USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Voluntary _ Public

Date: 6/23/2016
GAIN Report Number: IN6085

India

Post: New Delhi

India Introduced a 20 Percent Export Tax on Sugar

Report Categories:
Sugar
Policy and Program Announcements
Trade Policy Monitoring

Approved By:
Jonn Slette

Prepared By:
Amit Aradhey

Report Highlights:

On June 16, 2016, the Government of India (GOI) introduced a 20-percent export tax on raw and white sugar (Customs Notification No. 37/2016) in response to higher international sugar prices. According to media sources, the current marketing year (MY) sugar export quota for may be revoked. Moreover, sugarcane farmers may not be eligible to receive additional GOI export subsidies, and sugar millers will focus more on domestic sales. Also, a primary objective for imposing the new export tax is to maintain price stability for consumers.

General Information:

On June 16, 2016, GOI announced a 20-percent export tax on raw and white sugar. The timing is noteworthy, given that world sugar prices are stronger and Indian sugar exports could be more economically viable. After bottoming out in August-September 2015 with a 22-percent decline, Indian sugar prices have since rebounded 26 percent, due largely to two consecutive years of lower products. Although world sugar prices also moved in tandem, the price differential (w.r.t local sugar prices) has narrowed and Indian sugar exports are more economically viable. Additionally, global sugar consumption is increasing faster than production, world stocks are approaching low levels, last seen in MY 2010/11 (Oct-Sept). Raw sugar futures for July delivery at ICE Futures U.S. recently rallied to $0.20 cents per pound after peaking in November 2012. India's consumption is also forecast to rise marginally, to a record 27.2 million metric tons (MMT) and production is forecast to drop 2.2 MMT to 25.5 MMT due to fewer acres and lower yields. With higher consumption and lower production, stocks are forecast down 18 percent.

Indian media reports that the GOI may revoke its compulsory sugar export quota, under which sugar millers exported as much as 3.2 MMT in MY 2015/16. Under the same program, farmers were to receive INR 45 per metric ton of sugarcane produced, representing two percent of the cost incurred by mills (GAIN IN6001). If the export subsidy is revoked, sugarcane farmers would not be eligible to receive production subsidies under the program and Indian sugar mills would be encouraged to sell it locally and discouraged from seeking (possibly more lucrative) commercial sales on the global market. A significant GOI-objective would be stable domestic sugar prices, as food price inflation remains a perennial GOI concern.