

INDIAN SUGAR SECTOR

Monthly Update

JULY 2022



Gross sugar production is likely to increase to 40 million MT in SY2023 in the light of expected higher acreage as well as better cane yields. However, with estimated diversion of 4.5 million MT of sugar towards ethanol production and considering the slight increase in sugar consumption on a YoY basis, India may need to export 7.5-8.0 million MT of sugar in the next sugar year to maintain closing stocks at SY2022 levels.



Sugar Demand-Supply Balance Estimates – As per the preliminary ISMA estimates, gross sugar production (without considering ethanol diversion) is likely to increase to 40 million MT in SY2023 in the light of ~4.5% YoY higher acreage as well as better cane yields. However, with estimated diversion of 4.5 million MT of sugar towards ethanol production, net sugar production is expected at 35.5 million MT. Considering the slight increase in sugar consumption, India may need to export 7.5-8.0 million MT of sugar in the next sugar year to maintain closing stocks at SY2022 levels (estimated).



Sugar Production – Domestic net sugar production stood at 35.37 million MT (till July 15, 2022) in the ongoing crushing season, however, special season in Karnataka and Tamil Nadu is still in progress. This is ~98% of the total expected sugar production for SY2022 as per the recent estimates of ISMA.



Domestic Sugar Prices – Domestic sugar prices (UP) are currently trending at around Rs. 34-35/kg and has remained largely stable over the past four months with higher seasonal demand in summers. The average domestic sugar prices for 9M SY2022 were around 9% YoY higher at ~Rs. 34.7/kg.



International Sugar Prices – International prices of raw sugar moderated slightly to US\$414/MT in June 2022 compared to US\$420- US\$435 in March – May 2022. However, the prices of white sugar improved to ~US\$ 562/MT in June 2022 compared to US\$535-545/MT in March-May 2022 and has reached the highest in the past 5 years. The white sugar price premium over raw sugar prices is also currently at multi-year high to US\$147/MT in June 2022 from US\$100-120/MT in March-May 2022.



Ethanol – India achieves the target of 10% ethanol blending ahead of schedule in June 2022. Currently, average ethanol blending as on July 17, 2022 stood at 10.17%. Further, in YTD ESY 2023, OMCs have already lifted the ethanol quantity almost equivalent to full year quantity in ESY2022.

1 Domestic Demand – Supply Dynamics



2 Trend in Sugar Prices



3 Ethanol Blending



4 ICRA Ratings in the Sector





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Analytical Contact Details



Sabyasachi Majumdar

*Senior Vice-President
and Group Head*

Girishkumar Kadam

*Senior Vice-President
and Co-Group Head*

Anupama Arora

*Vice-President
and Sector Head*

Suksham Arora

Senior Analyst



sabyasachi@icraindia.com

girishkumar@icraindia.com

anupama@icraindia.com

suksham.arora@icraindia.com



0124 – 4545 304

022 – 6 114 3441

0124 – 4545 303

0124 – 4545 300





ICRA

Business Development/Media Contact Details



L. Shivakumar

Executive Vice-President

Jayanta Chatterjee

Executive Vice-President

Naznin Prodhani

Head Media & Communications



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





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