

INDIAN SUGAR SECTOR

**Drop in domestic sugar production
in YTD SY2024**

December 2023



1 Domestic Demand-Supply Dynamics



2 Trend in Sugar Prices



3 Ethanol Blending



4 ICRA Ratings in the Sector



Exports remain unlikely for SY2024 to maintain optimum sugar balance for domestic consumption and ethanol production from surplus sugarcane.

Domestic sugar prices (UP) stood at Rs. 36/kg in April – July 2023, which further increased to Rs. 37-39/kg in August-December 2023, supported by a balanced demand-supply situation. International prices of raw and white sugar remained elevated in April-November 2023 compared to March 2023.



Sugar Demand-Supply Balance Estimates – The gross sugar production is likely to remain at 32.0 million MT, 13% lower compared to 36.6 million MT in SY2023, mainly due to lower cane yields and uneven distribution of rainfall in Maharashtra and Karnataka. Further, lower sugar production is expected for SY2025 and, therefore, to maintain adequate stock levels by SY2024-end, the Government has capped diversion towards ethanol production at 1.7 million MT along with ban on sugar exports. Net sugar production is expected to moderate to 30.3 million MT post diversion. Domestic sugar consumption is estimated at 27.9 million MT in SY2024.

Sugar Production – Domestic sugar production stood at 7.4 million MT till December 15, 2023, for SY2024, 11% lower than the previous season same period. This was mainly due to lower cane yields and uneven distribution of rainfall in Maharashtra and Karnataka.

Domestic Sugar Prices – Domestic sugar prices (UP) stood at Rs. 36/kg in April – July 2023, which further increased to Rs. 37-39/kg in August-December 2023, supported by a balanced demand-supply situation. The average domestic sugar prices for 3M SY2024 stood at Rs.38.8/kg, 10% higher compared to the same period in the previous year.

International Sugar Prices – International prices of raw sugar increased to \$602/MT in November 2023 compared to \$593/MT in October 2023, while prices of white sugar was up to \$740/MT in November 2023 compared to \$723/MT in October 2023. With rise in prices of raw and white sugar, the premium between the two prices stood at \$138/MT in November 2023, slightly higher compared to \$130/MT in October 2023. This was mainly due to the deteriorating weather outlook coupled with rising demand.

Ethanol – International prices of raw sugar increased to \$602/MT in November 2023 compared to \$593/MT in October 2023, while prices of white sugar was up to \$740/MT in November 2023 compared to \$723/MT in October 2023. With rise in prices of raw and white sugar, the premium between white and raw sugar prices stood at \$138/MT in November 2023, slightly higher compared to \$130/MT in October 2023. This was mainly due to the deteriorating weather outlook coupled with rising demand.



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