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India

Sugar

Sugar Annual - 1999

1999

Prepared by:

Joseph Carroll

U.S. Embassy, New Delhi, India

Drafted by:

Santosh K. Singh

Report Highlights:

Total centrifugal sugar production is forecast to increase to 17.9 million metric tons (mmt). With improved domestic availability, consumption is expected to increase by 2 percent and is forecast at 17.6 mmt. With continued depressed domestic sugar prices and a recent hike in the import tariff, 1999/2000 imports are forecast lower at 100,000 mt; exports are forecast at 100,000 mt.

Note: All figures are on raw value basis, unless mentioned otherwise.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Production

Sugarcane and sugar production in India follow a 4-5 year production cycle wherein 2-3 years of production increases are followed by 2-3 years of decline. Sugarcane and sugar production is anticipated to peak during the forecast year 1999/2000. Despite delays in cane payments by mills, firm prices are likely to encourage farmers to expand area under sugarcane for the forthcoming 1999/2000 season. Increased cane availability during the season will lead to higher sugar production in 1999/2000, currently forecast at 17.9 million metric tons (mmt) (17.12 mmt of mill sugar and 745,000 mt of khandsari sugar). Gur production (which is not included in the PS&D estimate) is forecast to decline to 7.4 mmt.

Most mills commenced crushing on schedule from early November and crushing is expected to continue through May. Sugar recovery in the northern states was adversely affected by untimely rains in November which caused water logging and lodging of the standing crop. However, improved cane availability in the central and southern states offset losses in the north. Depressed gur/sugar and molasses prices limited diversion of cane to gur and khandsari production. Consequently, total centrifugal sugar production (including khandsari) during the MY 1998/99 continues to be estimated at 16.8 mmt.

The government of India establishes a minimum support price (MSP) for sugarcane, but the mills are required to pay prices established by the state government which are often 20-50 percent over the MSP (see Table). Due to higher cane prices and lower recovery, cost of production of mill sugar for 1998/99 is estimated at rs. 13,000/mt compared to rs. 12,500/mt during 1996/97. Depressed sugar prices have severely squeezed profit margins for mills, many of which are unable to make the cane payments to farmers on time. Industry sources report that most mills are defaulting on cane payments for a 1-2 month period and total arrears by end March are estimated around rs. 150 billion (\$3.8 billion).

Consumption

Sugar consumption in the recent years has been growing at a rate of 2-3 percent per annum. Due to higher 1998/99 ending stocks and expected easy sugar prices during the forthcoming season, consumption is forecast to increase to 17.6 mmt. The government procures 40 percent of the sugar produced by the mills as levy which is distributed to consumers at subsidized rates through the government operated Public Distribution system. Mills are free to market the remaining 60 percent (free sale sugar) in the open market. However, the government controls the monthly release of both levy and free-sale sugar in the domestic market to achieve price stability. The government has no control on imported sugar and khandsari sugar. Facing severe competition from the low-priced imported sugar, the domestic industry has been arguing for the removal of volume controls and a lowering of the levy sugar requirement to 20 percent. Domestic sugar prices have ruled easy fluctuating in a narrow range during the 1998/99 season due to higher 1998/99 production and strong imports (see Prices Table). Sugar prices are expected to decline further during 1999/2000 on higher expected production.

Stocks

Sugar stocks held by the mills at the end of March 1999 were 9.8 mmt compared to 9.2 mmt held a year ago. An additional 100,000 mt of imported sugar was held by traders. 1998/99 ending stocks are estimated at 5.9 mmt (four months of consumption needs), marginally higher than last year. 1999/2000 stocks are expected to expand further due to a higher forecast production.

Trade

The recent tariff hike will limit additional imports. With domestic prices expected to remain depressed during the forthcoming season, any resurgence in rock bottom international sugar prices may make Indian sugar competitive in neighboring markets. Consequently, 1999/2000 imports are estimated lower at 100,000 mt and exports higher at 100,000 mt.

The Government of India raised the import duty on sugar from 20 percent to 27.5 percent in the recent 1999/2000 budget announcement. In addition, imports are also subject to a countervailing duty of rs. 850/mt which is reportedly equivalent to the local taxes applied on the domestic sugar. Current domestic sugar prices are in the range of \$340-360/mt in various markets. Taking into account the revised tariff and high distribution costs (\$10-20/mt) of imported sugar, profit margins for imports have been squeezed despite depressed international prices. Imports from Pakistan (\$ 230-240/mt) are expected to slowdown considerably in the coming months. However, market sources report continued future contracts from Brazil (\$200-210/mt) and Thailand. The domestic sugar industry continues to lobby for a further increase in the import duty to 50 percent. With 1999/2000 production expected to be a bumper crop, the government may raise the import duty to a level which restricts imports so as to motivate mills to absorb the expected higher 1999/2000 cane crop. Consequently, 1999/2000 imports are forecast to decline to 100,000 mt compared to the 1998/99 estimate of 400,000 mt on raw value basis.

After being a net importer of sugar in 1997/98 and 1998/99, India is expected to export again in 1999/2000. Although domestic sugar prices are normally above international prices, exports to neighboring countries will likely occur when international sugar prices show any resurgence from their current low levels. The decanalisation of sugar exports in January 1997 (REF: IN7009) has disallowed subsidized exports. However, if the decline in domestic prices continues, the domestic industry will have to explore export opportunities to strengthen domestic prices and lower their stocks. Although exports will depend on the competitiveness of Indian sugar vis-a-vis sugar from other origins, 1999/2000 exports are forecast at 100,000 mt.

Due to comparatively higher domestic prices, there have been almost negligible exports during the current season. Consequently, 1998/99 exports have been revised lower to 5,000 mt, mostly quota exports to the EU.

Commodity : Centrifugal Sugar (Quantity in 1000 metric tons on raw-value basis)

PSD Table							
Country:	India						
Commodity:	Sugar						
		1998		1999		2000	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/1997		10/1998		10/1999	(MONTH/ YEAR)
Beginning Stocks	6979	6979	5700	5850	0	5871	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	14481	14592	16826	16826	0	17865	(1000 MT)
TOTAL Sugar Production	14481	14592	16826	16826	0	17865	(1000 MT)
Raw Imports	0	0	0	0	0	0	(1000 MT)
Refined Imp.(Raw Val)	1000	1000	400	400	0	100	(1000 MT)
TOTAL Imports	1000	1000	400	400	0	100	(1000 MT)
TOTAL SUPPLY	22460	22571	22926	23076	0	23836	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	60	21	60	5	0	100	(1000 MT)
TOTAL EXPORTS	60	21	60	5	0	100	(1000 MT)
Human Dom. Consumption	16700	16700	17200	17200	0	17600	(1000 MT)
Feed Dom. Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	16700	16700	17200	17200	0	17600	(1000 MT)
Ending Stocks	5700	5850	5666	5871	0	6036	(1000 MT)
TOTAL DISTRIBUTION	22460	22571	22926	23076	0	23736	(1000 MT)

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

Commodity : Sugarcane (Area in 1000 hectare and Quantity in 1000 metric tons)

Commodity:	Sugar Cane Non-Centrifugal						
		1998		1999		2000	UOM
	Old	New	Old	New	Old	New	
Market Year Begin							(MONTH/YEAR)
Area Planted	3960	3950	4152	4150	0	4200	(1000 HA)
Area Harvested	3960	3950	4152	4150	0	4200	(1000 HA)
Production	265000	262090	278000	282250	0	285000	(1000 MT)
TOTAL SUPPLY	265000	262090	278000	282250	0	285000	(1000 MT)
Utilization for Sugar	133130	142650	159310	170000	0	177000	(1000 MT)
Utilization for Alcohol	131870	119440	118690	112250	0	108000	(1000 MT)
TOTAL UTILIZATION	265000	262090	278000	282250	0	285000	(1000 MT)

Note: Virtually no cane is utilized for alcohol in India. The 'Utilization for Alcohol' data includes cane milled for gur, seed, feed and waste. The 'Utilization for Sugar' data includes cane milled to produce centrifugal sugar including khandsari.

Sugarcane Area, Production and Utilization

YEAR		AREA	1/	YIELD	1/	PROD.	1/	SUGAR	2/	KHAND-	3/	GUR	3/	SEED	3/
										SARI					
		Mha		MT/ha		MMT		MMT		MMT		%			
1991/92		3.84		66.08		254.00		133.977		14.500		75.038		30.479	
1992/93		3.57		63.84		228.03		103.002		17.655		80.012		27.364	
1993/94		3.42		67.12		229.67		98.725		19.050		84.334		27.560	
1994/95		3.87		71.25		275.54		147.643		11.950		82.882		33.065	
1995/96		4.15		68.02		282.09		174.761		10.000		67.268		30.060	
1996/97		4.17		66.52		277.25		130.379		13.000		99.373		34.502	
1997/98		3.94		66.43		262.09		129.150		13.500		87.565		31.870	
1998/99	3/	4.15		68.01		282.25		157.000		13.000		78.380		33.870	
1999/00	3/	4.20		67.86		285.00		165.000		12.000		73.800		34.200	

Source: 1/ Directorate of Economics & Statistics, Ministry of Agriculture.

2/ Indian Sugar Mills Association

3/ Agricultural Affairs Office Estimate and Forecast

Prices Table: Centrifugal (Mill) Sugar (Price in crystal weight basis)

Commodity:			
Year:	1999		
Prices in (currency)	rupees	per (uom)	Metric Tons
Year	1998	1999	% Change
Jan	14200	14770	4.0%
Feb	14000	14420	3.0%
Mar	14000	14750	5.4%
Apr	14800		-100.0%
May	14800		-100.0%
Jun	15250		-100.0%
Jul	15350		-100.0%
Aug	14550		-100.0%
Sep	14900		-100.0%
Oct	15400		-100.0%
Nov	14600		-100.0%
Dec	14300		-100.0%
Exchange Rate	42.3	(Local currency/U S \$)	
Date of Quote	06-Apr-99	(MM/DD/ YY)	

Source & Contract Term: Indian Sugar Mills Association (ISMA), Month-end prices in the Wholesale Market Delhi.

Prices Table: Gur (Prices on actual weight basis)

Commodity:	Gur		
Year:	1999		
Prices in (currency)	rupees	per (uom)	Metric Tons
Year	1998	1999	% Change
Jan	10000	10250	2.5%
Feb	12000	10000	-16.7%
Mar	10000	10500	5.0%
Apr	10000		-100.0%
May	10000		-100.0%
Jun	12000		-100.0%
Jul	13000		-100.0%
Aug	13250		-100.0%
Sep	13500		-100.0%
Oct	12000		-100.0%
Nov	11000		-100.0%
Dec	10000		-100.0%
Exchange Rate	42.3	(Local currency/US \$)	
Date of Quote	06-Apr-99	(MM/DD/Y Y)	

Source & Contract Term: Indian Sugar Mills Association (ISMA), Month-end prices in the Wholesale Market Delhi.

Prices Table: Sugarcane Price-MSP and SAP for 1997/98 and 1998/99 (in Rs./metric tons)

Price	1998/99	1997/98
Minimum Support Price (MSP)*	527.0	484.50
State Advised Price for		
Uttar Pradesh	750-800	800-850
Haryana/Punjab	900-950	780-820
Southern States	650-700	610-680

* : Prices linked to a basic recovery rate of 8.5 percent.

Exchange Rate: 1997/98 (Oct/Sept) 1 US\$ = 39.5 Indian Rs.
 1998/99 (Oct/Sept) 1 US\$ = 42.2 Indian Rs.

Trade Matrix: Centrifugal Sugar (Quantity on crystal weight basis)

Import Trade Matrix

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	1998		
Imports for	1997		1998
U.S.		U.S.	
Others		Others	
Thailand	12,000	Pakistan	331,280
Singapore	5,000	Brazil	273,375
Mayanmar	2,099	EEC	119,475
German F Rep	1,189	Dubai	87,345
South Africa	1,114	Thailand	35,500
U.A.E.	938	Mexico	20,250
Brazil	918	South Africa	13,900
UK	689	China	13,000
		Sudan	12,750
		U.A.E.	9,650
Total for Others	23,947		916,525
Others not listed	1,409		13,500
Grand Total	25,356		930,025

Source : DGCIS, GOI and Indian Sugar Mills Association

Export Trade Matrix

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	1998		
Exports for	1997		1998
U.S.	17,075	U.S.	452
Others		Others	
Pakistan	158,952	Russia	12,500
Indonesia	77,431	Bhutan	2,209
Sri Lanka	45,486	Malaysia	1,480
France	20,032	U.A.E.	921
Somalia	19,275	UK	589
Russia	13,125	Canada	279
Portugal	10,500	Kuwait	168
UK	7,853		
Total for Others	352,654		18,146
Others not listed	24,682		1,302
Grand Total	394,411		19,900

Source : DGCIS, GOI and Indian Sugar Mills Association