

Investors Love a Good Drought, Sugar Output to Come Down

Prices to rise slow and steady as drought looms in Maharashtra

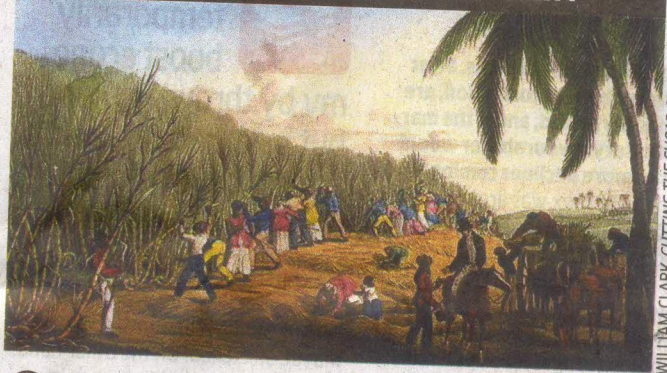
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Pune: The area under sugarcane cultivation is expected to decline 25% during the 2016-17 season in India's top sugar producing state Maharashtra due to drought, providing traders and investors confidence that prices will rise owing to supply deficit and lead to good returns on the commodity.

According to preliminary estimates, the area in the next crushing season may remain 6.5-7 lakh hectares, said Sanjeev Babar, managing director of Maharashtra State Cooperative Sugar Mills Federation (Sakhar-sangh). The availability of cane for crushing could be about 550 lakh tonnes, he said.

In the ongoing crushing season, according to the state government figures, cane had been planted on 9.67 lakh hectares, while the total cane available for

FARMERS' PAIN, INVESTORS' GAIN



WILLIAM CLARK CUTTING THE SUGAR CANE



SUPPLY DEFICIT

Investors say prices will rise owing to supply deficit and lead to good returns on the commodity

crushing is expected to be 760 lakh tonne. The state is expected to produce 85 lakh quintals of sugar this season.

Traders and investors are upbeat about the commodity. "We expect prices to rise gradually

but consistently this year. There is no chance of prices coming down," said Ashok Jain, president, Bombay Sugar Merchants' Association. Prices are not expected to decline below Rs 28 per kg at the mill gate without duties, he said. As the planting of sugarcane for the 2016-17 season is at its fagend, the area under new crop in Maharashtra is likely to be 3 lakh hectares while the rato-on crop acreage is expected to be 3.5 lakh hectares, people familiar with the matter said. As per the data with the agriculture department, the total area under cane for 2016-17 as of February 10 is 3.68 lakh hectares.