

Pricing delay forces mills to defer crushing, sugar output falls 3%

fe Bureau

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A delay in the announcement of the state-advised cane price by the UP government has forced some mills to defer crushing, causing a 3% fall in the overall sugar production in the country.

Sugar output in India, the world's second-biggest producer, reached 2.33 million tonnes since October 1, compared with 2.39 million tonnes a year before, showed the data by the Indian Sugar Mills Association (ISMA).

Sugar mills in UP, which usually start cane crushing just after Diwali, delayed this operation this year and are "still waiting for the declaration of cane price by the state government for the season 2012-13," ISMA said.

Consequently, production in UP slumped by slightly more than a half to 2,50,000 tonnes till November 30. Industry executives said 90 mills have now started crushing, compared with 96 mills last year, although most of the mills started the

operation only over the past 15 days.

States are free to announce the cane price over and above the rate— ₹170 per quintal— fixed by the Centre. However, the state advised price must not be lower than the fair and remunerative price announced by the Centre.

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NOT SO SWEET TUSSLE

■ According to ISMA, mills in UP, which usually start cane crushing just after Diwali, delayed crushing this year because they are still "waiting for a decision on the cane price by the state government."

■ States are free to announce the cane price over and above the rate— ₹170 per quintal— fixed by the Centre. However, the state-advised price must not be lower than the fair and remunerative price announced by the Centre.

■ Lower-than-expected production for the year and higher cane prices will mean sugar prices would stay at elevated levels.

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In Maharashtra, sugar production fell to 9,50,000 tonnes until November 30, compared with 9,94,000 tonnes last year, the data showed. Karnataka witnessed more than

36% dip in production to 5,13,000 tonnes from a year before.

Interestingly, the recovery rate has gone up in UP and declined in Maharashtra this year, thanks to initial dry spells in parts of the western state. ISMA has forecast an 8.4% drop in sugar output at 24 million tonnes for the 2012-13 due to poor monsoon. The National Federation Of Co-operative Sugar Factories has pegged it at 24.5 million tonnes.

The food ministry has predicted at least 23 million tonnes of output for 2012-13, compared with the annual consumption of 22 million tonnes. Sugar prices witnessed steady rise until August on fears that poor showers in June and July would hurt cane yield, especially in Maharashtra, the big producer.

Though prices since then declined a bit but they are still at elevated levels, thanks to a higher purchase price of cane.

Wholesale sugar (M30 variety) prices have still gained around 15% since June and were ruling in the range of ₹3,501 to ₹3,701 a quintal.