



INDIAN SUGAR INDUSTRY ANALYSIS

APRIL - 2023

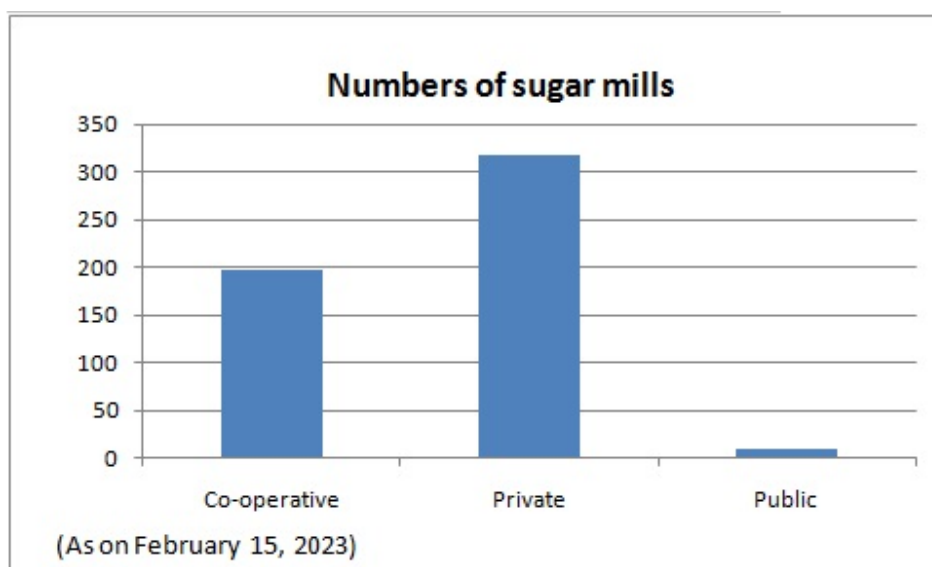


Sugar industry is the second largest agro-based industry in India and contributes significantly to the socio-economic development of rural population. The industry plays a leading role in global sugar market being the world's second largest producer after Brazil, producing nearly 15% and 25% of global sugar and sugarcane, respectively. Also, with a view to improve the liquidity position of sugar mills and to enable them to make timely payment of cane dues of farmers, the government had taken various measures viz. extended assistance to sugar mills to facilitate export of sugar; extended assistance to mills for maintaining buffer stocks; extended soft loans to sugar mills through banks to clear cane price dues; fixed Minimum Selling Price of sugar etc. As a result of these measures, financial conditions of sugar mills has improved and more than 99% of cane dues upto sugar seasons 2020-21 and 97.40% of cane dues for sugar season 2021-22 have been cleared.

SECTOR-WISE NUMBERS OF THE SUGAR MILLS IN OPERATION

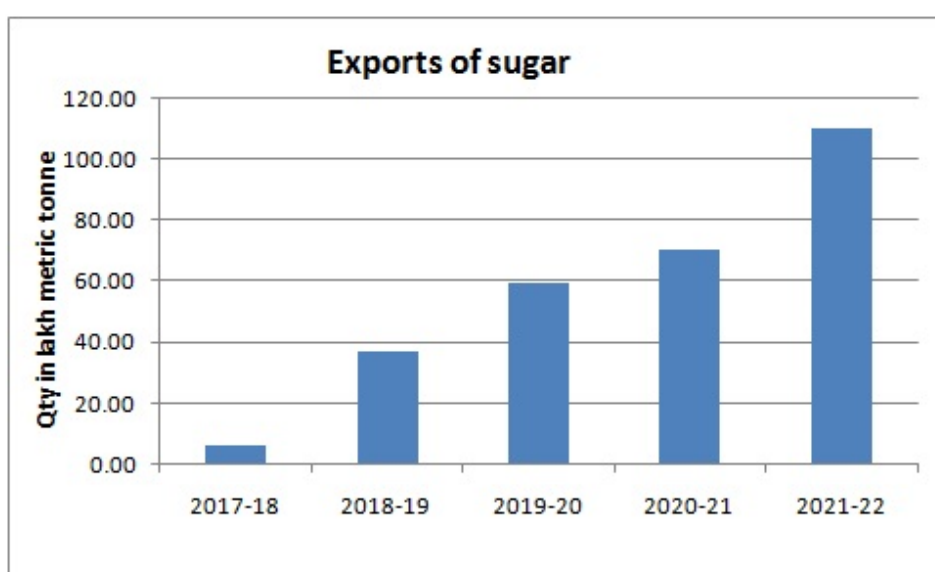
According to the Indian Sugar Mills Association (ISMA), during Sugar Season (October-September) 2022-23, as on February 15, 2023, 522 sugar mills started their crushing operations as against 506 mills which operated last year i.e., 16 more mills operated this year. Out of this, 197 sugar mills are Co- operative mills. The highest numbers of sugar mills are private i.e. 317 and only 8 sugar mills are public.

On the corresponding date, 17 mills have closed their crushing operations in the current season, while 505 sugar mills were still operating in the country. However, in the last season 2021-22, 12 mills had closed its crushing operations and 504 mills were operating on the corresponding date.



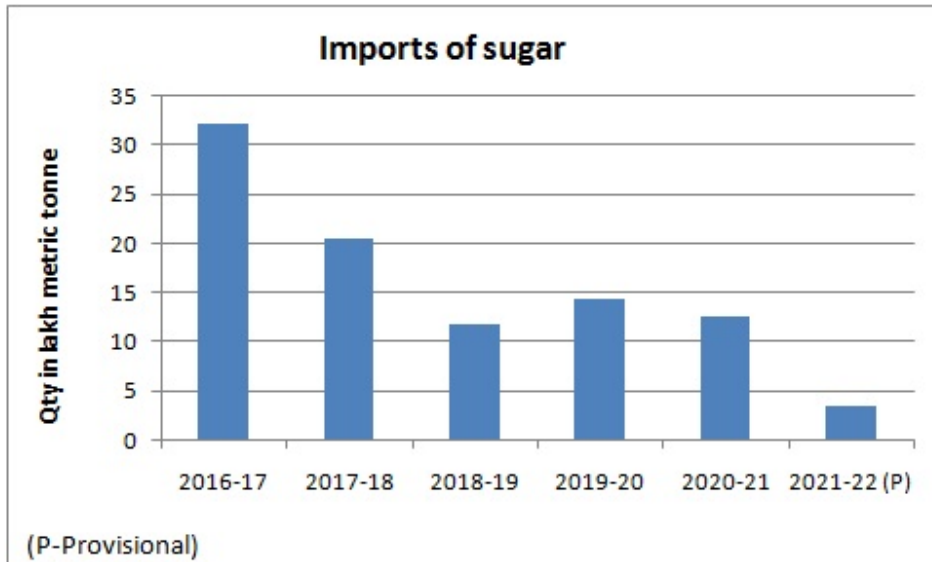
EXPORTS OF SUGAR

The sugar marketing year runs from October to September. Sugar exports from India, the world's major sugar producing nation, jumped 57 per cent to 110 Lakh Metric Tons (LMT) during 2021-22 marketing year, making the country world's 2nd largest exporter of sugar. Supportive international prices and Indian government policy led to this feat of Indian sugar industry. These exports earned foreign currency of about Rs 40,000 crore for the country and timely government interventions in the past five years brought the sector out of financial distress. India's sugar exports stood at 70 LMT in 2020-21 marketing year, 59.60 LMT in 2019-20 and 37 LMT in 2018-19. The government has allowed export of 60 LMT till May of the 2022-23 marketing year.



IMPORTS OF SUGAR

Imports of Sugar in India continued decline in 2021-22 at 3.8 LMT (Provisional) from 12.44 LMT in 2020-21 and 14.36 LMT in 2019-20. Imports of sugar in the India have been decreasing, as India is the largest sugar producing country. Due to surplus production of sugarcane in the country, the government has imposed 100% custom duty on import of sugar under Open General Licence (OGL) to prevent import of sugar and thereby to safeguard the interest of sugar cane farmers.

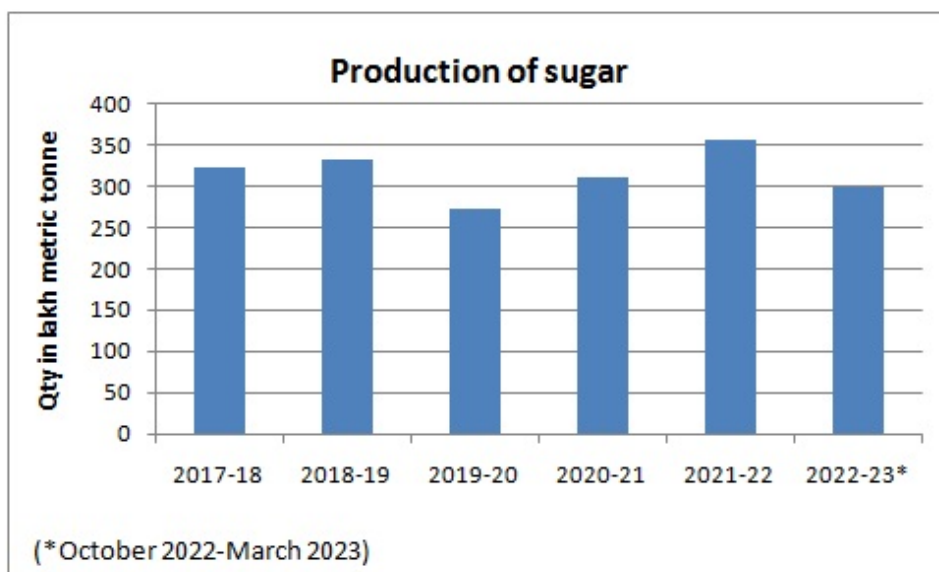


PRODUCTION OF SUGAR

Sugar marketing year runs from October to September. India's sugar production fell 3 per cent to 299.6 LMT in the first six months of the 2022-23 marketing year. Sugar output stood at 309.9 LMT in the corresponding period of the previous year. Sugar production stood at 358 LMT in the 2021-22 marketing year.

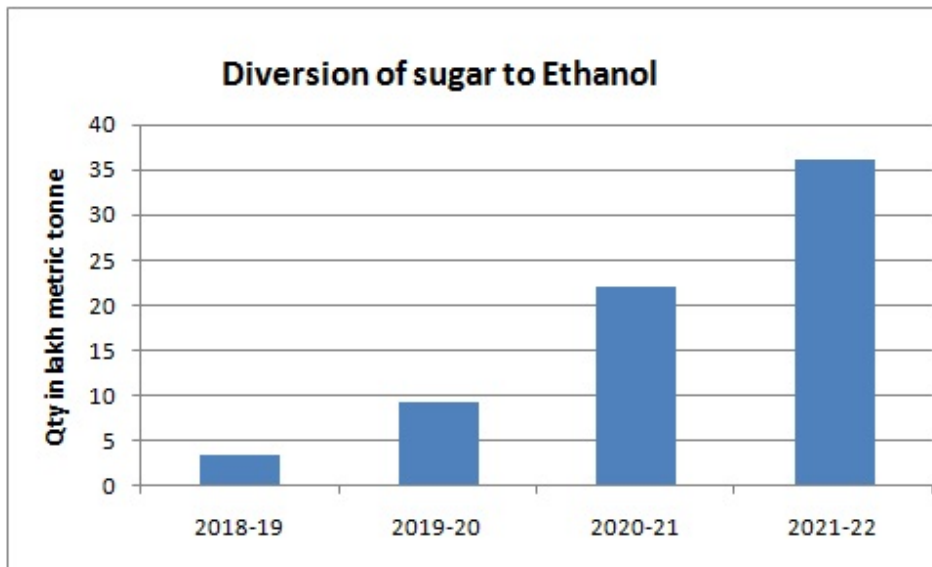
Sugar production in Uttar Pradesh rose to 89 LMT during October 2022-March 2023 period from 87.5 LMT in the year-ago period. However, Maharashtra's sugar production fell to 104.2 LMT from 118.8 LMT, while output in Karnataka declined to 55.2 LMT from 57.2 LMT.

Industry body Indian Sugar Mills Association (ISMA), however, has projected that India's overall sugar production could fall 5 per cent during the 2022-23 marketing year to 340 LMT as more quantity of sugarcane juice is being diverted for production of ethanol.



DIVERSION OF SUGAR TO ETHANOL

In order to find a long term solution to address the problem of excess sugar, the government is encouraging sugar mills to divert excess sugarcane to ethanol. In sugar seasons 2018-19, 2019-20, 2020-21 & 2021-22 about 3.37 LMT, 9.26 LMT, 22 LMT and 36 LMT of sugar respectively has been diverted to ethanol. In current sugar season 2022-23, about 45-50 LMT of excess sugar is targeted to be diverted to ethanol. By 2025, it is targeted to divert 60 LMT of excess sugar to ethanol, which would solve the problem of high inventories of sugar, improve liquidity of mills thereby help in timely payment of cane dues of farmers.



GOVERNMENT INITIATIVES

- **Govt launches Green Energy Open Access portal:**

Ø In order to balance the price stability of sugar in the country and the financial positions of sugar mills in the country, based on initial estimates of sugarcane production, the government has allowed export of sugar upto 60 LMT during the sugar season 2022-23. DGFT has already notified to extend the inclusion of sugar exports under 'Restricted' category up to October 31, 2023. The government has prioritized availability of about 275 LMT sugar for domestic consumption, about 50 LMT sugar for diversion to ethanol production and to have closing balance of about 60 LMT as on September 30, 2023. Balance quantity of sugar produced by sugar mills in the country would be allowed for exports. Since at the beginning of sugar season 2022-23, initial estimates of sugarcane production are available, it has been decided to allow export of 60 LMT sugar. The sugarcane production in the country will be reviewed periodically and based on the latest available estimates, quantity of sugar exports to be allowed could be reconsidered.

- **Govt launches Green Energy Open Access portal:**

Ø In order to balance the price stability of sugar in the country and the financial positions of sugar mills in the country, based on initial estimates of sugarcane production, the government has allowed export of sugar upto 60 LMT during the sugar season 2022-23. DGFT has already notified to extend the inclusion of sugar exports under 'Restricted' category up to October 31, 2023. The government has prioritized availability of about 275 LMT sugar for domestic consumption, about 50 LMT sugar for diversion to ethanol production and to have closing balance of about 60 LMT as on September 30, 2023. Balance quantity of sugar produced by sugar mills in the country would be allowed for exports. Since at the beginning of sugar season 2022-23, initial estimates of sugarcane production are available, it has been decided to allow export of 60 LMT sugar. The sugarcane production in the country will be reviewed periodically and based on the latest available estimates, quantity of sugar exports to be allowed could be reconsidered.

- **Govt approves FRP of sugarcane payable by Sugar Mills to sugarcane farmers for sugar season 2022-23:**

Ø Keeping in view interest of sugarcane farmers (GannaKisan), the government has approved Fair and Remunerative Price (FRP) of sugarcane for sugar season 2022-23 (October - September) at Rs 305/qtl for a basic recovery rate of 10.25%, providing a premium of Rs 3.05/qtl for each 0.1% increase in recovery over and above 10.25%, & reduction in FRP by Rs3.05/qtl for every 0.1% decrease in recovery. However, the government with a view to protect interest of sugarcane farmers has also decided that there shall not be any deduction in case of sugar mills where recovery is below 9.5%. Such farmers will get Rs 282.125/qtl for sugarcane in ensuing sugar season 2022-23 in place of Rs 275.50/qtl in sugar season 2021-22. The A2 + FL cost of production of sugarcane (i.e actual paid out cost plus imputed value of family labour) for the sugar season 2022-23 is Rs. 162/qtl. This FRP of Rs. 305/qtl at a recovery rate of 10.25% is higher by 88.3% over cost of production, thereby ensuring the promise of giving the farmers a return of more than 50% over their cost. The FRP for sugar season 2022-23 is 2.6% higher than sugar season 2021-22.

- **Govt extends curbs on sugar exports till October next year:**

Ø The government has extended restrictions on export of sugar (raw, refined, and white sugar) till October 31, 2023, a move aimed at increasing availability of the commodity in the domestic market. Earlier, the restrictions were imposed till October 31, 2022. However, these restrictions will not be applicable on sugar being exported to the EU and the US under CXL and TRQ duty concession quotas. A specified amount of sugar is exported to these regions under CXL and TRQ (tariff rate quota).

- **Govt comes out with guidelines for ethanol production from sugar, grain-based feedstock:**

The government has come out with new guidelines for producing ethanol from sugar and grain-based feedstocks. These guidelines pertain to the production of ethanol by sugar mills and distilleries from B-Hy, C-Hy molasses, sugarcane juice, sugar and sugar syrup, foodgrains such as maize, broken rice, surplus rice, sourced from Food Corporation of India, etc, and the mechanism to identify the quantity of ethanol produced from these routes, according to the ministry of consumer affairs, food and public distribution which was released recently. According to the new guidelines released, the validating agencies will have to send a copy of the validation report to the directorate of sugar and vegetable oils, the department of food and public distribution and the ministry of petroleum and natural gas within a fortnight of undertaking the onsite validation. The guidelines issued encompass sugar/molasses-based ethanol distilleries and grain-based distilleries. These norms will help distilleries identify the quantity of ethanol produced from different routes.

- **Ø Sugar industry welcomes Union Budget 2023**

Indian Sugar Mills Association (ISMA) has welcomed the Union Budget 2023 and called it 'Green' in the true sense. The proposal of introducing a 5% Compressed Bio-Gas (CBG) mandate in due course for all organisations marketing natural and bio-gas, will give a big boost to the production of Compressed Bio-Gas (CBG) in the country.

Besides, the proposal of exemption of basic Customs Duty on Denatured ethyl alcohol will give a big boost to the 'Ethanol Blending Programme'. This will also make import of denatured ethyl alcohol cheaper into the country. Industries which use denatured ethyl alcohol as their raw material like pharmaceuticals, chemical & paints, can rely on domestic availability to fulfil their raw material requirement. The entire cane molasses could be used for ethanol production for Ethanol Blending Programme. This will address shortfall in ethanol supplies by sugar mills, and they will be able to fulfill their ethanol supply commitments to OMCs.

Outlook

The outlook of the sugar industry is likely to remain optimistic in coming time led by supportive international prices and Indian government policy. With a view to address the problem of surplus sugar in the country, the government has been encouraging sugar mills during the last few sugar seasons to divert surplus sugar to ethanol and is also facilitating mills to export surplus sugar thereby improving liquidity of sugar mills enabling them to clear cane price dues of farmers. Export of sugar and diversion of sugar to ethanol during the recent times has also helped in maintaining demand-supply balance and stabilizing domestic sugar prices. Besides, the government has been continuously monitoring the progress of export so as to prevent any uncontrolled export of sugar so as to ensure that sugar is available to the domestic consumers at a reasonable price. The government, meanwhile, is also concerned about food inflation. Therefore, with a view to ensure sufficient availability of sugar for domestic consumption within the country at a reasonable price, the government, in May, 2022, imposed restrictions on export of sugar beyond 1 crore MT.



CONTACT INFORMATION



info@sukhanidhi.in



<https://sukhanidhi.in/industry-analysis/>



+91 8310770674



Toll Free: 1800 889 0255

EQUITY HELPLINE!

Have Questions
About Investing in
Stocks(Shares)?

Call Us

1800 889 0255



VINAYAK SAVANUR
FOUNDER & CIO

<https://sukhanidhi.in/>