

INDIAN SUGAR SECTOR

Domestic sugar prices likely to remain elevated supported by global demand-supply situation

May 2023



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Domestic sugar prices are expected to remain elevated with lower-than-expected output in India, Thailand and Europe along with delayed harvest in Brazil in April 2023. El Nino risk on Asian production may also result in a price increase

Domestic sugar prices (UP) stood at Rs. 36/kg in April –May 2023 post completion of the crushing season. International prices of raw and white sugar increased significantly in April 2023 compared to March 2023.



Sugar Demand-Supply Balance Estimates – As per the latest ISMA estimates for SY2023, the net sugar production is likely to remain at 32.8 million MT, post diversion of 4.0 million MT of sugar towards ethanol production. The Government allowed an export quota of 6.1 million MT for SY2023. With domestic sugar consumption expected at around 27.5 million MT and exports at 6.1 million MT in SY2023, the closing stock is expected to be around 4.5 million MT as on September 30, 2023 (lower compared to the sugar stock of 5.3 million MT as on September 30, 2022). This would be equivalent to 2.0 months of consumption (PY: 2.3 months).



Sugar Production – Domestic sugar production stood at 32.1 million MT till May 15, 2023, for SY2023 (lower by 8%) against 34.9 million MT during the same period in the previous season. This was mainly because 500 mills had closed down their crushing operations and 37 are still in operation compared with 116 during the same period in the previous season. This was mainly due to lower cane yields and uneven distribution of rainfall in Maharashtra.



Domestic Sugar Prices – Domestic sugar prices (UP) stood at Rs. 36/kg in April-May 2023, post completion of the crushing season wherein prices stood at Rs. 34/kg from January-March 2023. The domestic prices firmed up on the back of lower sugar production for SY2023. The average domestic prices for 8M SY2023 domestic sugar prices stood at Rs. 35.1/kg, in line with previous year's prices for a similar period.



International Sugar Prices – International prices of raw sugar increased sharply to \$543/MT in April 2023 compared to \$462/MT in March 2023, while prices of white sugar increased to \$676/MT in April 2023 compared to \$594/MT in March 2023. With increase in prices of raw and white sugar, the premium between white and raw sugar prices stood at \$133/MT in April 2023 similar to \$132/MT in March 2023. This was mainly due to the deteriorating weather outlook coupled with rising demand.



Ethanol – At present, average ethanol blending as on April 30, 2023, stood at 11.63% and appears on track to reach 12% target for the ESY2023. In ESY 2022, the ethanol blending had been at 10.02%.



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