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India

Sugar Semi-annual

2010

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Report Highlights:

India's marketing year (MY) 2010/11 (October-September) sugar production has been raised higher to 25.7 million metric tons (raw value basis) on expected higher sugarcane availability. MY 2009/10 sugar production has been revised up to 20.5 million tons due to higher end-season diversion of cane for sugar production. MY 2010/11 sugar consumption has been raised to 25.0 million tons on expected strong domestic demand. Due to improved domestic supplies, MY 2009/10 imports have been lowered to 4.1 million tons and MY 2010/11 imports lowered to 1 million tons.

Commodities:

Sugar, Centrifugal

Sugar Cane for Centrifugal

Production:

India's centrifugal sugar production in MY 2010/11 has been raised to 25.7 million metric tons (includes 420,000 tons of Khandsari sugar - a low recovery centrifugal sugar prepared by an open-pan evaporation method) on expected higher sugarcane production. MY 2010/11 sugarcane production is forecast higher at 328 million tons on expected higher yields due to good monsoon rains and favorable weather conditions in major sugarcane producing regions. Gur production is forecast at 5.6 million tons.

Post's estimate for 2009/10 centrifugal sugar production has been raised to 20.5 million tons due to a higher than anticipated end season diversion of sugarcane for sugar production. Higher cane prices paid by millers to sugarcane farmers helped divert a larger share of cane to sugar mills vis-à-vis gur manufacturers. Based on the latest official estimates from the Ministry of Agriculture, MY 2009/10 sugarcane production has been revised lower to 277.8 million tons, and area marginally lower to 4.18 million hectares. MY 2008/09 sugar production has also been revised marginally to reflect the official estimates.

The latest progressive planting report from the Ministry of Agriculture reports MY 2010/11 cane area to 4.81 million hectares, about 15 percent higher than last year. Record sugarcane price realization in MY 2009/10 has encouraged farmers to bring more area under sugarcane. Good monsoon rains during the crop growth stage (July-September) in the major sugarcane growing areas, and better crop management practices and input use are likely to support higher cane productivity. Consequently, MY 2010/11 sugarcane production has been raised by 3 million tons to 328 million tons.

Please refer IN1033 for information on the production policy.

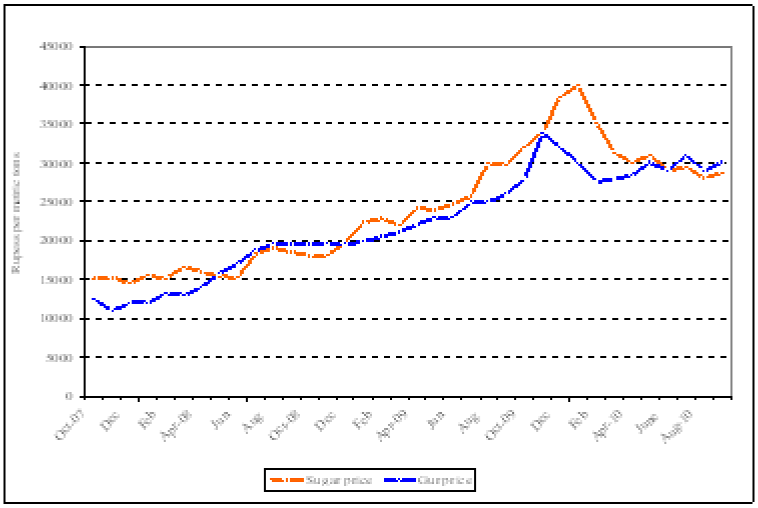
Consumption:

Post's estimate for MY 2010/11 sugar consumption has been raised to 25 million tons due to improved domestic supplies and expected strong domestic demand. Expected strong growth in the Indian economy in fiscal 2010/11 (forecast at 8.5 percent), and a growing population (1.8 percent per annum) are fueling consumption growth. Bulk consumers such as soft drink manufacturers, bakeries, confectionary, hotel and restaurant consumers account for 60 percent of milled sugar demand. Local sweet shops consume most of the Khandsari sugar. Gur is mostly consumed in rural areas for household consumption and feed use.

Market Prices

After reaching the peak in January 2010, domestic sugar prices have softened (Fig 1) on improved 2009/10 domestic production, and expectation of a bumper 2010/11 production (Table 5). Currently, sugar prices in the major domestic wholesale market in India range from $608 to $640 per ton, a nearly 27 percent decline over the peal January 2010 prices. Sugar prices in the upcoming 2010/11 season are expected to soften further on prospects of improved domestic supplies. Although the end season gur prices are relatively firm (see Table 6) due to lower end-season gur production, gur prices in MY 2010/11 will largely be guided by the sugar price movement.

Fig 1: Sugar and Gur Prices in Delhi Market



Trade:

Post’s MY 2010/11 import forecast has been revised marginally lower to 1.0 million tons on expected improved domestic supplies and lower domestic sugar prices. Despite improved supplies, exports during 2010/11 will be limited to quota countries. Based on the latest imported sugar arrival figures compiled by the industry sources, Post has lowered MY 2009/10 imports to 4.1 million tons , of which about 3.2 million tons is raw sugar mostly from Brazil, and the rest white sugar from Thailand, Brazil, U.A.E.

<u>Trade Policy</u>

Forced by severe domestic shortages and abnormally high sugar prices since the beginning of CY 2009, the GOI took several measures to relax import restrictions to augment domestic supplies. Currently, duty free imports of raw sugar and white sugar are allowed up to December 31, 2010. The imported sugar (both raw and white) is also exempted from the levy sugar obligation and the market quota release system, applicable to domestic sugar. However with domestic sugar prices softening, the local sugar industry is pressuring the government to re-impose import duties on white and raw sugar, and revert back to the old import policy regime. Currently, GOI does not allow exports of sugar.

Stocks:

Post’s MY 2010/11 ending stocks are forecast higher at 6.3 MMT, just sufficient to meet the normal stock requirements (3 months consumption). MY 2009/10 ending stocks have also been raised to 4.7 million tons on improved domestic supplies.

Production, Supply and Demand Data Statistics:

Table 1: Commodity, Sugar, Centrifugal, PSD

Sugar, Centrifugal India	2008/2009			2009/2010			2010/2011			
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Beginning Stocks	9,150	9,150	9,150	3,520	3,520	3,510	3,975	3,975	4,653	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	15,960	15,960	15,950	19,460	19,460	20,538	24,700	24,700	25,700	(1000 MT)
Total Sugar Production	15,960	15,960	15,950	19,460	19,460	20,538	24,700	24,700	25,700	(1000 MT)
Raw Imports	2,500	2,500	2,500	3,300	3,300	3,200	1,000	1,000	800	(1000 MT)
Refined Imp.(Raw Val)	286	286	286	1,200	1,200	910	200	200	200	(1000 MT)
Total Imports	2,786	2,786	2,786	4,500	4,500	4,110	1,200	1,200	1,000	(1000 MT)
Total Supply	27,896	27,896	27,886	27,480	27,480	28,158	29,875	29,875	31,353	(1000 MT)
Raw Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	176	176	176	5	5	5	20	20	20	(1000 MT)
Total Exports	176	176	176	5	5	5	20	20	20	(1000 MT)
Human Dom. Consumption	24,200	24,200	24,200	23,500	23,500	23,500	24,500	24,500	25,000	(1000 MT)
Other Disappearance	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Use	24,200	24,200	24,200	23,500	23,500	23,500	24,500	24,500	25,000	(1000 MT)
Ending Stocks	3,520	3,520	3,510	3,975	3,975	4,653	5,355	5,355	6,333	(1000 MT)
Total Distribution	27,896	27,896	27,886	27,480	27,480	28,158	29,875	29,875	31,353	(1000 MT)
TS=TD			0			0			0	

Table 2: Commodity, Sugarcane for Centrifugal, PSD

Sugar Cane for Centrifugal India	2008/2009			2009/2010			2010/2011			
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Area Planted	4,400	4,400	4,400	4,250	4,250	4,180	4,800	4,800	4,810	(1000 HA)
Area Harvested	4,400	4,400	4,400	4,250	4,250	4,180	4,800	4,800	4,810	(1000 HA)
Production	285,030	285,030	285,000	282,000	282,000	277,800	325,000	325,000	328,000	(1000 MT)
Total Supply	285,030	285,030	285,000	282,000	282,000	277,800	325,000	325,000	328,000	(1000 MT)
Utilization for Sugar	151,500	151,500	151,500	179,800	179,800	190,800	231,000	231,000	237,000	(1000 MT)

Utilizatn for Alcohol	133,530	133,530	133,500	102,200	102,200	87,000	94,000	94,000	91,000	(1000 MT)
Total Utilization	285,030	285,030	285,000	282,000	282,000	277,800	325,000	325,000	328,000	(1000 MT)
TS=TD			0			0			0	

Author Defined:

Table 3: Sugarcane Area, Production, and Utilization

(Area in million hectares, Yield in metric tons per hectare, and Others in million metric tons)

Sugar Cane	AREA/1	YIELD/1	PRODN /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	68.49	295.60	176.65	11.00	72.48	35.47
2001/02	4.41	67.38	297.21	180.32	10.50	70.73	35.67
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	61.35	30.00
2004/05	3.66	64.74	237.09	124.77	9.50	74.37	28.45
2005/06	4.20	66.93	281.17	188.67	8.50	49.00	35.00
2006/07	5.15	69.03	355.52	279.30	7.50	32.73	36.00
2007/08	5.06	68.81	348.19	249.91	7.00	59.28	32.00
2008/09	4.40	64.77	285.00	144.98	6.50	100.52	33.00
2009/10	4.18	66.46	277.80	184.00	6.80	51.00	36.00
2010/11 /3	4.81	68.19	328.00	230.00	7.00	56.00	35.00

Note: Figures for 2009/10 and 2010/11 are FAS estimates.

Source: /1: Directorate of Economic and Statistics, Ministry of Agriculture

/2: Indian Sugar Mills Association except 2009/10 and 2010/11

/3: FAS/New Delhi estimate

Table 4: Mill Sugar Production by State

(Figures in 100,000 tons crystal weight basis)

State	**2007/08**	**2008/09**	**2009/10**	**2010/11**
	Final	Revised	Revised	Forecast
Andhra Pradesh	13.4	5.9	5.2	7.0
Bihar	3.4	2.1	2.6	3.0
Gujarat	13.7	10.1	11.9	13.0
Haryana	6.0	2.3	2.5	3.0
Karnataka	29.0	16.5	25.3	23.0
Maharashtra	90.8	45.8	70.7	95.0
Punjab	5.3	2.4	1.8	3
Tamil Nadu	21.4	16.0	12.5	21.0
Uttar Pradesh	73.2	40.6	51.8	62.0
Others	7.5	3.5	3.7	6.0
Total	263.56	145.38	187.86	236.00

Note: Excludes khandsari sugar, as state break-up is not available.
Source: /1: MYs 2007/08 and 2008/09 - Indian Sugar Mills Association
/2: MYs 2009/10 and 2010/11 – FAS/New Delhi Estimate

Table 5: Commodity, Centrifugal Sugar, Price Table
(Price in crystal weight basis)

Prices in	Rupees		per uom	Metric Tons
Year	2008	2009	2010	% Change
Jan	15500	22350	40000	79%
Feb	15150	22800	35200	54%
Mar	16600	22000	31250	42%
Apr	16000	24250	30000	24%
May	15350	24000	31000	29%
Jun	15250	24750	29000	17%
Jul	18250	25750	29500	15%
Aug	19000	30000	28000	-7%
Sep	18500	29750	29000	-3%
Oct	18000	32000		
Nov	18100	34000		
Dec	19650	38500		
Exchange Rate	46.00	47.90	45.54	
Local Currency/US $				

Note: Exchange rate for 2008 and 2009 refers to Indian Fiscal Years 2008/09 (April/March) and IFY 2009/10 respectively. Exchange rate of 2010 refers to last week of September, 2010.
Source & Contract Terms: Indian Sugar Mills Association; month-end prices in the Delhi wholesale market.

Table 6: Commodity, Gur, Price Table
(Price in actual weight basis)

Prices in	Rupees		per uom	Metric Tons
Year	2008	2009	2010	% Change
Jan	12000	19750	30000	52%
Feb	13250	20500	27500	34%
Mar	13000	21000	28000	33%
Apr	14000	22000	28400	29%
May	15750	23000	30000	30%
Jun	17000	23000	29000	26%
Jul	18750	25000	31000	24%
Aug	19500	25000	29000	16%
Sep	19500	26000	30000	15%
Oct	19500	28000		
Nov	19500	33750		
Dec	19500	32000		
Exchange Rate	46.00	47.90	45.54	

Local Currency/US $				

Note: Exchange rate for 2008 and 2009 refers to Indian Fiscal Years 2008/09 (April/March) and IFY 2009/10 respectively. Exchange rate of 2010 refers to last week of September, 2010.

Source & Contract Term: Indian Sugar Mills Association; month-end prices in the Delhi wholesale market.

Table 7: Commodity, Sugarcane, Price Table

(Price in Rs. per ton)

PRICE	2009/10	2008/09	2007/08
Minimum Support Price (MSP) or Fair Remunerative Price (FRP) for			
Wheat	11000	10800	10000
Rice (Grade A)	9800	8800/3	6750/1
Sugarcane	129.84/4	811.8/5	811.8/5
State Advised Price for Sugarcane			
Uttar Pradesh	1650-1700/7	1400-1450/6	1250-1320
Haryana/Punjab	1850-1900	1400-1500	1100-1300
Southern States/8	2000-2400	1200-1600	850-1050

Notes:

/1: An additional bonus of Rs. 1000/MT was paid over the MSP.

/2: An additional bonus of Rs. 400/MT was paid over the MSP between Oct 2006 to March 2007.

/3: An additional bonus of Rs. 500/MT was paid over the MSP.

/4: FRP for 2009/10 linked to a basic recovery rate of 9.5 percent, and for every 0.1% increase in recovery over the basic recovery rate, an additional premium of Rs. 13.7/MT.

/5: The MSP for 2007/08 and 2008/09 linked to a basic recovery rate of 9.0 percent, and for every 0.1 % increase in recovery over basic recovery rate, an additional premium of Rs. 9.0/mt.

Exchange Rate:

IFY 2007/08 (April/March) 1 US$= 41.00 Indian Rs.

IFY 2008/09 (April/March) 1 US$= 46.00 Indian Rs.

IFY 2009/10 (April/March) 1 US$= 47.0 Indian Rs.

Source: Indian Sugar Mills Association