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India

Sugar

Semi Annual

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Report Highlights:

MY 1999/00 sugar production has been raised to 20.1 million tons, lifting stocks to a record 10.7 million. Exports are forecast to reach 500,000 tons in MY 2000/01, but are being hampered by uncompetitive prices and poorly-developed infrastructure.

Includes PSD changes: Yes

Includes Trade Matrix: No

Semi-Annual Report

New Delhi [IN1], IN

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SITUATION AND OUTLOOK

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

Production

India's cyclical sugarcane and sugar production is set to enter its down phase in MY 2000/01 following last season's peak production. Nevertheless, post's forecast for total MY 2000/01 centrifugal production has been raised to 17.8 million tons (17.1 million of mill sugar and 683,000 of Khandsari) due to marginally improved cane supplies and the reduced diversion of cane to alternative sweeteners.

While there are reports of crop losses due to heavy rains/floods in parts of Uttar Pradesh, Bihar and Andhra Pradesh, these losses are expected to be more than offset by improved prospects in the sugar belt of West U.P. Nevertheless, 2000 cane yields are expected to be lower than last year due to a higher share of 'ratoon' crop (low yielding compared with the new plantings) and reduced use of fertilizer and intercultural practices due to delayed cane payments from mills.

Despite the large arrears, cane diversion is expected to be lower than previously anticipated due to depressed 'Gur' prices (table 4). Cane off take by manufacturers of Khandsari (low recovery centrifugal sugar) is also expected to be lower, with reports of a decline in operational units. Industry sources report that many Khandsari units closed last year due to heavy financial losses from continued increases in cane prices and depressed prices of molasses.

Based on the latest Ministry figures, MY 1999/00 sugarcane production has been raised to a record 306 million tons. Higher than anticipated availability of cane further boosted record MY 1999/00 centrifugal sugar production to 20.1 million tons. Mill output through August 15, 2000 is estimated at 19.3 million tons of sugar, nearly 18 percent higher than for the corresponding period last year. Late season (Mar-May) diversion of cane to 'Gur' fell due to depressed prices. Sugar mills have accumulated heavy cane payment arrears to farmers, currently estimated at rs. 12-15 billion (\$270-330 million). Although the arrears are not expected to affect 2000/01 cane availability, they may adversely affect plantings in 2001/02.

Consumption

Based on estimates of mill sugar off take through mid-August, post's estimate of MY 1999/00 consumption has been lowered to 17.2 million tons. Despite abundant sugar supplies, market prices are firm at rs. 15-16.5/kg. Prices began strengthening in February (from rs. 13.5-14.5/kg) after imports came to a complete halt following import curbs imposed by the government (IN 0019). With some recent improvement in production forecasts, prices are expected to ease from November onwards as crushing begins for the MY 2000/01 season. Consumption is forecast to grow by four percent to 17.9 million tons next year as sufficient supplies are likely to moderate prices.

Due to record sugar production and a slowdown in consumption, MY 1999/00 ending stocks have ballooned to a record 10.7 million tons, sufficient for eight months' consumption against a "normative" stock of 3-4 months. Despite forecasted higher consumption and exports, MY 2000/01 ending stocks are estimated at a robust 10.1 million tons, sufficient for 7-8 months of consumption. Industry sources expect that mills will face acute storage problems by February.

Trade

Although a net sugar importer from MY 1997/98 to MY 1999/00, India is set to export sugar in MY 2000/01 as the industry intensifies efforts to liquidate its record ending stocks. Higher domestic prices vis-a-vis international quotations and lack of infrastructure will, however, likely limit exports to neighboring markets. MY 2000/01 sugar exports are forecast at 500,000 tons.

With the industry reeling under mounting stocks, the government announced an export quota of 1.0 million tons (crystal weight basis) in early June. At the same time, exports were exempted from the government levy procurement (which is always below market price). Despite, however, the recent firming of prices in the international market, Indian sugar (at \$330-360/ton) remains \$60-90/ton above world prices, making exports difficult.

Indian Sugar and General Import Export Corporation (ISGIEC), the export agency of the Indian sugar mills, has stepped in on behalf of the industry and offered to pay rs. 1000/ton (\$22/ton) from its reserves to meet the bagging, internal transport and handling charges for exporting the sugar. ISGIEC has contracted for exports of around 200,000 tons (crystal weight) for shipment from October through December at \$251-276 FOB. Most contracts have been made with private traders in the neighboring markets of Bangladesh, Pakistan, Sri Lanka, etc. Despite the critical need/intention of some mills to dispose of their stocks at below market prices -- or even at the cost of production (rs. 12,500-13,000 or \$ 275-285 per mt) -- poor port infrastructure restricts prospects for the economical export movement of bulk quantities.

STATISTICAL SECTION

Table 1 - Commodity: Centrifugal Sugar (quantity in 1000 metric tons on raw value basis)

PSD Table							
Country:	India						
Commodity:			Sugar				
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/1998		10/1999		10/2000	(MONTH/YEAR)
Beginning Stocks	5850	5850	7374	7374	8850	10676	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	17436	17436	18935	20112	17360	17803	(1000 MT)
TOTAL Sugar Production	17436	17436	18935	20112	17360	17803	(1000 MT)
Raw Imports	0	0	0	0	0	0	(1000 MT)
Refined Imp.(Raw Val)	1075	1075	380	380	0	0	(1000 MT)
TOTAL Imports	1075	1075	380	380	0	0	(1000 MT)
TOTAL SUPPLY	24361	24361	26689	27866	26210	28479	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	10	10	10	10	10	500	(1000 MT)
TOTAL EXPORTS	10	10	10	10	10	500	(1000 MT)
Human Dom. Consumption	16977	16977	17829	17180	18350	17870	(1000 MT)
Feed Dom. Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	16977	16977	17829	17180	18350	17870	(1000 MT)
Ending Stocks	7374	7374	8850	10676	7850	10109	(1000 MT)
TOTAL DISTRIBUTION	24361	24361	26689	27866	26210	28479	(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 1000 hectares; quantity in 1000 metric tons)

PSD Table							
Country:							
Commodity:			Sugar Cane Non-Centrifugal				
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin							(MONTH/YEAR)
Area Planted	4080	4080	4060	4060	3950	3950	(1000 HA)
Area Harvested	4080	4080	4060	4060	3950	3950	(1000 HA)
Production	295730	295730	293000	306000	285000	286000	(1000 MT)
TOTAL SUPPLY	295730	295730	293000	306000	285000	286000	(1000 MT)
Utilization for Sugar	170550	170550	180000	192000	168500	170000	(1000 MT)
Utilization for Alcohol	125180	125180	113000	114000	116500	116000	(1000 MT)
TOTAL UTILIZATION	295730	295730	293000	306000	285000	286000	(1000 MT)

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

Table 3 - Prices Table: Centrifugal (Mill) Sugar (price on actual weight basis)

Prices Table			
Country:			
Commodity:			
Year:	2000		
Prices in (currency)	rupees	per (uom)	Metric Tons
Year	1999	2000	% Change
Jan	14600	14400	-1.4%
Feb	14800	14900	0.7%
Mar	14600	15400	5.5%
Apr	15350	15650	2.0%
May	15350	15500	1.0%
Jun	15000	15700	4.7%
Jul	14600	16100	10.3%
Aug	15050	16200	7.6%
Sep	15400	16100	4.5%
Oct	15750		-100.0%
Nov	15500		-100.0%
Dec	14900		-100.0%
Exchange Rate	45.6	(Local currency/US \$)	
Date of Quote	09/18/00	(MM/DD/YY)	

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

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

Commodity:	Gur		
Year:	2000		
Prices in (currency)	rupees	per (uom)	Metric Tons
Year	1999	2000	% Change
Jan	12000	10000	-16.7%
Feb	9500	10000	5.3%
Mar	9500	10500	10.5%
Apr	9500	10500	10.5%
May	12500	11700	-6.4%
Jun	13500	12750	-5.6%
Jul	14000	12120	-13.4%
Aug	14250	12120	-14.9%
Sep	13500	12500	-7.4%
Oct	12000		-100.0%
Nov	10500		-100.0%
Dec	9500		-100.0%
Exchange Rate	45.5	(Local currency/US \$)	
Date of Quote	09/18/00	(MM/DD/YY)	

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