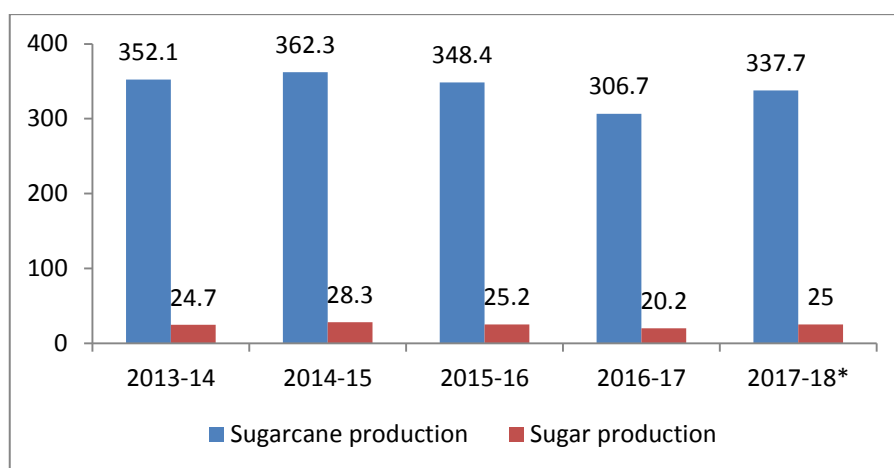


Sugar Update: Production and Prices

September 26, 2017 | Industry Research

The government has come up with first advance estimates of sugarcane for the year 2017-18. According to these estimates, cane production is expected to grow by 10.1% on a y-o-y basis to 337.7 million tonnes. The increase in cane output will come after an 11.9% y-o-y fall in 2016-17.

Chart 1: Sugarcane and sugar production (in million tonnes)



Source: Ministry of Agriculture and ISMA

Sugar production 2017-18: CARE Ratings estimate

With the rise in cane production, CARE Ratings expect sugar production for the upcoming sugar season (October 2017-September 2018) to stand at 25 million tonnes. This implies a y-o-y growth of 23.8%. The rise in sugar production in 2017-18 will be after two consecutive years of fall in sugar production.

According to the Indian Sugar Mills Association (ISMA), sugar production during the season 2017-18 is likely to grow by 24% y-o-y to about 25.1 million tonnes and the closing stock for the current year 2016-17 is estimated at 4.05 million tonnes as per its August issue. Also, the government has allowed import of 3 lakh tonnes of raw sugar on 8th September 2017.

CARE Ratings thus expect sugar availability for the season 2017-18 to stand at around 29.05 million tonnes assuming no sugar is imported during the year. This includes production estimate of 25 million tonnes and opening stock of 4.05 million tonnes for the year.

As domestic consumption during 2017-18 is expected to be 25.01 million tonnes and no exports are to be reckoned, the closing stock for the year is likely to be about 4.04 million tonnes. ISMA has estimated consumption at 24.4 million tonnes for the year 2016-17.

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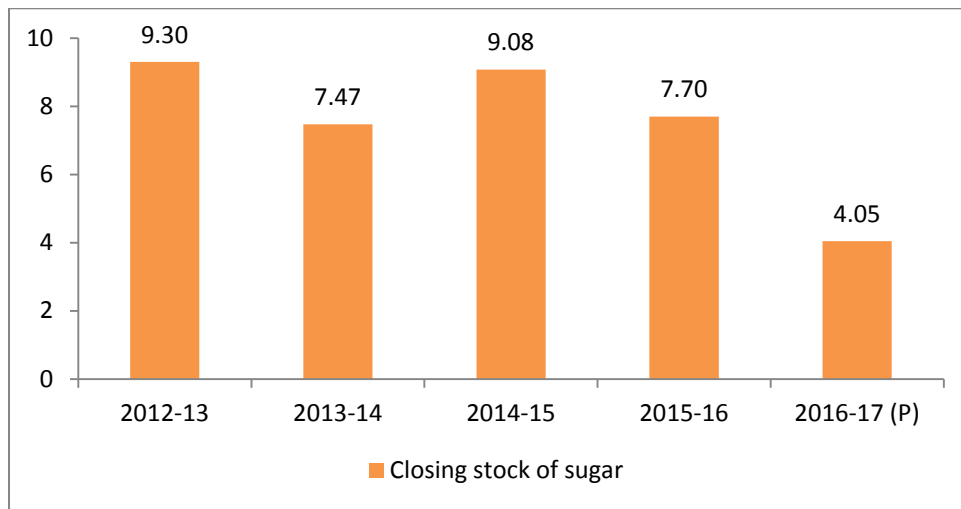
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Chart 2: Closing stock of sugar

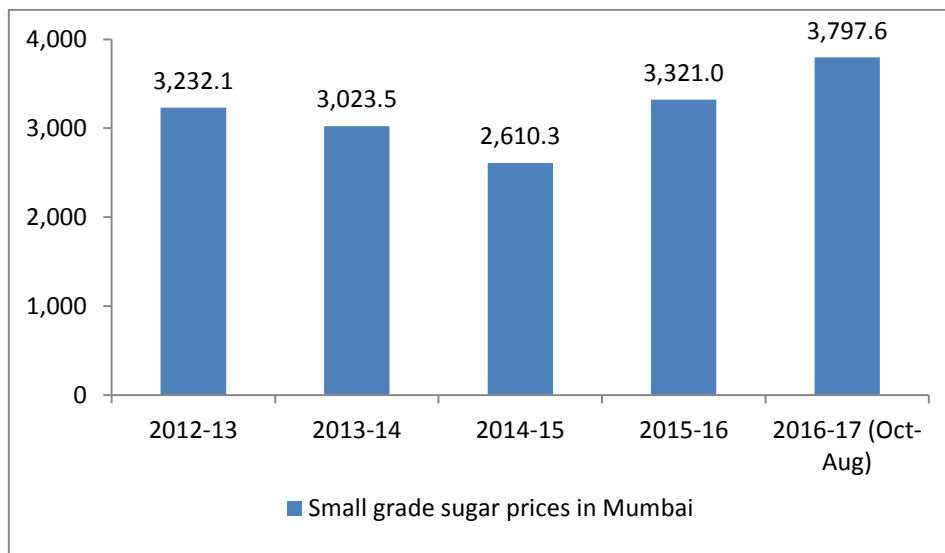


Source: ISMA

P (Provisional)

The closing stock for the year 2017-18 thus will be more or less in line with the closing stock for 2016-17 considering that no sugar is imported or exported by India during the season 2017-18. The stock however will not be sufficient to meet the three month requirements of sugar stock for the next season. *This we believe will aid the prices to remain stable during the season 2017-18.* India generally keeps a normative requirement of three months stock for the next year. Closing stock for the year 2016-17 was the lowest among the years mentioned above.

Chart 3: Small grade sugar prices in Mumbai (Rs. /quintal)



Source: CMIE

The average sugar prices touched a low of Rs.2,610.3 per quintal during the sugar season 2014-15 due to a rise in sugar production and averaged higher during 2015-16 and during October 2016-August 2017 on a y-o-y basis on account of lower sugar production in the country during these years.

Concluding remarks

- With the rise in cane production, CARE Ratings expect sugar production for the upcoming sugar season (October 2017-September 2018) to reach 25 million tonnes. This implies a y-o-y growth of 23.8%. The rise in sugar production in 2017-18 will be after two consecutive years of fall in sugar production.
- The closing stock for the year 2017-18 thus will be more or less in line with the closing stock for 2016-17 and assuming that no sugar is imported or exported by during the season 2017-18. The stock however will not be sufficient to meet the three month requirements of sugar stock for the next season. *This we believe will aid the prices to remain stable during the season 2017-18.*

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