Premium to exchange sugar export quota up at record high

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Indian sugar mills have exchanged at least 15 lakh tonnes (lt) or 25 per cent of their export quota with exporters and other units at a premium that increased nearly four times before the sale window closed on December 31.

"It is for the first time that the export quota has been exchanged at such a high price. The Centre allowed mills to sell their quota until December 31 and the premium for the quota increased from ₹2,250 a tonne to ₹8,500 towards the end of the deadline," said Praful Vithalani, Chairman, All-India Sugar Traders Association (AISTA).

QUOTA ALMOST OVER

Sugar mills and exporters have traded 55 lt of sugar out of the 60 lt quota permitted for shipments by the Centre within two months of the government allowing the resumption of sugar exports on November 5, he said.

According to the Food Ministry, mills can exchange their quota, provided they sell a similar quantity in the domestic market over an above the normal volume allocated by the government.

The Centre had capped sugar exports at 100 lt in June last year for the 2021-22 season that ended on September 30. It then allowed the resumption of exports with a notification on November 5, permitting 60 lt to be shipped before May 31 for the current season.

About 150 mills, mainly in Bihar and Uttar Pradesh, are reported to have taken advantage of swapping their quota with exporters or mills that are close to the sea ports. "So far, 23 lt have been despatched from sugar mills. Of this, 17 lt have been physically exported. About 3.5 lt are lying at the ports or are on their way to ports, " said Vithalani.

> **TOP BUYERS**
> Somalia and UAE have accounted for 10 per cent each of the sugar exported so far

About 2.5 lt of sugar have been delivered to refineries in the special economic zone and thus is treated as deemed exports.

SHIPMENTS REVIEW

On the premium that sugar mills got for selling their export quota, Aditya Jhunjhunwala said it depended on prices in domestic and global markets. "It depends on the futures contract and when the delivery is due," he said.

The ISMA President said his association has urged the Centre to take a review on exports after January 31 with the plantation crop beginning to come in for crushing. Till December, the ratoon crop had come for crushing. "We will have a clear picture by then, including the amount of ethanol diversion," he said.

Quoting Dr. Amin Laboratories Private Controllers Ltd, AISTA said in a statement that Somalia and UAE have accounted for 10 per cent each of the sugar exported so far. Djibouti, Bangladesh and Sudan are the other three top buyers of Indian sugar accounting for over 8 per cent.

Vithalani said the Centre will likely review the export quota in February or March. The government will take into account the entire production scenario during the review.

Last week, AISTA pegged the production at 345 lt against 358 lt a year ago at its crop committee meeting last week.

RETURN TO AVERAGE

Meanwhile, UK-based diversified global financial services platform Marex said there is gathering evidence of lower sugarcane yields in Maharashtra and Karnataka that account for half of the sugar production.

"... cane area seems to be up in these States, but still the reports of lower yields exist. Perhaps the most reasonable way of thinking about the current Indian crop, is that last year's crop showed extraordinarily high yields, so a return to more average ones is to be expected," it said in its weekly newsletter.