



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 9/25/2002

GAIN Report #IN2056

India

Sugar

Semi-Annual

2002

Approved by:

Chad Russell

U.S. Embassy

Prepared by:

Santosh Kr. Singh

Report Highlights:

India's MY 2001/02 sugar production has been raised to 20.3 million metric tons (mmt) lifting 2002/03 beginning stocks to a record 13.0 mmt. Fueled by sufficient supplies, consumption has annually grown at 3.0 percent in recent years. Despite government incentives to liquidate the 'abnormally high' stocks through exports, the MY 2002/03 export forecast remains unchanged at 1.0 million tons due to uncompetitive prices.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
New Delhi [IN1], IN

Table of Contents

Situation and Outlook [Page 2 of 10](#)
 Production [Page 2 of 10](#)
 Consumption [Page 2 of 10](#)
 Trade [Page 3 of 10](#)

Statistical Section [Page 4 of 10](#)
 Table 1 - Commodity: Centrifugal Sugar [Page 4 of 10](#)
 Table 2 - Commodity: Sugarcane [Page 5 of 10](#)
 Table 3 - Sugarcane Area, Production, and Utilization [Page 6 of 10](#)
 Table 4 - Price Table: Centrifugal Sugar [Page 7 of 10](#)
 Table 5 - Price Table: Gur [Page 8 of 10](#)
 Table 6 - Price Table: Sugarcane Prices - MSP and SAP [Page 9 of 10](#)

Situation and Outlook

Note : All data are on raw-value basis unless referenced otherwise.

Production

India's forecast centrifugal sugar production for the marketing year (MY) 2002/03 has been marginally increased to 18.9 mmt (including 652,000 metric tons (mt) of Khandsari sugar) on higher than expected planting of sugarcane. Total production of centrifugal sugar in MY 2001/02 has been increased to a near record 20.3 mmt on improved cane supplies and lower diversions of cane for production of alternative sweeteners like 'Gur'.

Due to below-normal 2002 monsoon rains in most growing areas, sugarcane (and consequently sugar) production is forecast to decline in MY 2002/03 on expected lower yields. Most of the decline will be accounted for by the states of Uttar Pradesh, Andhra Pradesh, Karnataka & Tamil Nadu on stressed crop growth conditions due to the long dry spell during early vegetative growth stages (June/July). Although rains during August/September have saved the crop, yields are expected to decline by 5-6 percent over last year. Mills are expected to begin crushing 1-2 weeks late (mid-November) and end the season 2-3 weeks earlier by April. Delay in the start of mills and firm end-season 'Gur' prices will support early season diversions of cane toward 'Gur'.

Historically, production of sugarcane and sugar in India followed a 4-5 cycle, wherein 2-3 years of production increases are followed by 2-3 years of decline. Belying the normal trend, the current sugar cycle remained on the upswing for the fourth consecutive year during MY 2001/02. Based on the available provisional official figures, MY 2001/02 sugarcane production has been revised higher to 295.0 mmt vs. 299.2 mmt for last year. Relatively high 'government fixed' cane prices vis-a-vis prices of competing crops limited the anticipated decline in cane area, and, favorable 2001 monsoon rains improved crop yields. Besides increased cane supply, MY 2001/02 sugar production has been boosted by lower late season diversion of cane for production of Gur (crude refined non-centrifugal brown sugar in lump form) due to low 'Gur' prices during most of the season (table 5).

Abnormally high sugar stocks, depressed sugar prices and poor export off take have severely eroded the financial conditions of the sugar mills resulting in delay in payments to sugar cane farmers. Market sources' report that cane payment arrears have mounted a record rs. 23 billion (\$475 million) by end July. The delay in payments will affect usage of fertilizer, pesticide and other inter-culture operations for the forthcoming season and may affect planting for the 2003/04 crop. To tide over the current financial crisis, the sugar industry has mooted a proposal for creation of 2.0 mmt government buffer stock by releasing funds from the Sugar Development Fund (SDF). SDF, created by a cess of rs 140/mt on sugar produced by the domestic mills, has buffer stock operations during crises as one of its mandates.

Consumption

Sugar consumption in recent years has grown around 3 percent, fueled by 'surplus' domestic

production and consequent low sugar prices. Based on the estimates of mill sugar off take through mid-August, Post's estimate of 2001/02 consumption has been marginally increased to 18.5 mmt, nearly 3.4 percent increase over last year. Sugar consumption during MY 2001/02 continues to be estimated at 19.0 mmt as the sugar prices are expected to remain low. The 2000/01 ending stocks are estimated at a record 13.0 mmt, sufficient for 8-9 months consumption requirements against a normal desired stock level of 3-4 months. With the continued ballooning of sugar stocks, sugar prices during MY 2001/02 remained under pressure (see table 4). The abnormally high beginning stocks are expected to keep prices during MY 2002/03 depressed despite forecast lower production.

Trade

Post's forecast for 2002/03 sugar exports remains unchanged at 1.0 mmt, although actual exports will depend on the ruling international prices vis-a-vis local sugar prices during the season. Despite 'more than adequate' domestic supplies, exports prospects are marred by uncompetitive domestic prices vis-a-vis international prices and relative stabilization of the value of the Indian rupee in recent months. Based on information provided by industry sources, the MY 2001/02 sugar export estimate has been revised marginally higher to 900,000 mt. With reports of a few mills importing raw sugar against refined sugar exports, 2001/02 and 2002/03 imports have been revised to 30,000 mt and 50,000 mt, respectively.

2001/02 exports (see Table 7) are mostly to Indonesia, Sri Lanka, Bangladesh and some small shipments to Sudan, Dubai, Somalia, Iran, etc. The export price realization ranged between \$210-240 FOB, well below the domestic sugar prices (\$275-300/mt). Facing the severe liquidity crunch, some mills prefer exports to liquidate their excess stocks (minimize storage charges, bank interest on capital, physical losses, etc.) and derive the benefits from government export promotion schemes (tax exemptions, exemption from the levy sugar requirement, etc.). The government has also extended the domestic transport subsidy (cost of transport from mill to port) of \$12-13/mt from the Sugar Development Fund. With export prices sliding down in the \$205-210/mt range, exports have slowed down in the recent months. India's sugar export prospects will improve if international sugar quotation range becomes \$220-240/mt.

The existing import tariffs (60 percent plus the countervailing duty of rs. 850/mt), coupled with the government's policy to subject imported sugar to the levy sugar requirement and monthly releases, effectively precludes any possibility of sugar imports into India. India allows duty-free imports of raw sugar for processing and re-exports at a conversion ratio of 1.2 mt raw sugar for exports for 1.0 mt refined sugar. A few mills reportedly have imported raw sugar (at very low prices) from Brazil against their earlier exports. There has been a heavy outcry in the local sugar industry against these processors as they can sell the 'processed & refined' sugar in the domestic market much cheaper compared to the local sugar after accounting for the processing, bagging, transportation costs, etc. The government is examining a proposal to lower the current re-export requirement ratio from 1.2:1.0 to 1.03:1.0, thereby, making the imports of raw sugar unviable. Accounting for the usual procedural delay in making the necessary amendment in the trade policy, Post forecasts 2002/03 raw sugar import at 50,000 mt.

Statistical Section

Table 1 - Commodity: Centrifugal Sugar (000 metric tons on raw value basis)

PSD Table							
Country:	India						
Commodity:			Sugar				
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/2000		10/2001		10/2002	(MONTH/ YEAR)
Beginning Stocks	10710	10710	11985	11985	12115	13000	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	20480	20480	19380	20340	18550	18850	(1000 MT)
TOTAL Sugar Production	20480	20480	19380	20340	18550	18850	(1000 MT)
Raw Imports	0	0	0	30	0	50	(1000 MT)
Refined Imp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	0	0	0	30	0	50	(1000 MT)
TOTAL SUPPLY	31190	31190	31365	32355	30665	31900	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	1360	1360	850	900	1000	1000	(1000 MT)
TOTAL EXPORTS	1360	1360	850	900	1000	1000	(1000 MT)
Human Dom. Consumption	17845	17845	18400	18455	19000	19000	(1000 MT)
Feed Dom. Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	17845	17845	18400	18455	19000	19000	(1000 MT)
Ending Stocks	11985	11985	12115	13000	10665	11900	(1000 MT)
TOTAL DISTRIBUTION	31190	31190	31365	32355	30665	31900	(1000 MT)

Note: Stocks in PS&D include only milled sugar as all khandsari sugar is assumed to be consumed within the production year.

Table 2 - Commodity: Sugarcane (area in 000 hectares; quantity in 000 metric tons)

PSD Table							
Country:							
Commodity:			Sugar Cane Non-Ce ntrifugal				
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin							(MONTH/ YEAR)
Area Planted	4300	4300	4100	4200	4000	4150	(1000 HA)
Area Harvested	4300	4300	4100	4200	4000	4150	(1000 HA)
Production	299200	299200	279000	295000	272000	275000	(1000 MT)
TOTAL SUPPLY	299200	299200	279000	295000	272000	275000	(1000 MT)
Utilization for Sugar	187650	187650	180500	188500	173000	174500	(1000 MT)
Utilizatn for Alcohol	111550	111550	98500	106500	99000	100500	(1000 MT)
TOTAL UTILIZATION	299200	299200	279000	295000	272000	275000	(1000 MT)

Note: Virtually no cane is utilized for alcohol. Utilization for alcohol data include cane used for gur, seed, feed and waste. Utilization for sugar data include cane milled to produce centrifugal sugar, including khandsari.

Table 3 - Sugarcane Area (million hectares), Production (million metric tons), and Utilization (million metric tons)

YEAR	AREA	1/	YIELD	1/	PROD- DUCTION	1/	SUGAR	2/	KHAN DSARI	3/	GUR	3/	SEED	3/
	Mha		MT/ha		MMT		MMT		MMT		MMT		MMT	
1985/86	2.86		59.99		171.68		68.977		10.481		71.621		20.602	
1990/91	3.69		65.39		241.05		122.319		13.175		76.626		28.925	
1995/96	4.15		68.02		282.09		174.761		10.000		67.268		30.060	
1999/00	4.23		70.74		299.23		178.515		12.000		72.807		35.908	
2000/01	4.30		69.63		299.21		176.650		11.000		75.657		35.905	
2001/02	4.20		70.24		295.00		178.000		10.500		71.100		35.400	
2002/03	3/	4.15	66.27		275.00		164.000		10.500		67.500		33.000	

Sources: 1/- Directorate of Economics & Statistics, Ministry of Agriculture

2/- Indian Sugar Mills Association

3/- Agricultural Affairs Office estimate/forecast

Table 4 - Price Table: Centrifugal Sugar (price on actual weight basis)

Prices Table			
Country:			
Commodity:			
Year:	2002		
Prices in (currency)	rupees	per (uom)	Metric Tons
Year	2001	2002	% Change
Jan	14000	13950	-0.4%
Feb	14000	14250	1.8%
Mar	15100	14750	-2.3%
Apr	15000	14300	-4.7%
May	15250	13600	-10.8%
Jun	15250	13400	-12.1%
Jul	15000	13350	-11.0%
Aug	15000	13300	-11.3%
Sep	15000		-100.0%
Oct	15400		-100.0%
Nov	14400		-100.0%
Dec	14200		-100.0%
Exchange Rate	48.75	(Local currency/US \$)	
Date of Quote	Sep 9/2002	(MM/DD/Y Y)	

Source & contract terms: Indian Sugar Mills Association, month end prices in the wholesale market, Delhi.

Table 5 - Price Table: Gur (price on actual weight basis)

Commodity:	Gur		
Year:	2002		
Prices in (currency)	rupees	per (uom)	Metric Tons
Year	2001	2002	% Change
Jan	10000	10750	7.5%
Feb	9750	10250	5.1%
Mar	10500	10500	0.0%
Apr	12000	11000	-8.3%
May	13250	12000	-9.4%
Jun	14500	12250	-15.5%
Jul	14750	13250	-10.2%
Aug	15250	14250	-6.6%
Sep	14500		-100.0%
Oct	11500		-100.0%
Nov	11000		-100.0%
Dec	10500		-100.0%
Exchange Rate	48.7	(Local currency/US \$)	
Date of Quote	Sep 9/2002	(MM/DD/YY)	

Source & contract terms: Indian Sugar Mills Association, month end prices in the wholesale market, Delhi.

Table 6 - Price Table: Sugarcane Prices - MSP and SAP for 2000/01, 2001/02, 2002/03
(In rs./metric tons)

PRICE	2002/03	2001/02	2000/01
Minimum Support Price (MSP)*	645	620	595
State Advised Price for			
Uttar Pradesh	N.A.	950-1000	900
Haryana/Punjab	N.A.	1050-1100	1050
Southern States	N.A.	750-780	760

*: Prices linked to a basic recovery rate of 8.5 percent, Premium of rs. 7.60/mt for every 0.1% increase in recovery over 8.5% announced for MY 2002/03

N.A.: Not Yet Announced

Exchange Rate: 2000/01 (Oct/Sept) 1 US\$ = 46.5 Indian Rs.
2001/02 1 US\$ = 48.5 Indian Rs.
2002/03 1 US\$ = 48.7 Indian Rs.

Table 7 - Export Trade Matrix: Centrifugal Sugar (quantity in crystal/actual weight basis)

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Oct-Sep		
Exports for	2001		2002
U.S.		U.S.	8,000
Others		Others	
Pakistan	412,985	Indonesia	358,000
Indonesia	243,303	Sri Lanka	166,000
Bangladesh	189,300	Bangladesh	36,000
Sri Lanka	189,205	Sudan	26,000
Yemen	58,575	Dubai	19,000
Sudan	38,500	Iran	13,000
Somalia	24,500	Somalia	12,000
Afghanistan	18,620	EU	10,000
China	15,200	Vietnam	5,000
Vietnam	13,000		
Total for Others	1,203,188	Oct'01-Jul'02	645,000
Others not listed	67,812		57,000
Grand Total	1,271,000		710,000

* - Export figure for 2002 shows Oct'01 - Jul'02.

Source: Indian Sugar Mills Association & Trade Sources.