

India produces 4.9 lakh tonnes of sugar during October 2019 to 15 November 2019

As per the Indian Sugar Mills Association (ISMA), sugar production in India stood at 4.9 lakh tonnes as on 15 November 2019 for the current sugar season (SS) October 2019-September 2020. This implies a fall of 64% compared to the corresponding period a year ago when production was at 13.4 lakh tonnes. The decline in output is driven by Maharashtra and Karnataka due to droughts faced by them last year. This, in turn, resulted in about 30% drop in area planted under sugarcane.

According to first advance estimates released by ISMA, sugar output is expected to be at 26 million tonnes for the complete SS 2019-20, considering the diversion of B heavy molasses/ sugarcane juice to ethanol, a y-o-y decline of 21.5%.

Sugar stock position

During SS 2019-20 while production is estimated to fall, the opening stock for the season 2019-20 is expected to stand at an all-time high of about 14.6 million tonnes. Considering production and opening stock, India will have an availability of 40.6 million tonnes of sugar to fulfil the domestic and export requirements.

Domestic consumption can be expected to grow by about 2.5% and stand at 26.7 million tonnes. In addition to this, exports are estimated at 6 million tonnes, given the subsidy of Rs.10.4/kg announced in the export policy for 2019-20. Even if domestic consumption and exports are factored in, India will have a supply glut and closing stock of about 8 million tonnes of sugar for 2019-20. This quantum again continues to be more than the normal requirement of 2-3 months sugar stock which is around 4-6 million tonnes of sugar.

Table 1: Estimated sugar stock situation for SS 2019-20

	(in million tonnes)
Opening stock	14.6
Production	(+) 26.0
Sugar availability	40.6
Domestic consumption	(-) 26.7
Exports	(-) 6.0
Closing stock	7.9

Note: The stock situation may vary depending on the pace of exports during the year 2019-20

Sugar Newscast

20th November 2019

Contact:

Madan Sabnavis

Chief Economist

<mailto:madan.sabnavis@careratings.com>

91-22-68374433

Author

Bhagyashree C. Bhati

Research Analyst

bhagyashree.bhati@careratings.com

91- 22-68374407

Mradul Mishra (Media

Contact)

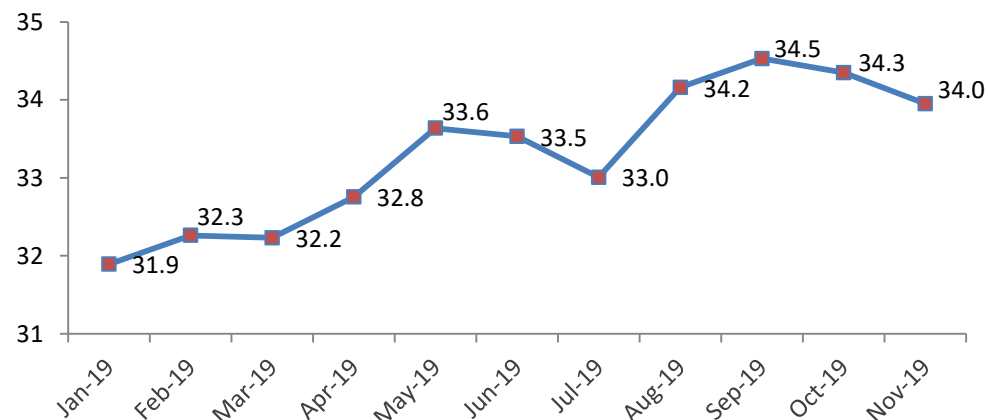
mradul.mishra@careratings.com

91-22-68274424

Trend in sugar prices

The wholesale sugar prices remained in the range of Rs.32 per kg to Rs.35 per kg from January 2019 to November 2019. Resultantly, the prices averaged at Rs.33 per kg during the period and grew by 2.9% on a y-o-y basis. It is to be noted that the prices hovered around Rs.34 per kg for the last three straight months August-October 2019 and continued to average at Rs.34 in November 2019 (till 19 November). The government had raised the Minimum Support Price (MSP) to Rs.31 per kg in February 2019 from Rs.29 per kg which supported the price rise. In addition to this, lower estimates of sugar production for SS 2019-20 also aided the growth in prices.

Chart 1: Movement in wholesale sugar prices (Rs./kg)



Source: CMIE

Note: Sugar prices for November 2019 are till 19 November 2019

Concluding remarks

- India is estimated to have a closing stock of about 8 million tonnes of sugar for 2019-20 even if domestic consumption and exports are factored in. This quantum again continues to be more than the normative requirement of 2-3 months sugar stock which is around 4-6 million tonnes of sugar. This estimated closing stock however is less compared to an all-time high of about 14.6 million tonnes closing stock for SS 2018-19.
- The prices are expected to be in the range of Rs.34-Rs.35 per kg in the coming months given the lower estimates of sugar production in SS 2019-20. Also, the movement in domestic sugar prices will depend on the pace of exports during the year.

Disclaimer: This report is prepared by CARE Ratings Ltd. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis / inferences / views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report.

www.careratings.com

Follow us on  [/company/CARE Ratings](https://www.linkedin.com/company/CARE-Ratings)
 [/company/CARE Ratings](https://www.youtube.com/channel/UC...)

CORPORATE OFFICE:

CARE Ratings Ltd. (Formerly Credit Analysis & Research Ltd.) CIN: L67190MH1993PLC071691

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022.

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com