

Sugar export faces challenges

Indonesia links imports to lowering tariff on palm oil, reports say; China raises duty

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India's attempts to find new markets for its sugar ahead of the 2018-19 crushing season are expected to be partially successful so far, with Bangladesh and Malaysia showing an interest in importing raw sugar while Indonesia wants India to lower the import duties on palm oil before it allows sugar import.

However, all depends on the price of Indian raw sugar in the international market. It is lower than domestic rates, thereby making exports unviable for local millers.

Bangladesh, Indonesia, Malaysia, and China are the four countries that India has targeted in the first phase to export surplus raw sugar, either through government-to-government deals or otherwise.

Negotiations are still on with China. While India can potentially export 1.5-2.0 million tonnes of raw sugar to China, Beijing recently imposed a huge tariff on sugar imports.

So far, no firm deal has been signed with any potential importer.

"There are a lot of limitations for Indian sugar exports and one big factor is the high price of Indian sugar and also the quality is sometimes not of international standards," Sabyasachi Majumdar, senior vice-president and group head, Ica, told *Business Standard*.

Even in India, local mills aren't very keen on exporting sugar because of higher price realisation in local markets, officials said.

The ex-mill price of Indian raw sugar is somewhere around ₹18

PRODUCTION CHART

In million tonnes



F: Forecast; Compiled by BS Research Bureau Sources: ISMA, Bombay Sugar Merchants Association

Sugar M-30 (₹/qtl)



per kg while the same quantity fetches around ₹30 in the domestic market.

Therefore, it makes sense for anyone to sell sugar domestically than to export.

But the domestic market has a limited absorption capacity and unless newer avenues are found to dispose of the surplus, prices will remain depressed, particularly when production in the 2018-19 sugar season is again projected to be 35-35.5 million tonnes.

Among the four Asian markets identified by a high-level delegation of sugar industry representatives and government officials of the Ministry of Commerce and Food, Bangladesh looks to be the most probable candidate to buy some Indian raw sugar, sources said.

Officials who are part of the delegation said because of its geographical proximity to India, Bangladesh has shown an interest in importing around 2.2 million tonnes of raw sugar between October and December, which fits in with the 2018-19 sugarcane crushing season in India.

"If price doesn't act as an impediment, Bangladesh is will-

ing to import raw sugar from India due to geographical proximity, which lowers transportation cost and also because Indian raw sugar quality-wise is much closer to what people in Bangladesh consume and is dextran-free, unlike Brazilian or Thai sugar," a senior industry executive said.

Indian raw sugar is dextran-free because it is crushed from fresh cane, unlike in Brazil and Thailand, where the cane is sometimes left in the field after cutting.

Indian authorities are targeting Indonesia, one of the world's biggest importers. The country's annual requirement of raw sugar is 3.5-4.0 million tonnes per annum, which is supplied primarily by Brazil.

But with Brazil diverting 6.5-7.0 million tonnes of sugarcane for making ethanol, it has little surplus for export.

However, Indonesia is insisting India first lower the import duties on palm oil, which it has increased from 7 per cent to 54 per cent in the past one year.

"We have taken up this matter with top government officials," said Prakash Naiknavare, managing

director of the National Federation of Cooperative Sugar Factories, who is part of the delegation.

Malaysia, another country that has shown an interest in Indian raw sugar, has an annual requirement of 2.2 million tonnes, but is willing to enter into a deal only if prices match.

"We are also looking at Sri Lanka, Iran and Afghanistan to see if they require raw sugar from India because with next year's sugar production projected to be more than in 2017-18, the situation looks scary," Naiknavare said.

Recently the government said around 400,000 tonnes of sugar out of the surplus stock was being exported but that is too little to make any impact on local prices.

India is projected to start the 2018-19 sugar season in October with a huge surplus opening stock of almost 10 million tonnes of sugar, which, when added to the projected production of 35 million tonnes, would mean that availability would be around 45 million tonnes.

India's domestic sugar consumption is estimated at 25-26 million tonnes.

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