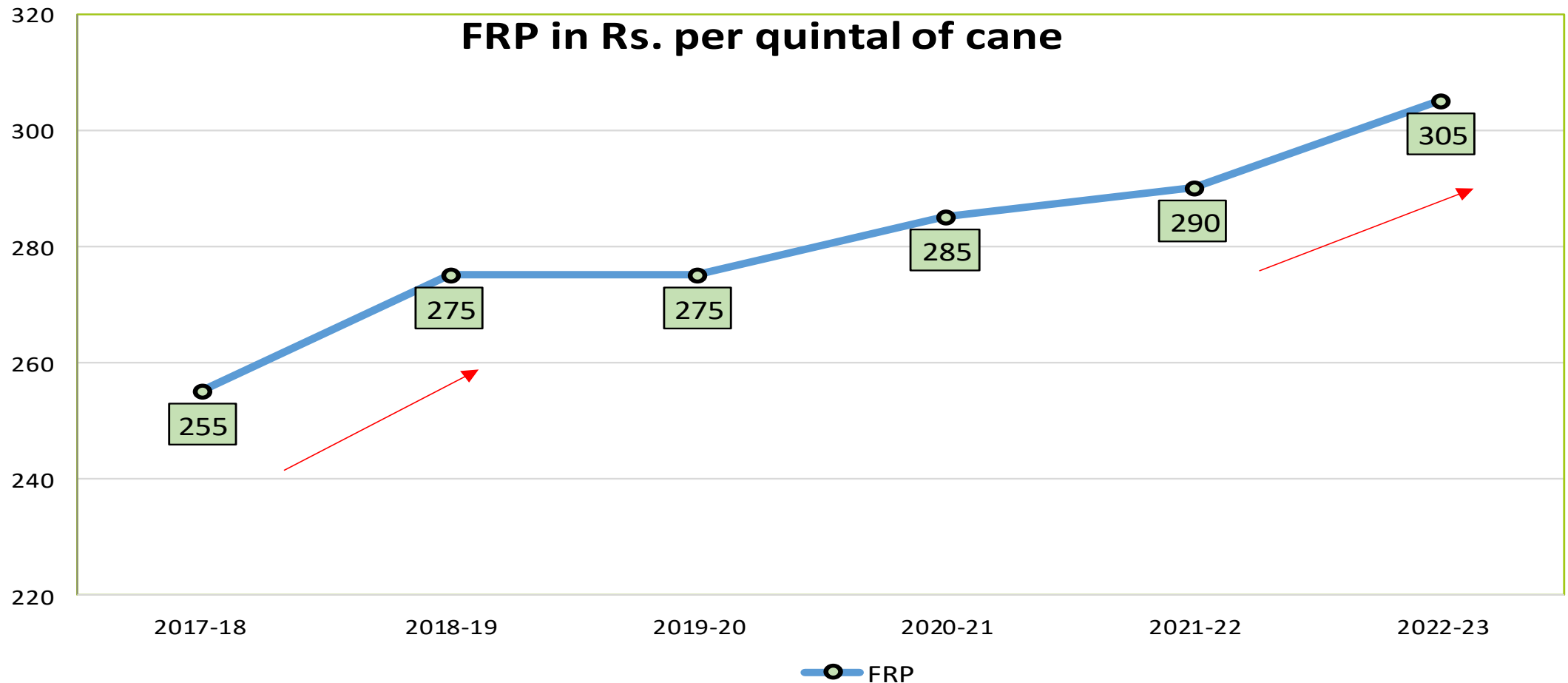
Sugar season	2020-21	2021-22 ( P )	2022-23 ( E )
Opening balance (as on 1 <sup>st</sup> Oct)	107	82	57
<b>Net sugar production</b>	<b>332</b>	<b>394</b>	<b>400</b>
Estimated sugar diversion into ethanol	20	34	45
Actual sugar production after diversion into ethanol	312	360	355
Sugar availability during the season	419	442	412
Estimated sugar consumption	265	275	275
Estimated exports	72	110	??
<b>Closing balance (as on 30<sup>th</sup> Sept)</b>	<b>82</b>	<b>57</b>	<b>137</b>

No clarity so far on export policy for 2022-23 SS – New season due to start from 1<sup>st</sup> October, 2022

## Request to allow exports under tradable MAEQ for 2022-23 SS

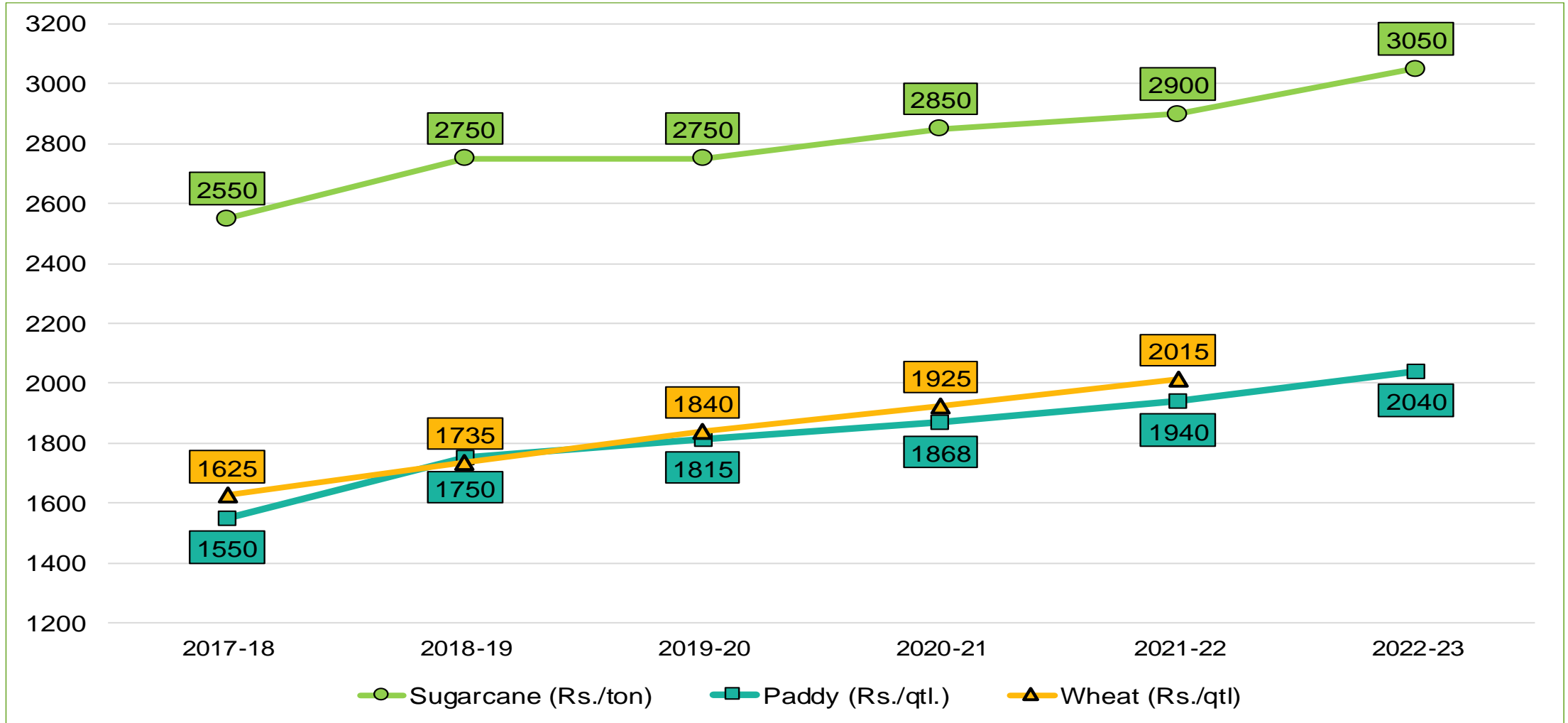
- Balance sheet for 2022-23 SS indicates **80 lac tons** of available surplus sugar after meeting out domestic consumption
- Need to tackle this huge surplus to maintain optimum closing stock
- Industry requests to allow such quantity of exports for 2022-23 under **MAEQ** based on similar lines as during season 2020-21 i.e. trading between mills and swapping of domestic sales quota.
- Alternatively, if tradable MAEQ is not possible, Government may allow exports under O.G.L.

# Steep rise in FRP of sugarcane over the years



- Two steep increases in FRP
- Basic recovery rate however increased from 9.5% to 10% from 2018-19 SS, 10% to 10.25% from 2022-23 SS

# Revenue from sugarcane much higher than competing crops



Source: CACP reports

## Relative returns: sugarcane outcompeting others

Crops	Relative Gross Returns over A2+FL cost with respect to sugarcane		
	2022-23	2021-22	2020-21
Sugarcane	100	100	100
Cotton + Wheat	53	45	50
Paddy + Wheat	49	51	47
Paddy + Paddy	35	39	31
Soybean + Wheat	39	34	37
Soybean + Gram	24	20	28

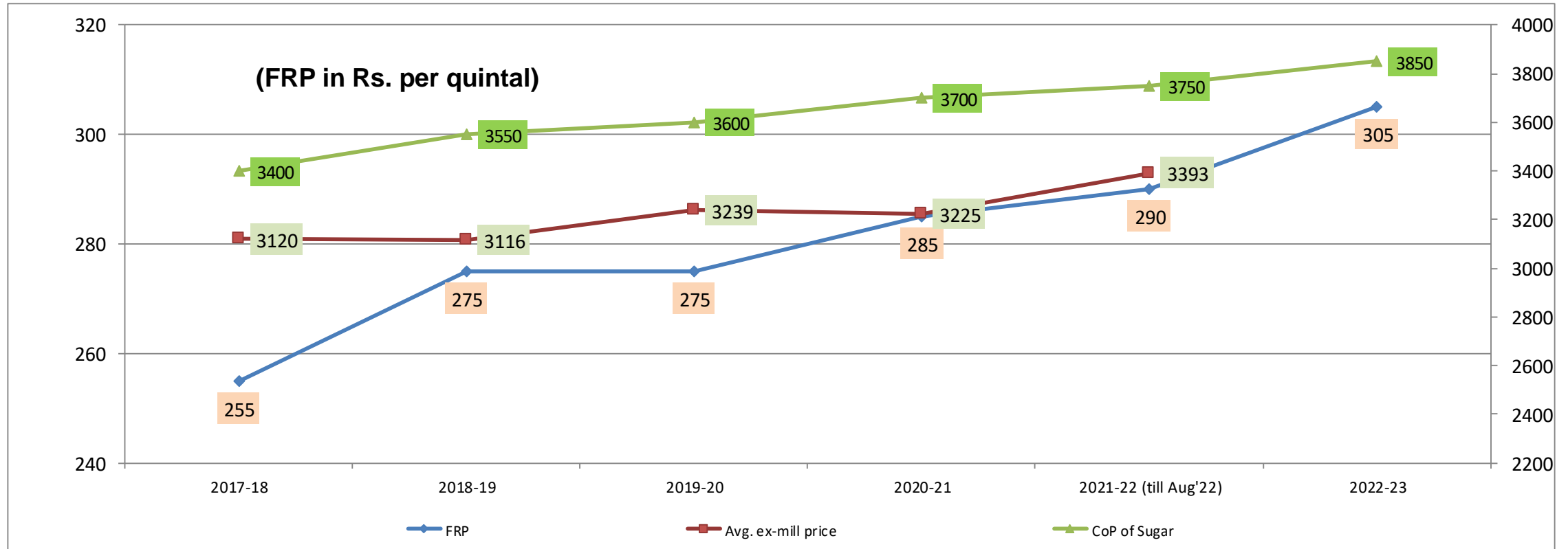
Source: CACP report for 2020-21, 2021-22 & 2022-23

- Returns from sugarcane continues to be very high as compared to other crops
- Problem of surplus cane & sugar can be addressed by correcting this distortion



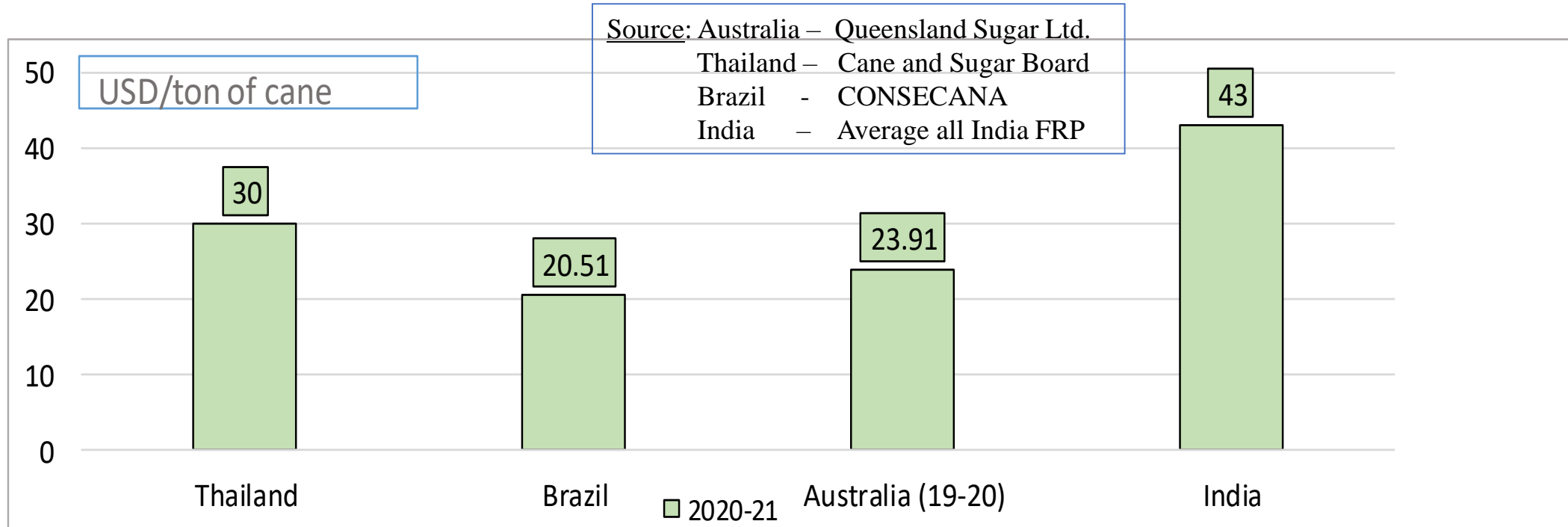
# Ex-mill sugar price Vs Cost of production (CoP) of sugar w.r.t. FRP of sugarcane

(Sugar price in Rs. per quintal)



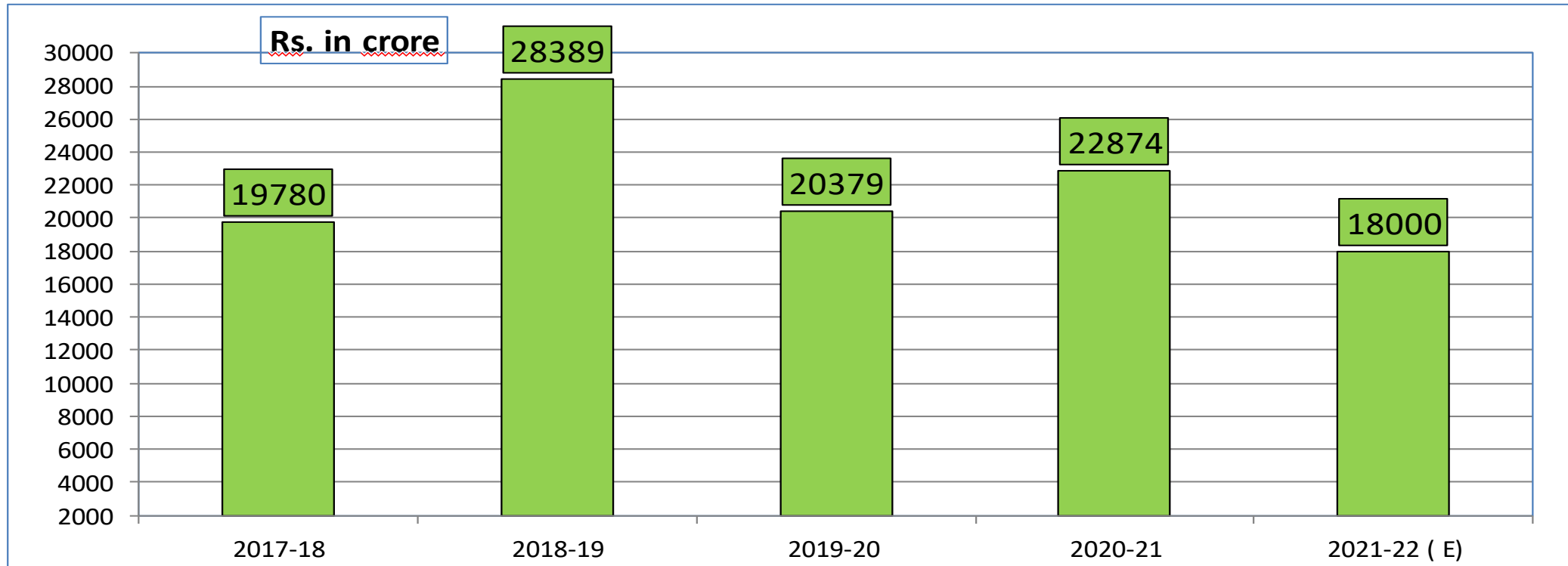
- To be able to pay FRP, ex-mill sugar price should cover cost of production
- Cost of production (CoP) of sugar at current FRP is around **Rs.38-39 per kilo**
- **Margin on sugar and return from sugar low – Huge gap between CoP and Ex-mill sugar prices**

## Amongst large producers, India pays the highest cane price



- If India is a structural surplus sugar producer, it needs to export regularly
- Such high cane prices make Indian sugar uncompetitive, and always dependent on Govt. subsidies on exports
- With export subsidies not possible after 2023 (as per WTO), Indian cane pricing policy needs reforms urgently

## Blocked funds also result in high cane price arrears (end of March)



**Cane price arrears are because of mismatch between:**

- a) cane price and sugar price and**
- b) cash inflow and cash out go**

- Lack of linkage between cane price and sugar price making cane price unaffordable
- Announcement of SAP in some States/ additional payment over and above FRP in some States

# Request for revision in MSP of sugar w.r.t. current FRP

- **Current MSP of sugar is Rs. 31 per kilo, fixed in Feb'2019**
- Niti Aayog, Committee of Secretaries, Group of Ministers and different State Governments have also recommended for increase in the MSP
- It would be fair to revise MSP of sugar also as per clause 4 of the Sugar Price (Control) Order 2018, issued on 7<sup>th</sup> June 2018, which states that:
  - ***“4. Methodology for prescribing price of sugar - The Central Government shall, at the time of issuing any Order regarding price of sugar for sale under clause 3, take into consideration the fair and remunerative price of sugarcane, conversion costs for production of sugar from sugarcane, realization of profit from by-products generated in the process of sugar production and such other costs as it may consider relevant.”***

# Long term solution- Rationalisation of cane pricing policy

- **India should adopt global practices & systems**
- ISO's report of June '19 says 16 out of 22 countries have RSF for cane price
- Govt. has to adopt the Revenue Sharing Formula (RSF) system
- Along with PSF to protect interests of farmers
- Cane price at 75% of sugar price realisation (any higher % will burden millers – Rangarajan Committee has done a detailed calculation).
- To export surplus sugar, Indian sugar has to become globally competitive
- For that, sugarcane pricing has to be rationalized and made reasonable
- Freeze FRP at current levels till 50% above A2+FL catches up with FRP
- Consider the recent increases in yield levels in FRP
- To control continued surpluses, correct the distortion in crop/ farm economics

# Future lies in Agri revolution in sugarcane

- Sugarcane yields can go up by about 30 - 40% based on available products and data collected by ISMA.
- Higher cane yields will further increase sugar production wherein more sugar could be diverted towards ethanol blending and exports even after meeting out domestic consumption.
- Stable Government policies – Ethanol blending and sugar exports, including remunerative ethanol procurement prices from different feed stocks, mainly ethanol produced from cane juice and syrup
- Stability in domestic market- Returns from sugar as a whole could improve
- Win - win situation for Government, farmers and industry
- Will require huge investment at farm level in a time bound manner – need for incentive and support from Government