

# Why India's sugar production in 2017-18 will leave a bitter taste in the mouth

The next time you add that extra spoon of sugar in your cuppa, take a second look.



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The next time you add that extra spoon of sugar in your cuppa, take a second look, as the current season and the next holds the promise of sugar turning into precious white crystals.

India's sugar production scenario is perched on a precarious ground, for the current year and for the next year as well. We are trying to give realistic picture on this, for Season 16-17 and Season 17-18.

<b>Particulars</b>	<b>Season 2016-17</b>	<b>Season 2017-18</b>
Opening Stock (1 <sup>st</sup> Oct)	65 lakh MT	23 lakh MT
Estimated Production	201 lakh MT	253 lakh MT
Import in May-July 2017	5 lakh MT	-
Total Quantity	271 lakh MT	276 lakh MT
Estimated Consumption	248 lakh MT	253 lakh MT
Closing Stock (30 <sup>th</sup> Sept)	23 lakh MT	23 lakh MT

While trade body ISMA has estimated **opening stock** of sugar on 1-10-16 at 77 Lakh MT, on the ground it may not be above 65 Lakh MT. This is the hard truth.

For season 2016-17, ISMA has revised its estimated **production** of sugar downwards, from 234 Lakh MT to 213 Lakh MT and now further to 203 Lakh MT, which is seen at around 201 lakh MT and may just be short of 203 Lakh MT.

ISMA is trying to tone down this scenario of sugar shortage and the precarious situation on ground to avoid the government's wrath by showing that India has sufficient sugar. This was stated by ISMA, even before the season in October 2016 began. The situation would have worse had it not been for the import of 5 lakh tonnes of Sugar in May-July,2017.

Estimated **closing stock** on 30-9-17 of 23 lakh MT and this is equivalent to about 31 days consumption of sugar, which can take care of October 2017 requirement. From 1<sup>st</sup> November 2017, India may not have any sugar for consumption, unless Indian mills start crushing in the last week of October in Maharashtra, Karnataka and UP. India is learnt to have seen consumption of 182 lakh tonnes of Sugar in first 9 months ending 30-6-17 and is seen having an inventory of 69 lakh tonnes of Sugar as at 1-7-17, as reported by media. As against this, the estimated consumption for 3 months ending 30-9-17 is seen at 66 lakh tonnes, due to ensuing festive season and the de-

stocking happened due to GST transition. This is even giving more grim situation for the month of October,17, which has not been considered and relied upon here.

As against this, looking to an available stock of 23 lakh tonnes of Sugar, as at 30-9-17, can just about meet the consumption for the month of October17 only; this month is likely to see higher consumption of Sugar as Diwali, the biggest season for sugar consumption falls on 19<sup>th</sup> October this time.

**State-wise production estimates for season 2016-17:**

**UP:** Sugar production of 88 lakh MT is seen season 2016-17, growth of over 29%, up from 68 Lakh MT seen in last season.

**Maharashtra and Karnataka:** Sugar production seen lower by over 42% this season vis-à-vis last season, with Maharashtra seen at 42 lakh tonnes and Karnataka at 20.60 lakh tonnes. .

**TN, AP, Telangana:** Sugar production this season seen to be lower by about 25% on an average, v/s last season. TN is likely to show production of 10.50 lakh tonnes, while A.P. & Tealnagan at 6 lakh tonnes.

**Peculiarity of Tamil Nadu this year:**

Ex-mill Sugar price in Tamil Nadu is now ruling higher by Rs.1.50 per kg. over UP ex-mill, which otherwise always used to rule lower by Rs.1.50/kg, as no significant sugar stock exists in Tamil Nadu.

TN is witnessing huge water shortage, with Govt. having allocated water to priority purposes, such as drinking, cattle, coconut cultivation, industry and then for sugarcane. Hence, TN will not see production of over 2 lakh MT Sugar in second season of 2016-17, which started in June 2017. Even in the current monsoon, as on date, it seen a deficit of about 27% till this date, which will sharply impact next season production as well.

### **State-wise production estimates for season 2017-18:**

**In next season 2017-18, sugar production may rise by 72% in Maharashtra to 72 lakh tonnes, while Karnataka may show a growth of 31% to 27 lakh tonnes, as monsoon for this season is seen in deficit in Karnataka, as on date. UP may show a rise of 16% to 102 lakh tonnes of sugar, after recent estimates taking increased sowing into account, at least as of now.**

Presently, the sugar need of entire country is met by only U.P Sugar mills, as they are holding good inventory of Sugar and this is likely to last till 31-10-17. Sensing this shortage, prices of Sugar have risen by about Rs. 1.50 per kg. at the ex mill and over Rs. 2.50 per kg. at the retail levels, from 1-7-17; this is post introduction of GST. Price traction of couple of rupees is not ruled out till Diwali as well, which has given sleepless nights to the Govt. and it has asked millers to start early crushing this season, may be from first week of October. However, harvesting of Sugarcane can only happen if there is a gap of at least 20 days between monsoon and harvesting, while crushing generally starts 1

However, harvesting of Sugarcane can only happen if there is a gap of at least 20 days between monsoon and harvesting, while crushing generally starts 1 week before Diwali, which used to happen post Dussera in Maharashtra, some 2 decades back. In UP, West UP may start crushing in 2<sup>nd</sup> week of October, Central UP in last week and East UP in first week of November.

Thus U.P. based sugar mills, holding good chunk of Sugar, have shown highest ever profits in FY 16-17, while this record may get broken by record financial performance to be seen from UP companies for FY17-18.

### **UP Mills Sugar Inventory for FY17-18:**

For ready reference of the readers, please find below the Sugar inventory held by few of the UP based Sugar mills, which is available for sale in FY17-18. This quantity includes closing stock held as at 31-3-17 plus Sugar produced in April,2017 till crushing came to an end.

1. **Balrampur Chini**- 67.60 lakh bags, valued at Rs.31.30 per kg.
2. **Dalmia Bharat Sugar**- 32 lakh bags, valued at Rs.29.75 per kg.
3. **Triveni Engineering**- 51.50 lakh bags, valued at Rs.31.20 per kg.
4. **Dwarikesh Sugar**- 22.68 lakh bags, valued at Rs.29.45 per kg.
5. **Dhampur Sugar**- 42 lakh bags, valued at Rs.30.50 per kg.
6. **DCM Shriram Ltd**- 31.90 lakh bags, valued at Rs.31.25 per kg.

Sugar gets sweeter for the farmer and the miller but for you and me, it could get bitter.