

INDIAN SUGAR SECTOR

**Sugar production likely to moderate
in SY2023 against initial expectations**

JANUARY 2023



The Government has allowed an export quota of 6.0 million MT for SY2023, to maintain the closing stock at SY2022 levels, which will support the domestic sugar prices.

Domestic sugar prices (UP) have moderated to Rs. 34.5/kg in January 2023 with the ongoing crushing season after being largely stable at above Rs. 35/kg over August 2022- December 2022 due to the festive season. International prices of raw and white sugar improved in December 2022.



Sugar Demand-Supply Balance Estimates – ISMA preliminary estimates pointed to gross sugar production (without considering ethanol diversion) of around 41 million MT in SY2023. However, on account of prolonged rains in Maharashtra as well as select northern states, the yield may moderate against initial expectations, along with lower crushing days expected for Maharashtra and Karnataka. ISMA estimates a diversion of 4.5 million MT of sugar towards ethanol production, therefore, the net sugar production is expected to remain in the range of 33.0-34.0 million MT. The Government has allowed an export quota of 6.0 million MT for SY2023.

Sugar Production – Domestic sugar production stood at 15.68 million MT till January 15, 2023, for SY2023 against 15.08 million MT during the same period in the previous season. This was mainly due to an increase in the number of operating factories at 515 against 507 during the previous year. A major impact on sugar production is expected in the next two months with shortening of the crushing period in Maharashtra and Karnataka.

Domestic Sugar Prices – Domestic sugar prices (UP) moderated to Rs. 34.5/kg in January 2023 with the ongoing crushing season after being largely stable at above Rs. 35/kg over August 2022-December 2022 due to the festive season. The average domestic sugar prices for SY2022 were around 7% YoY higher at ~Rs. 34.8/kg.

International Sugar Prices – International prices of raw sugar improved to \$441/MT in December 2022 compared with November 2022. While the prices of white sugar trended downward during the October 2022-November 2022 period, despite the upward trend in raw sugar prices, the former improved to \$549/MT in December 2022 after the sharp decline to \$529/MT in November 2022 from \$546/MT in August 2022. With increase in white sugar prices, the premium between white sugar and raw sugar prices slightly improved to \$108/MT in December 2022 compared with \$101/MT in November 2022.

Ethanol – Currently, average ethanol blending as on January 15, 2023, stood at 10.69%. In ESY 2022, the ethanol blending stood at 10.02%.

1 Domestic Demand – Supply Dynamics



2 Trend in Sugar Prices



3 Ethanol Blending



4 ICRA Ratings in the Sector





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