

## Government allows import of 3 lakh tonnes of raw sugar

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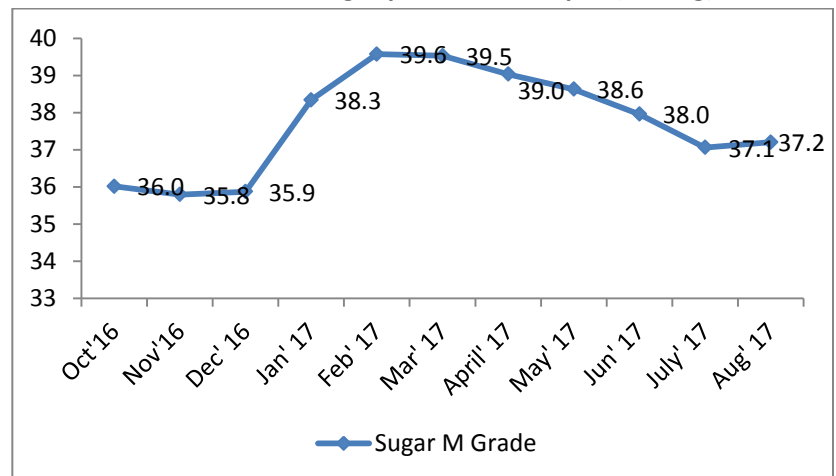
The government allowed import of 3 lakh tonnes of raw sugar at a discounted import duty of 25%. This move is aimed at increasing the availability of sugar to avoid any disturbance in supplies and any sudden spurt in sugar prices with festival season soon approaching. It will help increase the supply of sugar in southern part of the country.

Earlier, the government had allowed 5 lakh tonnes of raw sugar at zero duty through open general license to maintain domestic prices at reasonable levels in April 2017. Also, import duty on sugar was raised to 50% from 40% in July 2017 which is believed to have kept the prices stable.

### Sugar prices

The M Grade sugar prices in Kolhapur hovered in the range of Rs.37.1-Rs.39.6 per kg during the period January-August 2017.

**Chart 1: M Grade sugar prices in Kolhapur (Rs. /kg)**



Source: NCDEX

The sugar prices that averaged at Rs.35.9 per kg in the December 2016 quarter increased to Rs.38.3 per kg in January 2017, a growth of 6.8%. In February 2017, the prices rose by 3.2% to Rs.39.6 per kg on a m-o-m basis. The prices stabilized and remained in the range of Rs.37.1-Rs.39.6 per kg during the period January-August 2017.

The prices were range bound as the availability of sugar was sufficient to meet consumption requirements in the country.

## **Nonetheless, the government remains keen on keeping prices stable**

*The prices have remained range bound but with the festival season coming soon, the government is keen on keeping the prices stable.*

To ensure adequate availability of sugar and to avoid any chance of sugar hoarding to increase the prices, the government imposed stock holding limits on sugar producers at the end of August 2017. With this, no sugar producer shall hold any stock of sugar in excess of 21% and 8% at the end of September 2017 and October 2017, respectively. These percentages are with respect to total sugar available with them during 2016-17 sugar season. *Also, the announcement of import of 3 lakh tonnes of sugar is expected to keep the prices stable.*

## **Sugar production estimates by ISMA**

According to the Indian Sugar Mills Association (ISMA), sugar production in the country is estimated to stand at 25.1 million tonnes in the upcoming sugar season October 2017-September 2018. This implies a rise of 24% compared to around 20.2 million tonnes of estimated sugar produced in the sugar season 2016-17. The growth in production in 2017-18 will be backed by a higher sugarcane area and comes after an output decline of 19.8% y-o-y in 2016-17.

For 2016-17, the domestic availability of sugar is estimated at 28.4 million tonnes. This includes opening stock of 7.7 million tonnes, production of around 20.2 million tonnes and imports of 0.5 million tonnes. The stock available with the country is sufficient to meet the expected consumption of about 24 million tonnes during the year. This estimate is lower compared to our earlier estimate of 24.5-25 million tonnes of consumption. India therefore is likely to have a closing stock of 4.4 million tonnes of sugar for the current season 2016-17. In addition to this, the imports of 0.3 million tonnes allowed will also add to the stock of sugar.

## **Concluding remarks**

- *The permission of importing 3 lakh tonnes of raw sugar at a discounted import duty of 25% is aimed at increasing the availability of sugar to avoid any disturbance in supplies and any sudden spurt in sugar prices with festival season soon approaching.*
- *It will help increase the supply of sugar in southern part of the country.*
- *The prices have remained range bound but with the festival season coming soon, the government is keen on keeping the prices stable.*

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