

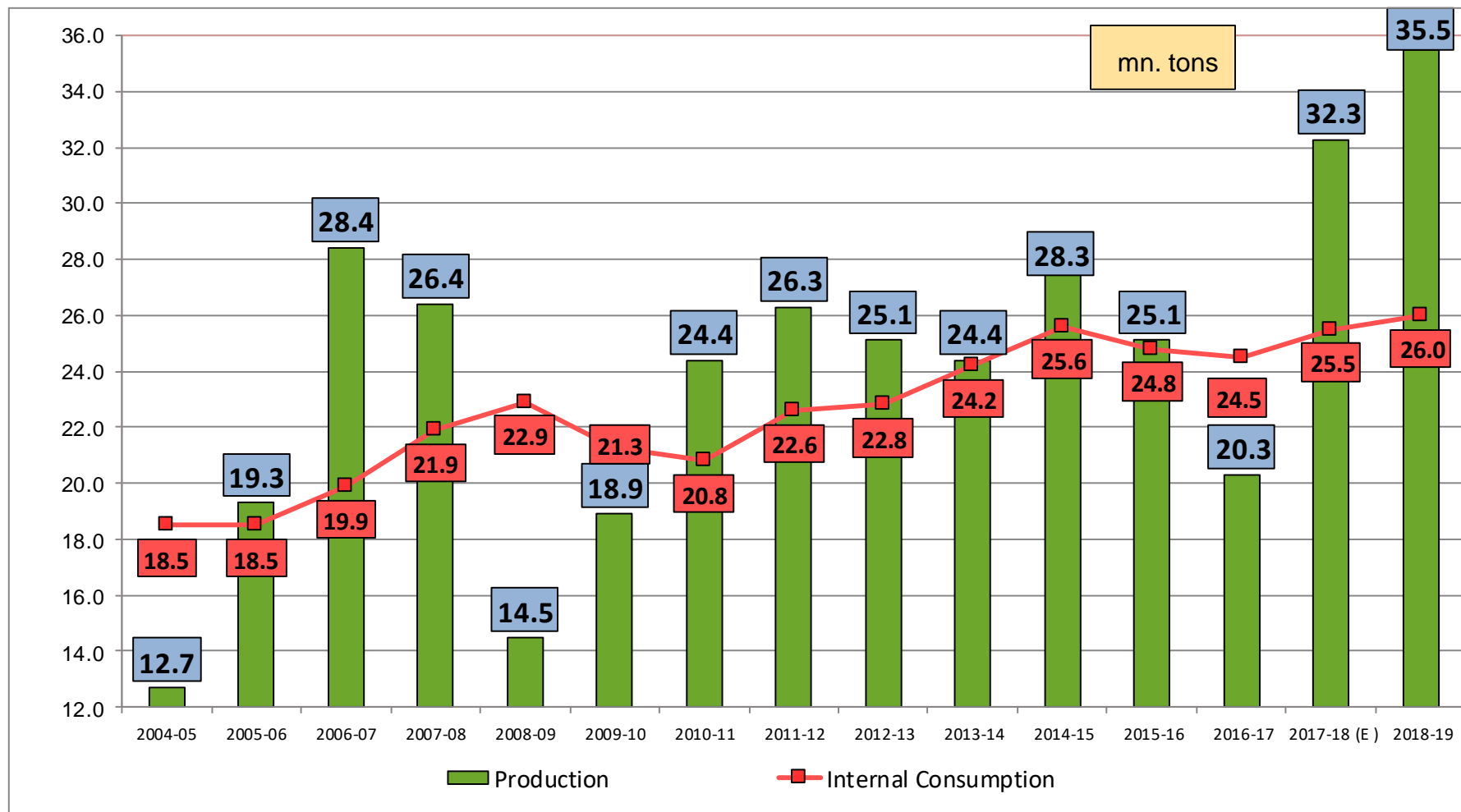


## ***PRESENTATION TO CACP ON PRICING POLICY***

***FOR SUGARCANE FOR 2019-20 SS***

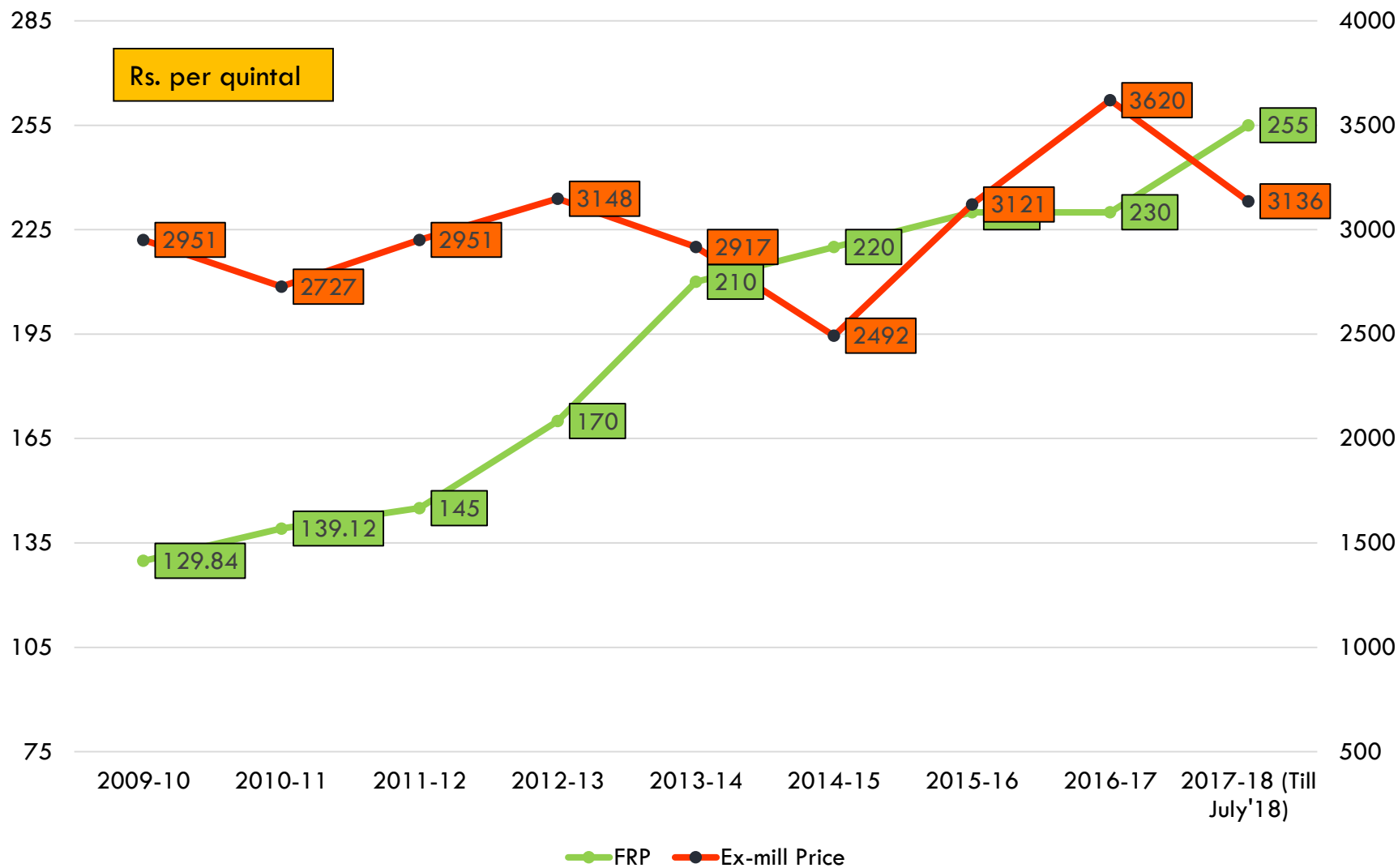
***INDIAN SUGAR MILLS ASSOCIATION***

# Sugar Production & Consumption in India



- CB on 30<sup>th</sup> Sept 2018 will be 100 lakh tons
- **CB on 30<sup>th</sup> Sept 2019 will be 190 lakh tons, unless sugar is exported**

# FRP v/s average ex-mill price in last 9 years

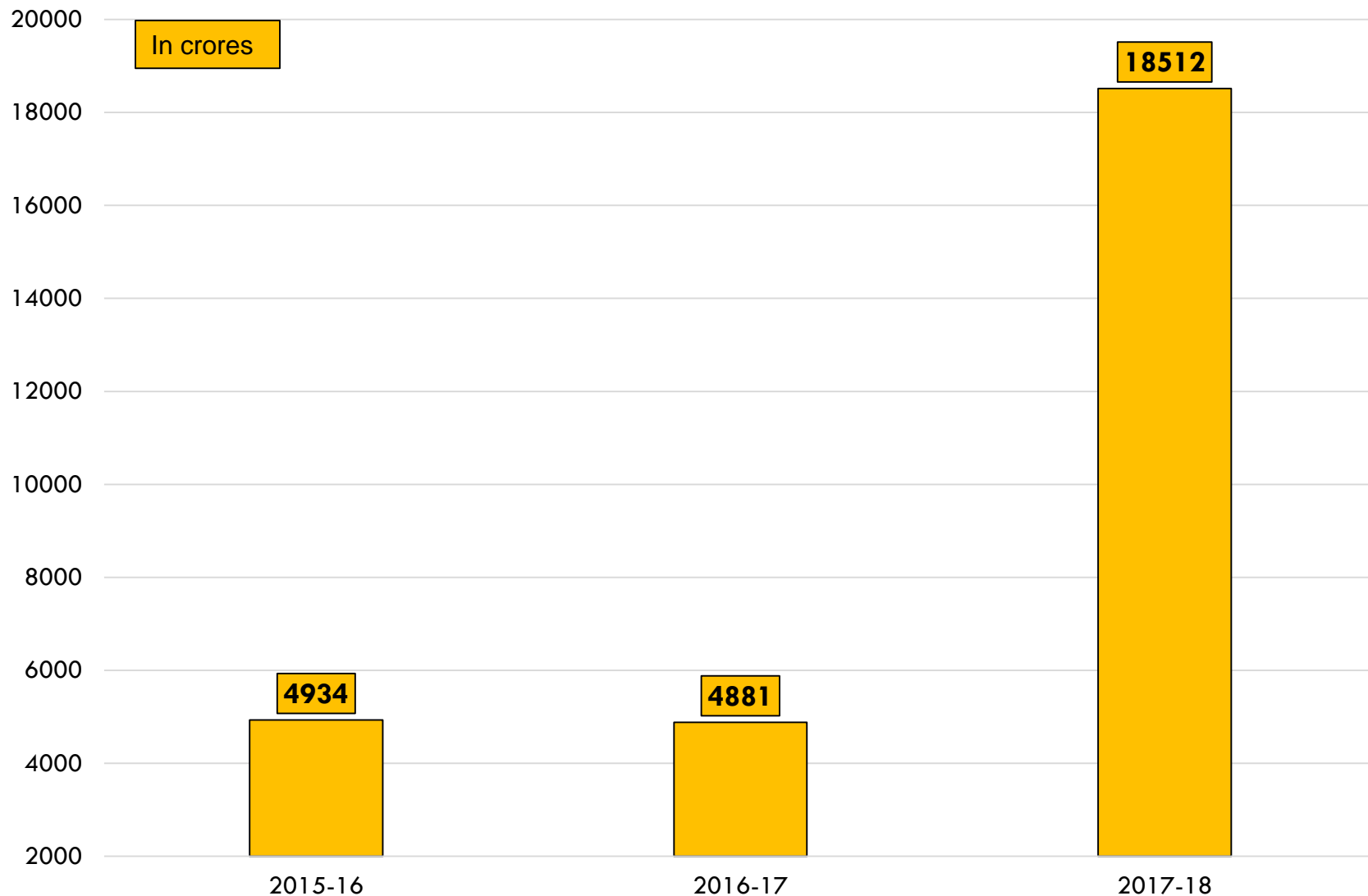


# Current year's sugarcane economics

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- At 10.77% all India average sugar recovery in 17-18
  - FRP payable = Rs.289 per quintal of cane
- As per Rangarajan Committee formula, Rs.3136 per quintal of all-India average sugar price and 10.77% recovery
  - Cane price payable = Rs.254 per quintal of cane
- Implications:
  - FRP of Rs.289 = 86% of revenue realised from sugar alone
  - At cane crush of 3004 lakh tons in 17-18 SS, the gap in cane price paying capacity is Rs.10514 crore
  - However, cane price payable is Rs.86816 crore and revenue from domestic sale of 255 lakh tons (Oct-Sept) will be Rs.79968 crore

# All India Balance Cane Price Arrears as on 30<sup>th</sup> June



# World sugar balance moving back to surplus again

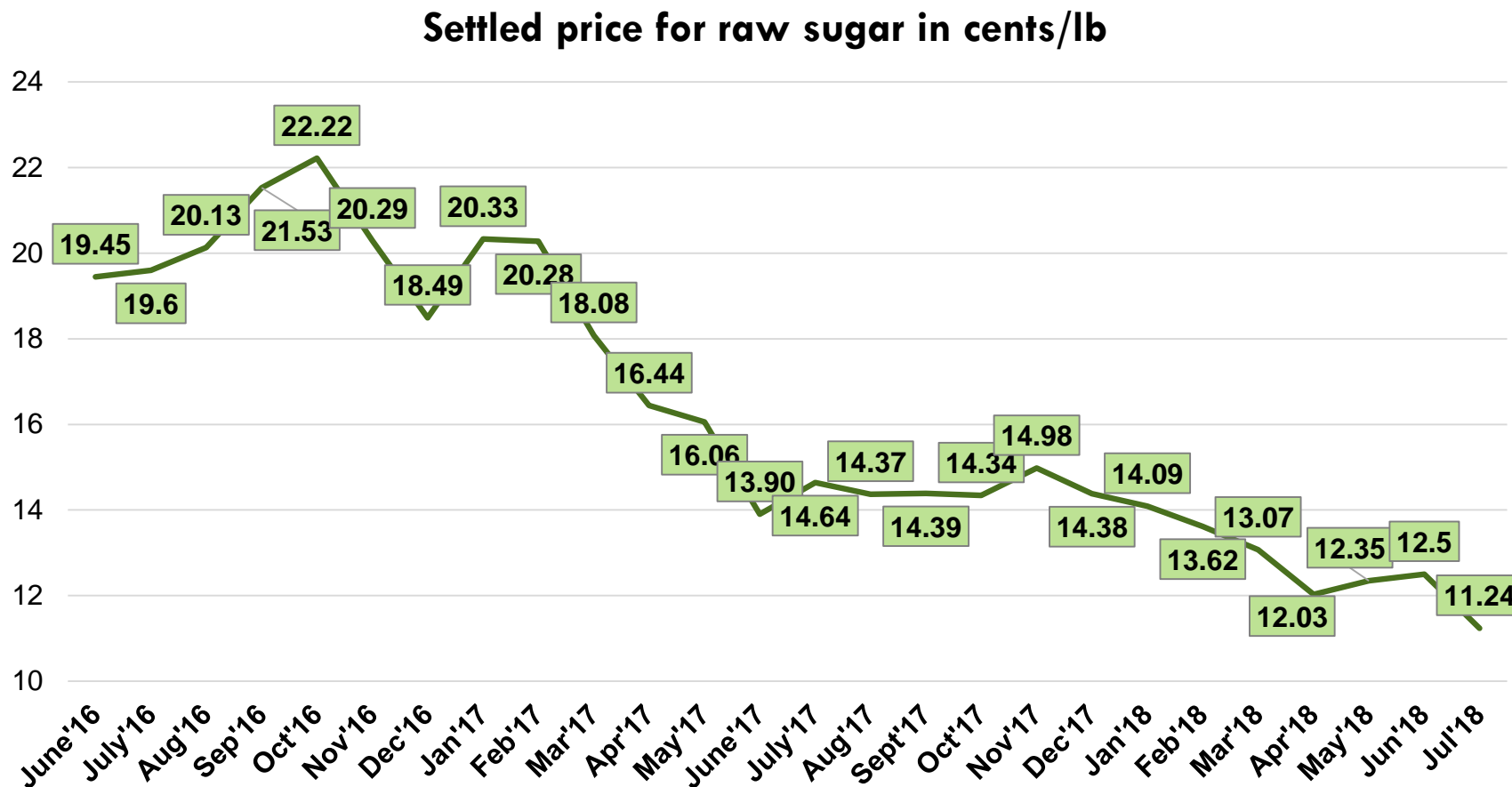
(million tons)

Season	2013-14	2014-15	2015-16	2016-17	2017-18
Production	174.146	169.439	164.210	167.853	185.208
Consumption	165.372	166.922	170.225	171.523	174.696
Surplus/Deficit	8.774	2.517	-6.015	-3.670	10.512

Source: International Sugar Organization

- ISO has projected 6 million tons of surplus sugar in 2018-19 SS too
- India will become the largest sugar producer in the world in the next season

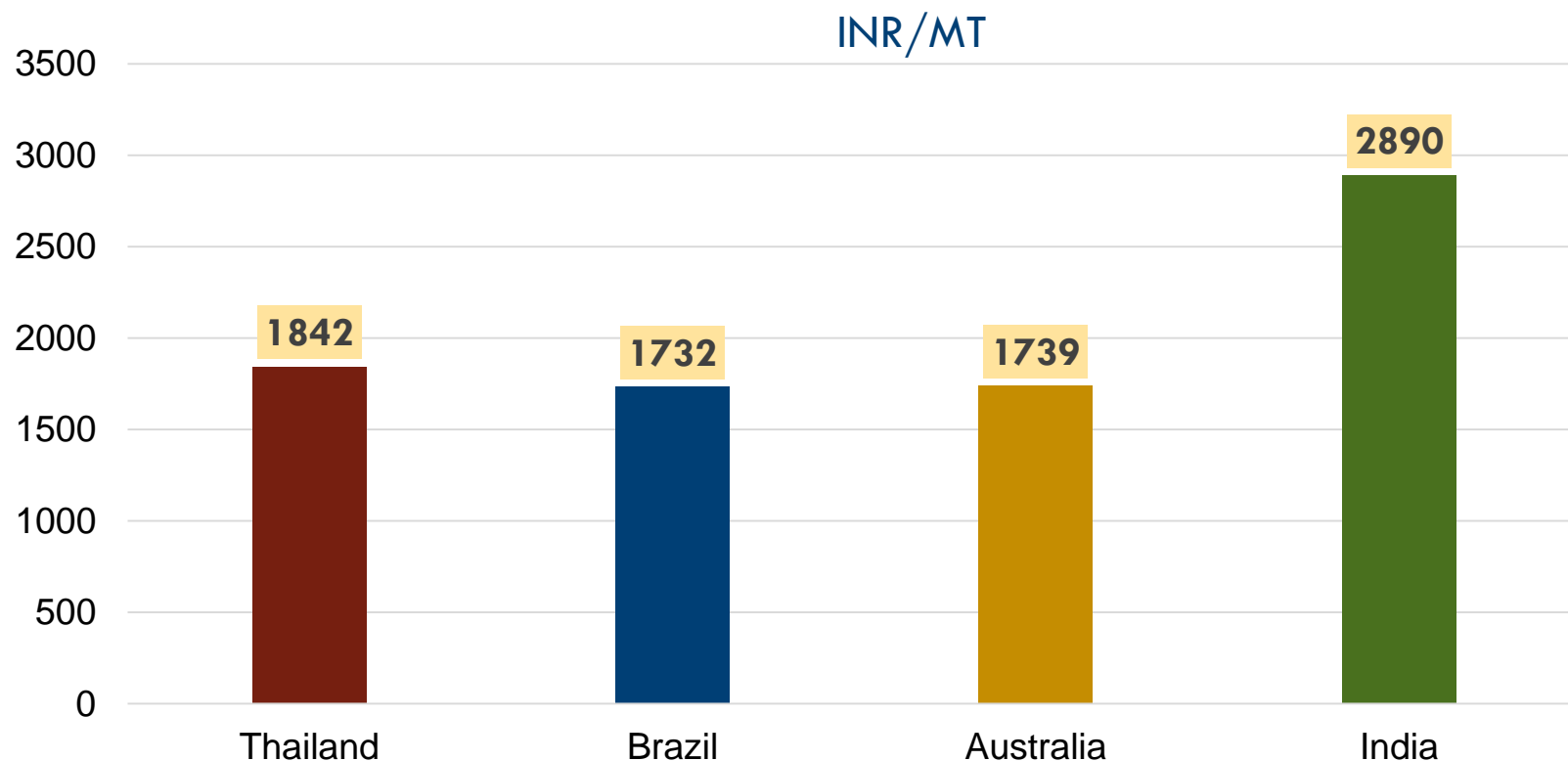
# Global raw sugar price trend (New York market)



Currently, global sugar prices are hovering around 11 cents/lb.

Global Trade experts expects world sugar price to remain below 13 cents/lb till March'19.

# World cane prices during 2017-18 season



Note: Prices include cost of harvesting & transportation

Source: Australia – Queensland Sugar Ltd.

Thailand – Office of Cane and Sugar Board

Brazil – CONSECANA

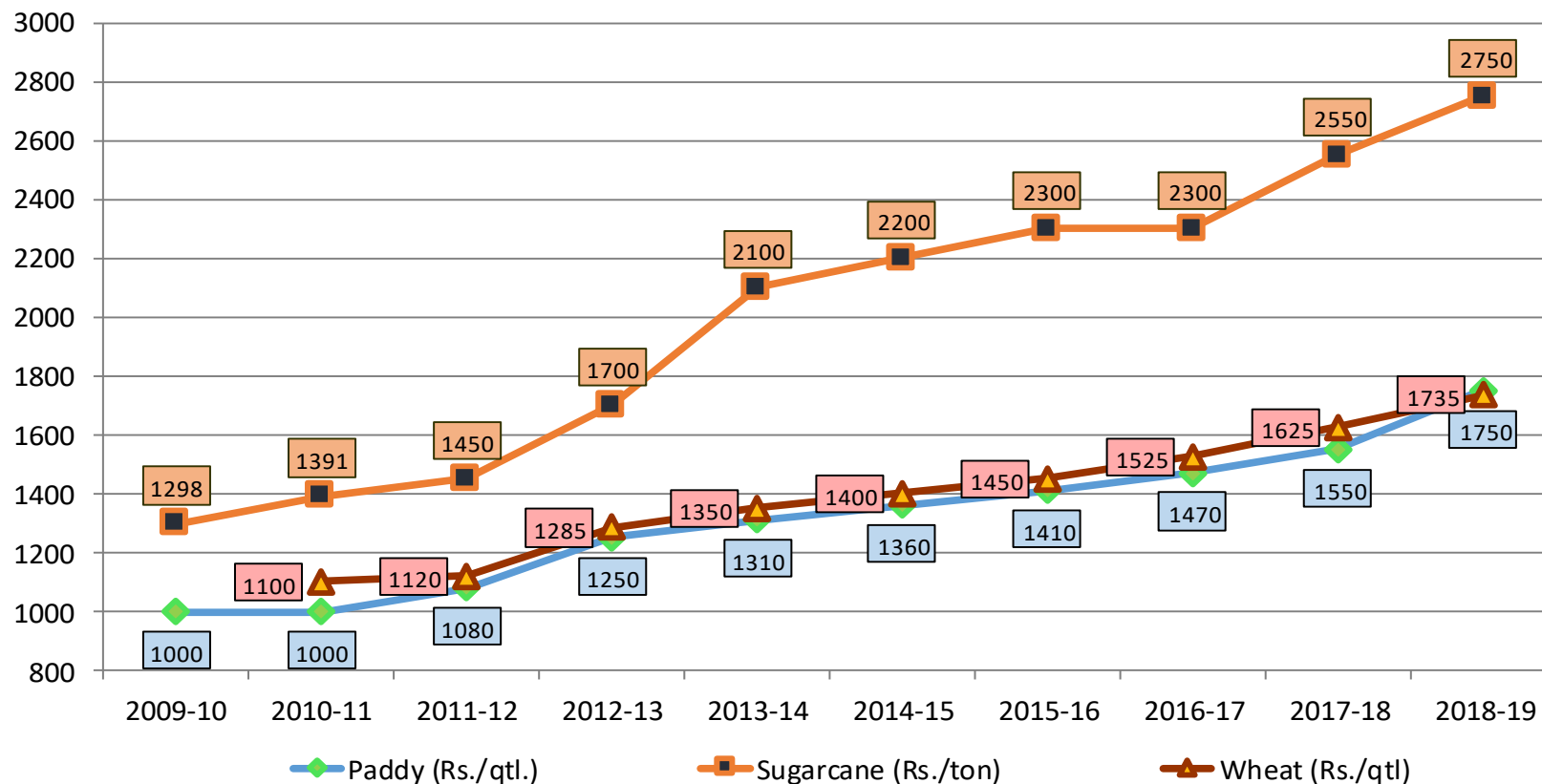
India – Average FRP at all India average recovery of 10.77%



# Need to control sugarcane prices and production

- Continued increase of FRP encourages farmers to grow more sugarcane every year.
  - Cane area increased by 8% in 2018-19
- 323 lakh tons in 2017-18 and 350-355 lakh tons of sugar production in 2018-19
  - CB of 190 lakh tons on 30 Sept 2019
  - Can't export without incurring massive losses due to high cost of cane
- Higher sugarcane production leads to surplus sugar production, resulting depressed sugar prices.
  - Mills have to pay over 85% to 90% of revenue realized from sugar towards sugarcane price alone
  - Hardly anything is then left for other dues, including bank loans
  - Many mills will become NPAs due to huge losses.

# FRP of Sugarcane Vs MSP of Paddy & Wheat

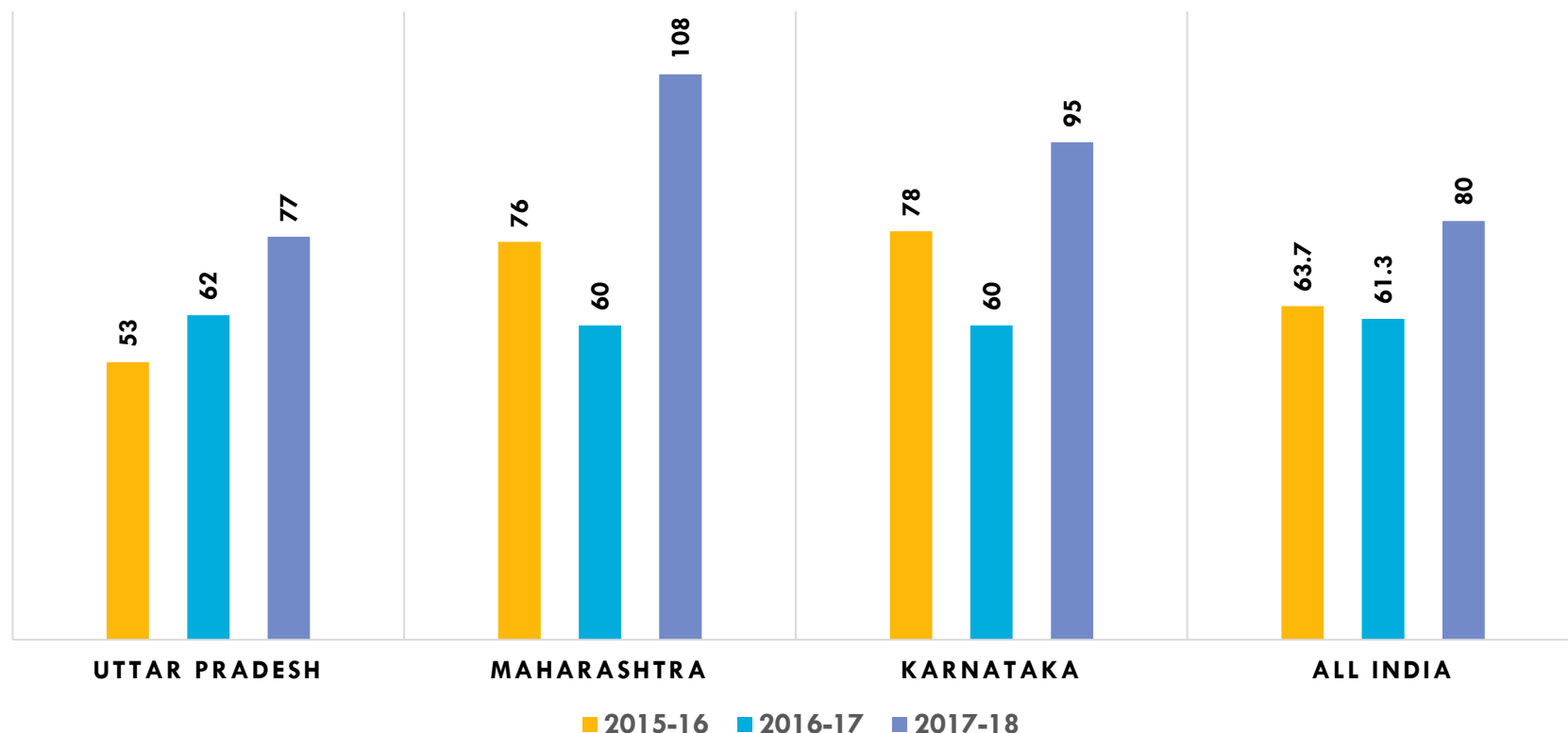


- In report for 2018-19 FRP, CACP has stated that net returns of sugarcane worked out to be 245% higher than paddy + wheat taken together and 252% higher than cotton + wheat
- Therefore, even though FRP payment is delayed, farmers get more than other crops even if 60% of FRP is paid on time (rest can be taken as a bonus)

# Farmers income increased due to higher productivity

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## PRODUCTIVITY PER HA.



- Sugarcane productivity increased by over 25% in the last 3 years.
- 2016-17 was a drought year and hence the lower productivity
- **Increase in farmers income due to higher productivity has also been accepted by CACP in its 2018-19 report.**

# Some hard facts !!

- Average FRP of Rs.297 per quintal, in 2018-19 SS, will be 92% above A2+FL cost (Rs.155 per quintal).
- The returns to farmers would be higher if the increased yield of 25% in last two years alone (will be even more for UP, Maharashtra, Karnataka etc.) is considered
- CACP's continued recommendation for a RSF for determining cane price of sugar mills and a Govt. Fund to bridge the gap being ignored by the Govt.
  - The accepted FRP is therefore not practical and reasonable

# ISMA's requests

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- CACP should strongly suggest for acceptance of all its recommendations
  - Or recommend to GOI to stop fixation of FRP
- If Indian sugar has to become competitive, cane prices need rationalisation and policy be made at par with world practice
- Mills need to be allowed to pay 75% of revenue realized from sugar as cane price.
- If FRP is still fixed by GoI, the premium over the minimum recovery should be equally shared between millers and farmers.
- With Govt. fixing minimum price of sugar, CACP should prescribe the sugar price which would support the FRP recommended
  - CACP should specify the sugar price it considers for the FRP recommended

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**Thank you**