INDIAN SUGAR SECTOR

Sugar production estimates revised upwards for SY2024

March 2024

Agenda

1 Domestic Demand-Supply Dynamics

2 Trend in Sugar Prices

3 Ethanol Blending

4 ICRA Ratings in the Sector

Highlights

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ISMA has asked for additional diversion towards ethanol production in ESY2024, since the sugar closing stock is expected to remain sufficient.

Some moderation was seen in domestic prices to around Rs. 37-38/kg in December 2023-March 2024 due to the ongoing crushing season.

International prices of raw sugar improved slightly in February 2024, while the prices of white sugar moderated in February 2024.

Sugar Demand-Supply Balance Estimates – As per the latest estimates for SY2024 by ISMA, the gross sugar production is likely to remain at 34.0 million MT, compared to 33.0 million MT estimated earlier, mainly because the closure of mills in Maharashtra and Karnataka is slower than last year. With the diversion capped towards ethanol production at 1.7 million MT, along with the ban on sugar exports, the net sugar production is expected to remain at 32.3 million MT post diversion. The domestic sugar consumption is estimated at 28.5 million MT in SY2024; therefore, the closing stock is expected to be around 9.4 million MT as on September 30, 2024 (significantly higher compared to the sugar stock of 5.6 million MT as on September 30, 2023). This would be equivalent to 3.9 months of consumption (PY: 2.4 months).

Sugar Production – Domestic sugar production stood at 25.5 million MT till February 29, 2024, for SY2024, 1% lower than the previous season in the same period. The dip is much lower compared to an earlier estimation mainly because in the current season the rate of closure of mills in Maharashtra and Karnataka is slower than last season, indicating longer season tail.

Domestic Sugar Prices – Domestic sugar prices (UP) remained firmed up at Rs. 39/kg in October-November 2023 on the back of lower sugar production expected for SY2024 and on account of the festive season. Some moderation was seen in domestic prices to around Rs. 37-38/kg in December 2023-March 2024 due to the ongoing crushing season.

International Sugar Prices – International prices of raw sugar improved slightly to $515/MT in February 2024 compared to $498/MT in January 2024, while prices of white sugar declined to $635/MT in February 2024 compared to $640/MT in January 2024. The premium between white and raw sugar stood at $120/MT in February 2024, lower compared to $142/MT in January 2024.

Ethanol – For ESY2024, around 267-crore litre of ethanol has been contracted of which 148-crore litre has been supplied till February 18, 2024 (i.e., ~55% of contracted quantity). Considering the feedstock-wise contribution, the share of sugarcane juice and B-heavy molasses, together, stood at 44% of the contracted and 61% of the receipts during the period.

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Thank You!