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India

Sugar Semi-annual

October 2013 Sugar Update

Approved By:
Allan Mustard

Prepared By:
Amit Aradhey and Jonn Slette

Report Highlights:
Post forecasts Indian sugarcane planted area of 5.1 million hectares and production of 340 million metric tons (MMT) of sugarcane in marketing year (MY) 2013/14 (Oct-Sep), both down from the previous forecast. Consequently, centrifugal sugar production for MY 2013/14 will be marginally up at 25.4 MMT (raw value). India is likely to export upwards of 2.0 MMT of sugar in MY2013/14, roughly one-third of which will be raw sugar. Post also expects that sugar imports into India will be minimal.

Commodities:

Sugar Beets
Sugar Cane for Centrifugal
Sugar, Centrifugal

Production:
India's sugarcane production in MY 2013/14 should be upwards of 340 MMT and area planted for Indian sugarcane is expected to be 5.1 million hectares. These predictions reflect revisions over Post's April 2013 estimates and take into account updated Government of India (GOI) data and conditions on the ground following the 2013 monsoon. The revisions continue to show increased levels of sugarcane production and area planted over MY 2012/13.

Despite the projected decline in overall sugarcane yields, sugar production in MY 2013/14 is estimated to increase slightly to 25.4 MMT. This marginal increase is due to higher than expected sugar production levels from India's western and southern states, as these areas particularly benefitted from timely and evenly distributed monsoon rains. Favorable monsoon conditions will improve India's overall sugarcane recovery. However, sugarcane yields in scattered production areas were moderate, as fields in these areas were planted late and/or received excessive levels of precipitation.

MY 2012/13 production and planted area data are also revised downward to 339 MMT and 5.06 million hectares, respectively. These revisions are based on the GOI's fourth advance estimate [1] for crop year 2012/13. Sugar production estimates are subsequently revised accordingly. *(Note: Please refer to IN3040 for more information on production policy).*

Consumption:
Post revises its 2012/13 and 2013/14 consumption estimates upwards to 25.2 MMT and 26.2 MMT, respectively. These revisions more accurately reflect the most recent industry estimates and consumption trends (Table 1).

Trade:
Because of India's large sugar inventory and demand in Asian and African markets, India is likely to export upwards of 2.0 MMT of sugar in MY2013/14, provided Indian sugar prices become more competitive vis-à-vis the international market. Approximately one-third of potential exported stocks will be raw sugar. Although international sugar prices are low, Indian millers are highly incentivized to export as much as possible, as to liquidate excess inventory and to help mitigate financial losses. However, because domestic sugar prices are currently higher over international prices, Indian millers are not as competitive on the export market. Indian input costs associated with sugar production are currently higher than domestic prices. Post expects that MY 2013/14 sugar imports into India will be negligible.

[1] http://eands.dacnet.nic.in/Advance_Estimate/1stadv2013-14_Eng.pdf

Trade Policy

Imports

On July 8, 2013, the GOI raised the import duties for raw and refined sugar from 10 percent to 15 percent in an effort to protect domestic sugar prices and to help millers clear their debts to farmers. The relevant notification is available at the following link: Customs Notification No. 34/2013. More recently, the local sugar industry association requested additional, increased duties on sugar as to prevent additional inventory on the back of existing high domestics stocks.

Exports

Currently, sugar exports are under the Open General License (OGL), subject to prior registration with the Directorate General of Foreign Trade. For additional information on the OGL, please refer to GAIN Report IN3040 through the aforementioned link.

Stocks:

MY2013/14 and MY2012/13 end stocks for sugar end stocks for have been revised down to 7.5 million tons and 10 million tons, respectively. The stocks are more than sufficient to meet the normal stock requirements (3 months consumption).

Production, Supply and Demand Data Statistics:

Table 1. India: Commodity, Centrifugal Sugar (raw value basis), PSD
(Figures in 1,000 MT)

Sugar, Centrifugal, India	**2011/2012**		**2012/2013**		**2013/2014**	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	6,299	6,299	6,850	7,350	9,530	10,073
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	28,620	28,620	27,430	27,190	25,320	25,450
Total Sugar Production	28,620	28,620	27,430	27,190	25,320	25,450
Raw Imports	187	187	1,200	1,486	1,500	200
Refined Imp. (Raw Val)	1	1	100	22	0	0
Total Imports	188	188	1,300	1,508	1,500	200
Total Supply	35,107	35,107	35,580	36,048	36,350	35,723
Raw Exports	1,901	1,901	50	0	100	750
Refined Exp. (Raw Val)	1,856	1,856	500	775	500	1,250
Total Exports	3,757	3,757	550	775	600	2,000
Human Dom. Consumption	24,500	24,000	25,500	25,200	26,000	26,200

Other Disappearance	0	0	0	0	0	0
Total Use	24,500	24,000	25,500	25,200	26,000	26,200
Ending Stocks	6,850	7,350	9,530	10,073	9,750	7,523
Total Distribution	35,107	35,107	35,580	36,048	36,350	35,723

Note: Stocks include only milled sugar, as all *khandsari* sugar produced is consumed within the marketing year. Virtually no centrifugal sugar is utilized for alcohol, feed, or other non-human consumption.

Table 2. India: Commodity, Sugarcane, Centrifugal, PSD (Area in 1,000 hectares and Weights in 1,000 MT)

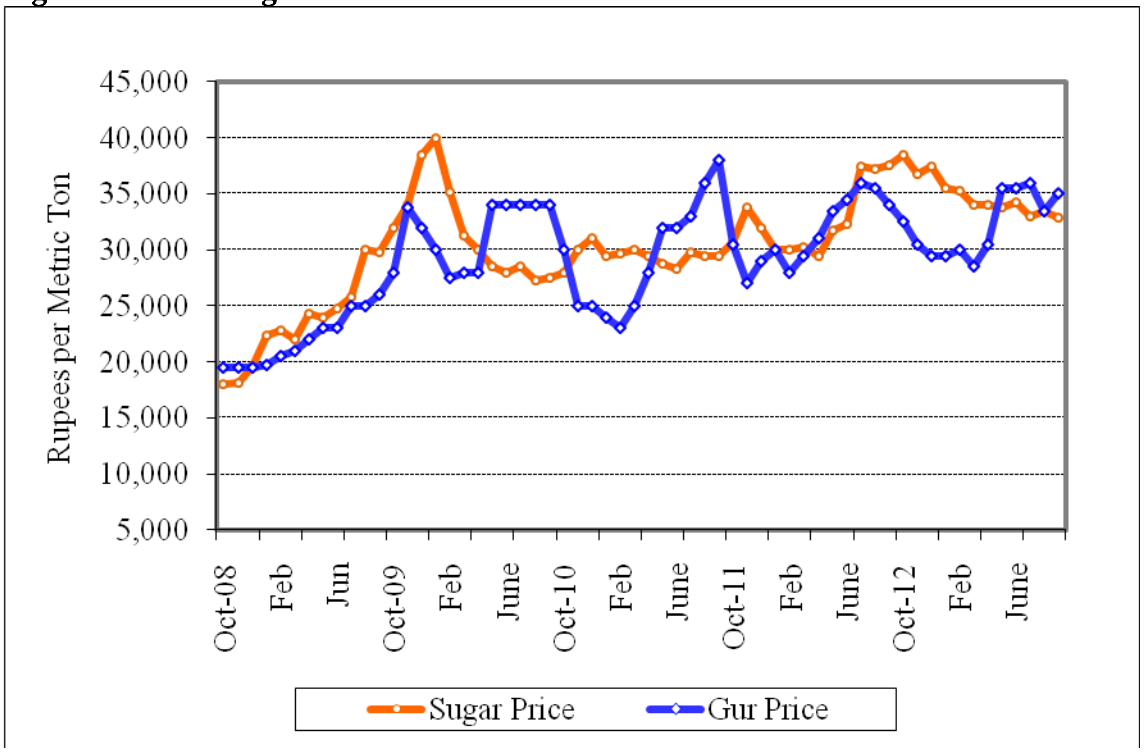
Sugar Cane for Centrifugal, India	**2011/2012**		**2012/2013**		**2013/2014**	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	5,080	5,080	5,310	5,060	5,350	5,120
Area Harvested	5,080	5,080	5,310	5,060	5,350	5,120
Production	357,670	357,670	360,000	338,960	355,000	340,000
Total Supply	357,670	357,670	360,000	338,960	355,000	340,000
Utilization for Sugar	257,000	257,000	252,000	252,000	232,000	233,600
Utilization for Alcohol	100,670	101,660	108,000	86,960	123,000	106,400
Total Utilization	357,670	357,670	360,000	338,960	355,000	340,000

Note: Sugarcane is not processed directly for alcohol production. ‘Utilization for alcohol’ in the PS&D includes cane used for gur, seed, feed and waste. ‘Utilization for sugar’ data include cane used to produce mill sugar and khandsari sugar.

Market Prices

Throughout calendar year (CY) 2013, Indian sugar prices declined due to higher than expected sugarcane yields and large international sugar stocks. Current Indian sugar prices range from $507-$540 per MT in the major domestic wholesale market. Post expects that out-year sugar prices in MY 2013/14 will remain low due to increased domestic stocks, although international market prices may cause some degree of fluctuation within local markets. Since May 2013, *gur* prices have been stable (Table 6). *Gur*, also known as *jaggery*, is a form of raw, uncentrifuged sugar that is widely produced as a cottage industry by small scale Indian processors. *Gur* prices in MY2013/14 will be guided by the sugar price fluctuations.

Figure 1. India: Sugar and Gur Prices in Delhi Market



Source: Industry and Trade Sources

Statistical Data

Table 3. India: Sugarcane Area, Production, and Utilization

Sugar Cane	**AREA**[1]	**YIELD**[1]	**PROD**[1]	**SUGAR**[2]	**KHANDSARI**[3]	**GUR**[3]	**SEED**[3]
	Mha	MT/ha	MMT	MMT	MMT	MMT	MMT
1985/86	2.86	59.99	171.68	68.98	10.48	71.62	20.60
1990/91	3.69	65.39	241.05	122.32	13.18	76.63	28.93
1995/96	4.15	68.02	282.09	174.76	10.00	67.27	30.06
2000/01	4.32	69.35	299.32	176.65	11.00	75.75	35.92
2001/02	4.41	67.09	295.95	180.32	10.50	69.62	35.51
2002/03	4.52	63.58	287.38	194.33	9.50	49.07	34.49
2003/04	3.94	59.39	233.86	132.51	10.00	63.29	28.06
2004/05	3.66	64.74	237.08	124.77	9.50	74.36	28.45
2005/06	4.20	66.93	281.17	188.67	8.50	50.26	33.74
2006/07	5.15	69.03	355.52	222.00	10.00	80.86	42.66
2007/08	5.06	68.81	348.18	249.91	7.00	49.49	41.78
2008/09	4.44	64.19	285.02	145.00	6.50	99.32	34.20
2009/10	4.18	70.01	292.30	185.55	6.50	65.17	35.08
2010/11	4.89	70.09	342.38	240.00	7.50	53.79	41.09
2011/12	5.04	71.66	361.03	257.00	7.00	53.71	43.32
2012/13	5.06	66.94	338.96	250.00	7.00	41.28	40.68
2013/14	5.12	66.41	340.00	232.05	8.00	59.15	40.80

Note: Figures for 2012/13 and 2013/14 are FAS estimates.

Source: [1] Directorate of Economic and Statistics, Ministry of Agriculture
[2] Indian Sugar Mills Association except 2012/13 and 2013/14
[3] FAS/New Delhi estimate

Table 4. India: Mill Sugar Production by State, in thousand metric tons, crystal weight basis

State	2010/11	2011/12	2012/13	2013/14
	Final	Revised	Estimate	Forecast
Andhra Pradesh	1,010	1,140	1,140	950
Bihar	390	450	530	530
Gujarat	1,240	1,000	1,100	1,080
Haryana	390	490	410	580
Karnataka	3,680	3,870	3,400	3,000
Maharashtra	9,050	8,980	7,400	7,000
Punjab	300	390	280	270
Tamil Nadu	1,850	2,380	2,070	1,550
Uttar Pradesh	5,890	6,970	7,650	7,710
Others	600	670	1,030	660
Total	24,390	26,340	25,000	23,320

Note: Excludes Khandsari sugar, as statewise breakout is not available.
Sources: MYs 2010/11 and 2011/12 - Indian Sugar Mills Association; MYs 2012/13 and 2013/14 – FAS/New Delhi Estimate

Table 5. India: Commodity, Centrifugal Sugar, Price Table, in INR per metric ton

Year	2011	2012	2013	Percent Change
January	29,500	30,000	35,500	18
February	29,650	30,000	35,250	18
March	30,000	30,250	34,000	12
April	29,400	29,400	34,000	16
May	28,750	31,750	33,800	6
June	28,300	32,300	34,250	6
July	29,750	37,500	33,000	-12
August	29,500	37,200	33,500	-10
September	29,500	37,600	32,900	-13
October	30,750	38,960		
November	33,750	37,250		
December	32,000	37,360		
Exchange Rates:	45.28	52.73	56.49	
	Local Currency INR/US $			

Note: Exchange rates for 2011, 2012 and 2013 refer to respective Marketing Years (October–September).

Source & Contract Terms: Indian Sugar Mills Association and NFCSF; month-end prices in the Delhi wholesale market

Table 6. India: Commodity, Gur, Price Table (Prices in INR per metric ton. actual weight basis)

Year	**2011**	**2012**	**2013**	**Percent Change**
January	24,000	30,000	29,500	-2
February	23,000	28,000	30,000	7
March	25,000	29,500	28,500	-3
April	28,000	31,000	30,500	-2
May	32,000	33,500	35,500	6
June	32,000	34,500	35,500	3
July	33,000	36,000	36,000	0
August	36,000	35,500	33,500	-6
September	38,000	34,000	35,000	3
October	30,500	32,500		
November	27,000	30,500		
December	29,000	29,500		
Exchange Rate:	45.28	52.73	56.49	
	Local Currency/US $			

Note: Exchange rates for 201, 2012 and 2013 refer to respective Marketing Years (October–September).
Source & Contract Term: Indian Sugar Mills Association and NFCSF; month-end prices in the Delhi wholesale market.

Table 7. India: Comparative Commodity Support Price Table, INR per metric ton, Minimum Support Price (MSP) or Fair Remunerative Price (FRP)

Marketing Year	**2010/11**	**2011/12**	**2012/13**
Wheat	11,200	12,850	13,500
Rice (Grade A)	10,300	11,100	12,800
Sugarcane	1,391	1,450	1,700[1]
State Advised Price (SAP) for Sugarcane, by State			
Uttar Pradesh	2,050-2,100	2,350-2,500	2,750-2,900
Haryana/Punjab	1,900-2,200	2,200-2,310	2,350-2,760
Southern States[2]	1,750-2,300	1,800-2,050	2,200-2,500

Exchange rate:
2011/12 (April-March) 1 US$ = 53.45 Indian Rupees
2012/13 (April-March) 1 US$ = 54.12 Indian Rupees
Source: Indian Sugar Mills Association

[1] FRP for 2012/13 at 9.5 percent recovery, subject to a premium of INR 1.79 for every 0.1 percent increase in recovery above 9.5 percent. FRP for 2013/14 is INR 2100.
[2]: Sugar mills pay market price.