

India seen importing most sugar in 7 years as drought hurts crop

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NEW DELHI: India may import the most sugar in seven years as drought in the world's top consumer curbs output for a second year and spurs a rally in domestic prices. Imports may total 2.1 million metric tonnes in the year starting October 1, the most since 2009-10, according to the median estimate of six traders, analysts and producers surveyed by Bloomberg.

Production is set to decline 8.4 per cent to 23 million tonnes in 2016-17 from a year earlier, the survey showed. That's the lowest since 2009-10 and compares with the government's estimate of as much as 24 million tonnes. India this month imposed a 20

per cent duty on sugar exports to keep domestic prices in check, less than a year after the government ordered compulsory shipments by sugar mills to reduce a surplus.

The country is switching to importer from exporter just as forecasts for global deficits boost prices in New York to the highest since 2012. Drought conditions have also hurt supplies in Thailand and rains disrupted crushing in the top producer Brazil.

For a country consuming more than 25 million tonnes of sugar per annum, imports of 0.5 million tonnes to 2 million tonnes is a relatively small safety margin while the local industry rebuilds the cane crop after two years of quite severe drought, said Tom



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McNeill, a director at researcher Green Pool Commodity Specialists.

While India may need imports, it could also possibly scrape by using stockpiles, he said. India will have more than 31 million tonnes

of sugar available in the year starting October 1, including 7 million tonnes to 7.5 million tonnes of stockpiles at the start of the period, according to the food ministry.

Demand is estimated at 26 million tonnes, it said.

The stockpiles may mean the country can avoid imports in 2016-17, according to the Indian Sugar Mills Association and national federation of cooperative sugar factories.

Still, the government has taken steps to ensure adequate sugar supply and cool domestic prices that surged more than 60 per cent in the past year. The food ministry in May withdrew a production subsidy paid to cane farmers and has also imposed limits on the amount of sugar traders can stockpile to prevent hoarding.

Food minister Ram Vilas Paswan last month said the import duty may be lowered if prices climb further. "If the government reduces the import duty then obviously it would mean they are opening the door for im-

ports," Michael McDougall, a senior director at Societe Generale SA in New York, said in a telephone interview. "They are trying to keep prices in check. Nobody knows what mother nature is going to do."

Monsoon has been somewhat frustrating with its progress. India is counting on above-average monsoon rainfall to boost crops after two years of below-average precipitation curbed production. This year's monsoon arrived a week later than the usual June 1 onset and is 13 per cent below normal as of June 28.

Current planting estimates indicate there will be a decline in cane availability in Maharashtra and northern Karnataka, with states including Uttar Pradesh, Tamil Nadu and

possibly Bihar picking up the slack, according to the sugar mills association.

The global sugar deficit will probably widen to 7.1 million tonnes in 2016-17, up from 6.21 million tonnes a year earlier, according to Plinio Nastari, president of Sao Paulo-based consultant Datagro.

Raw sugar futures surged 31 per cent this year on ICE Futures US in New York and touched 20.22 cents a pound on June 16, the highest for the most-active contract since October 2012. Futures closed at 19.94 cents on Tuesday.

Refined sugar futures in Mumbai climbed 42 per cent since October 1, when India's cane crushing season began, and were unchanged at Rs 3,595 (\$53) per 100 kg on Wednesday.