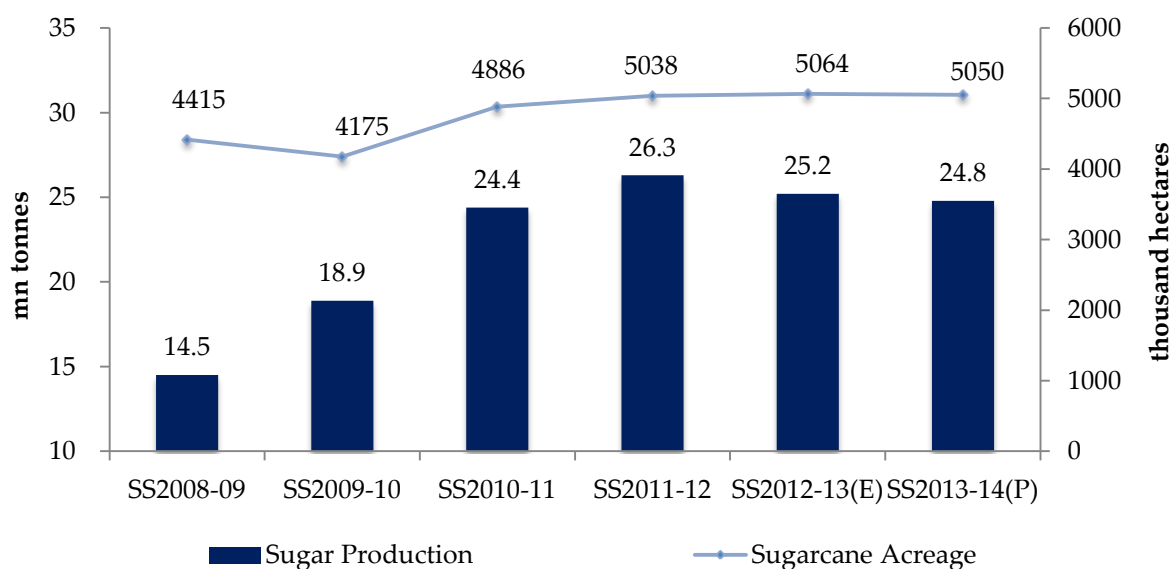


The Sugar Industry – The drop in sugar production to continue in SS 2013-14...

In SS2011-12, country produced about 26.3 mn tonnes of sugar, registering a growth of 7.8 per cent on a yoy basis. This was mainly attributable to the higher acreage under sugarcane, improved yield and recovery rate. On the back of the higher sugarcane prices offered to farmers, the acreage under sugarcane increased by 3.1 per cent on a yoy basis in SS2011-12. In SS2012-13, the sugar cane acreage increased marginally by 0.5 per cent on a yoy basis to 5,064 thousand hectares. Despite the rise in acreage under sugarcane, the industry is likely to witness a lower sugar production in SS2012-13. During the period of October 2012-June 2013, the country produced about 24.8 mn tonnes of sugar. The sugar production is expected to reach about 25.2 mn tonnes in SS 2012-13. The drop in sugar production is mainly attributed to the sharp drop in acreage under sugarcane in Maharashtra which is the largest sugar-producing state in the country.

Trend of sugarcane acreage and sugar production in India



Source: NFCSF and CARE Research

Eventhough, the country has received a normal monsoon in 2013, the impact of deficiency in rainfall experienced by Maharashtra in 2012 will trigger down the sugarcane acreage in 2013-14. However, increase in acreage under sugarcane in Uttar Pradesh (UP) will partially offset the downfall in overall acreage. CARE Research expects that the sugarcane acreage will decrease

marginally by about 0.3 per cent on a yoy basis to 5,050 thousand hectares in SS2013-14. The sugar production is expected to be in the range of about 24.8 - 25 mn tonnes in SS2013-14.

Maharashtra - Continued drop in acreage will pull down the sugar production...

In 2012, out of 35 districts in Maharashtra, almost 25 districts were declared as a drought hit. The key sugarcane producing districts like Kolhapur, Solapur, Pune, Ahmednagar, Sangli, and Satara (together accounted for 68 per cent of sugar produced in Maharashtra in SS2011-12) were few among them. Consequently, in SS2012-13, the acreage under sugarcane in Maharashtra declined by about 8.3 per cent on a yoy basis.

The downfall in acreage under sugarcane in Maharashtra is likely to continue in SS2013-14. CARE Research has estimated that the acreage under sugarcane in Maharashtra will decline by about 1 per cent on a yoy basis to about 930 thousand hectares in SS2013-14. However, the impact of the drop in sugarcane acreage in the state will be offset to some extent by the anticipated increase in yield and the recovery rate on the back of good monsoon in this year.

UP – Sugar production will rise marginally by 1 per cent on a yoy basis in SS 2013-14...

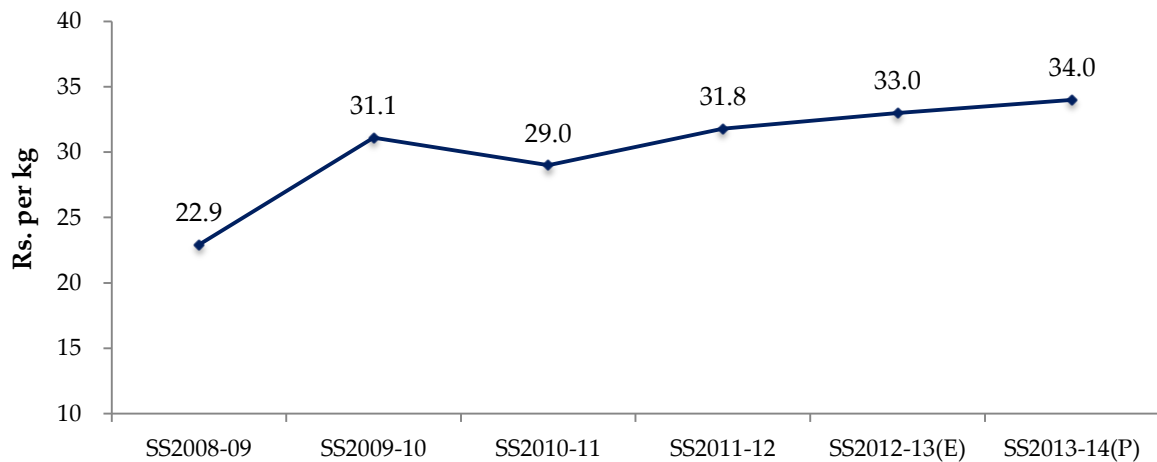
The state of UP has the largest area under sugarcane cultivation in the country, but the sugarcane yield and recovery rate are comparatively low. As a result, contribution of UP in total sugar production is lower than Maharashtra. In SS2011-12, UP produced about 7 mn tonnes of sugar and contributed about 27 per cent to the total sugar output of the country. In SS2012-13, the sugar production is estimated to increase to about 7.4 mn tonnes on the back of increase in acreage under sugarcane and the yield. CARE Research expects the sugarcane acreage in UP to increase in SS2013-14 by about 1 per cent on a yoy basis in anticipation of higher sugarcane (SAP) prices. However, the excess rainfall witnessed in the state this year is expected to affect the yield rate to some extent.

Sugar industry will have an exportable surplus in SS 2013-14...

Over the years, the sugar consumption in India has grown at a steady pace. During the period SS 2001-02 to SS 2011-12, sugar consumption in the country grew at a CAGR of about 3 per cent. CARE Research estimates that the sugar consumption will reach a level of 22.7 mn tonnes in SS2012-13 and 23.3 mn tonnes in SS2013-14. Despite the decline in sugar production, the sugar industry will have an exportable surplus in SS 2013-14. However, declining international sugar prices remains a cause of concern for the industry.

Average wholesale sugar prices to hover at about Rs. 34 per kg in SS 2013-14...

Trend of average wholesale sugar price in India



Source: NFCSF and CARE Research

In SS 2012-13, the average wholesale sugar price grew moderately by about 4 per cent on a yoy basis to Rs.33 per kg. Till November 2012, sugar prices remained elevated, thereafter the availability of surplus sugar and the relaxation of the release mechanism by the government (partial decontrol in April 2013) exerted downward pressure on sugar prices. CARE Research expects average wholesale sugar price to increase marginally in the near term on account of the augmented demand led by the festive season. In SS 2013-14, the average wholesale sugar price is expected to be about Rs.34 per kg. Higher sugarcane cost due to almost 24 per cent rise in FRP of sugarcane to Rs.210 per quintal for SS 2013-14 will also lead to rise in sugar prices.



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