

# Govt may lift stock limit on sugar

Could also raise import duty if price fall persists

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New Delhi, 5 December

With ex-factory sugar prices showing a downward trend since the start of the 2017-18 crushing season in October, due to an expected bumper harvest of cane, the central government is planning to discontinue the stock holding limits from December 31.

Officials said this had almost been decided. A proposal to raise the import duty on sugar is yet to be decided, as it involves consultation between ministries. This duty was raised in July to 50 per cent, from 40 per cent, to curb import and stop the build-up of sugarcane payment arrears to farmers. There hasn't been much of import since July but international prices have further softened due to a projected surplus, raising the prospect of more shipments. "The softening of sugar prices globally has also opened the avenue for export," a senior official said. As of mid-November, global sugar prices had



## SUGAR PRODUCTION (in million tonnes)



Note: Sugar season runs from October to November  
\*Estimated  
Source: Trade and Industry estimates

fallen almost 22 per cent in a year.

Ex-mill sugar prices in Uttar Pradesh, the biggest cane growing state, has fallen by almost ₹300 a quintal since October 1. In Maharashtra, it has fallen by around ₹400 a qtl. The two states together contribute a little over 80 per cent of the country's sugar production.

Indian Sugar Mills Association (Isma) stated on Tuesday that sugar output in October and November had risen 42 per cent from a year before, to 3.95 million tonnes. It estimates 2017-18 sugar production at 25.1 mt, as against 20.2 mt last year. As many as 443 mills were operating till November, as against 393 mills in the

year-ago period. It estimates sugar production in UP, the largest producing state, at 1.35 mt till end-November, from 0.84 mt in the year-ago period. In Maharashtra, the second biggest producer, to 1.49 mt from 0.94 mt.

The current year started with an opening balance of around 3.87 mt, lowest in several years. "With the Government clearly deciding not to continue with the stock holding limit on traders beyond December, there will be buying interest to restock the pipeline, which will give a fillip to sugar offtake. If it had withdrawn the stock limits earlier, demand would have improved the market sentiment," Isma added.

## Mills fret as prices of sugar and molasses plunge

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Mumbai, 5 December

Sugar mills' revenue and profit are likely to be under pressure in the ongoing crushing season (the current sugar year, 2017-18, formally began on October 1), after recovering marginally in the 2016-17 season.

For, there has been a sharp decline in their product prices, following estimates of higher cane output.

Seasons 2014-15 and 2015-16 were bad for profitability; things improved in 2016-17, with many large mills showing a rise in net profit, following estimates of lower sugar production. There was a sharp rise in the prices of sugar and molasses, to a peak of ₹36-37 a kg and ₹8,800 a tonne, respectively. Prices of both did drop subsequently but their average realisation remained substantially higher than the cost of sugar production.

This year, however, the scenario has again turned against mills, with a fall in prices of both sugar and molasses. "At the current prices, mills are going to incur losses this year. The government is thinking about 120 crore consumers,

## UNDER STRESS

Performance of top 10 sugar companies

	Net sales (₹ crore)			Net profit (₹ crore)		
	FY15	FY16	FY17	FY15	FY16	FY17
EID Parry	13,845	15,216	14,314	117	35	708
Sh. Renuka Sugar	10,088	9,852	11,845	-1,813	-1,809	-1,040
Bajaj Hindusthan	4,454	4,691	4,399	-1,192	-712	-92
Baigampur Chini	2,987	2,257	3,460	-58	100	593
Triveni Engg. Ind.	2,055	1,907	2,825	-152	-7	253
Dhampur Sugar	1,756	2,223	2,564	-13	26	237
Bannari Amm. Sug.	920	1,435	1,751	1	32	145
Dalmia Bharat	1,014	1,129	1,662	1	58	182
DCM Shriram Inds	1,262	1,790	1,460	7	34	122
Dwarikesh Sugar	1,128	794	1,189	-17	39	158

Source: Capitaline

Compiled by BS Research Bureau

putting five crore cane farmers at risk. But, once these farmers stop producing cane, there would be huge scarcity of sugar and increased reliance on import. The government needs to protect cane farmers' interest," said Sanjiv Babar, former managing director of the Maharashtra Federation of Cooperative Sugar Factories.

Data from the Indian Sugar Mills Association (Isma) shows the average cost of sugar production in Uttar Pradesh and Maharashtra at ₹37 a kg and ₹34 a kg, respectively, this season. While the ex-factory

realisation from sugar is ₹34 a kg in UP and ₹32 a kg in Maharashtra.

"The average ex-mill sugar price during 2016-17 in UP was ₹36.5 a kg and in Maharashtra at ₹35.4 a kg," said Abinash Verma, director-general at Isma.

"Sugar prices have declined by ₹3 a kg across the country in the past month," said the finance head of a Mumbai-headquartered mill. Sugar contributes nearly 75 per cent of mills' turnover and Isma says this segment is losing money.