

Address given by Mr. Vivek M. Pittie, President, ISMA, on 31st January, 2020 at the 2nd International Conference & Exhibition organized by VSI, Pune, on “Sustainability – Innovation & Diversification in Sugar and Allied Industry”.

Honourable Shri Sharad Pawarji, Honourable Shri Dilip Walse Patilji, Shri Shivajirao Deshmukhji, My past President Mr. Rohit Pawar, Dr. Solomon, Dr. Hapse, Respected dignitaries, Speakers on the dais representing some very eminent sugar producing countries, sugar producers, sugar traders, sugarcane farmers and ladies & gentlemen, let me start by thanking VSI, Pune for inviting me to this very important international conference on sugar. I can see a lot of interest in this conference not only from India but also from several other sugar producing nations. The topic given to me to speak on today is “Sugar Industry Scenario in India”.

Over the last 8-9 years, India has become a regular supplier of sugar to the international market. Barring the aberration in 2016-17 caused by the major drought in Western and Southern parts of the country, India has become a net surplus sugar producer continuously in the last 8-9 years.

Prior to 2010-11, India was known for its infamous sugar production cycles. We used to witness 3-4 years of surplus production followed by 2-3 years of shortage in production in India. Consequently, in the years of surplus, India exported significant

quantities of sugar to the global market and during the down cycle, we became big net importers of sugar. Large trade houses and large producers of sugar keenly followed India's production trends, not only because they used to see opportunities of consistent business either in the form of exporting from India or in the form of importing into India, but also because the volatile Indian production influenced the global sugar prices in a big way. Impact of the big yearly fluctuations used to get further magnified when the estimates, of sugarcane and sugar production, used to go wrong for everyone.

Now, after the experience of the last 8-9 years, I can comfortably say that not only have the major fluctuations in sugarcane and sugar production between years minimized, but the estimation of sugarcane and sugar production has also improved and been fairly accurate. ISMA, as an Apex body of the private and public sector sugar companies in India, was the pioneer in India to undertake satellite imaging of the sugarcane acreage across the country. The first such exercise done in 2010 gave very encouraging results and has helped us in improving our estimation of sugar production ever since. I will not deny that there have been differences between our estimates and the final production figures of sugar but in most of the years the variance or the difference is relatively small and has not given any big surprises to the sugar producers, traders or policy makers. ISMA's preliminary estimate for sugar production in Season 2019-20 is at 26 million tonnes. However, the sugar production is expected to increase significantly in Season 2020-21 due to good monsoons in 2019 resulting in expected

higher area of sugarcane plantation, especially in the states of Maharashtra, Karnataka & Tamil Nadu.

That said, we may proceed to examine the reasons due to which we have not seen major fluctuations in the year to year sugar production and consequentially why we have also not seen the infamous sugar production cycle re-appearing in the last 8-9 years.

The first reason, which most of us are aware of, is the fact that returns from sugarcane are substantially higher as compared to the returns farmers get from any other competing crop across the country. The recent increase in the sugarcane yields per hectare, owing to the cultivation of better and higher yielding sugarcane varieties has resulted in further increase in remuneration from sugarcane to the farmers.

Secondly, a sugarcane farmer has an assured buyer in the form of sugar mills. As per law, a sugar mill cannot refuse to crush sugarcane which is offered to it, even if the sugar prices are not viable or even if the sugar mill is burdened with too much of sugar inventory. This provides the farmers the certainty that all the sugarcane that they produce will find a market and a buyer.

Thirdly, even though the Government fixes prices for 23 crops including sugarcane, it is only the sugarcane farmer who gets that assured price so fixed by the Government. This is not the case for other crops like wheat, paddy, coarse grains, pulses etc. as those

farmers have to find a buyer or have to sell their crops in the Mandi. Most of these farmers do not get the assured price so fixed by the Government for the respective crops.

Fourthly, sugarcane is a very hardy crop. Even with some variation in weather, rainfall, water availability etc., yield of sugarcane does not get impacted so much as compared to that of other crops.

The above 4 reasons namely higher returns, assured buyer, assured price and hardy crop which can withstand the vagaries of nature have cumulatively attracted the farmers to sugarcane, albeit even if their cane price payments are delayed. Consequentially, India continues to grow more sugarcane and produce more sugar, as a result of which we do not witness the infamous sugar production cycle in India any more. India should no longer be looked at as an on and off exporter of sugar. We believe that India is now a structural surplus sugar producer and a structural net exporter of sugar.

Therefore, we need to find ways to consume some of the surplus sugarcane and/or sugar in alternate uses and thereby control the sugar surplus. The most important step in this direction has been the ethanol blending with petrol programme in India. Even though the programme was formally launched in 2002 and was augmented in 2007, the ethanol production and supplies have seen a big jump only in the last few years. There has been tremendous support from Government of India to increase ethanol production in the country. Several policies have been framed in the recent past to

make ethanol production attractive including offering fixed remunerative prices and providing an assured market for all the ethanol that is produced.

In the last couple of years the Government has taken two very important policy decisions to encourage production of ethanol. The first has been to give interest subsidy on the loans taken to increase ethanol production capacities; and the second is to permit the use of various feed-stocks like B-heavy molasses, sugarcane juice, food grains etc. for ethanol production, thereby encouraging diversion of some sugar into ethanol and ethanol produced from such sugar-rich feedstocks is given higher prices as compared to ethanol produced from the conventional feedstock i.e. C-heavy molasses.

These initiatives have resulted in attracting significant investment in the ethanol sector. Last year was the first season wherein we could successfully divert some of the surplus sugar into ethanol. This season the quantum of diversion will be higher and we expect that around Eight Hundred Thousand tonnes less of sugar would be produced because of diversion of B-heavy molasses and sugarcane juice away from sugar into ethanol.

It is also pertinent to note that this steep increase in the sugar production of India has not been contributed due to increase in the sugarcane acreage, but is in fact primarily due to higher yields per hectare and higher sugar recoveries achieved because of cultivation of better sugarcane varieties. Therefore, from an

average annual sugar production of 26 to 27 million tonnes few years back, we are now looking at an average annual sugar production of 32 to 33 million tonnes.

Recently, a lot has been discussed about the support from the Government of India to the sugar sector and whether these initiatives are as per the norms of the WTO. As a sugar producer, I wish to state that there are already several preferential trade agreements and preferential rates of import duties, which have been extended bilaterally or regionally. This has allowed preferential movement of sugar between countries or within regions, thereby restricting movement of sugar from other countries, especially which are new export players in the international market. I do not wish to specifically name any country or region, but this is exactly what we found in the last few years when India wanted to export sugar.

Secondly, we all need to be less emotional and be more practical when we read WTO rules. Most of us would be aware that there are provisions in the WTO rules, which permits countries to extend subsidies for exports of agricultural products and also to provide domestic support to their producers. We feel that the Government of India has been very careful and has done its due diligence while supporting the sugarcane farmers and the sugar exports from India, so that the same are within the permissible rules of WTO.

On behalf of the Indian sugar industry, I would like to extend a warm welcome to all my international colleagues who have come to

visit India as well as to my friends in the sugar industry from India and last but not the least, the sugarcane farmers.

Let me assure you that the sugar industry will continue to extend its whole-hearted support to the farmers to the best of its ability in the future also.

Jai Hind!