

INDIAN SUGAR SECTOR

Tightening inventory position amid potential El Nino impact on SY2027 production

June 2026



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Closing sugar inventory levels are expected to moderate to around two months of consumption by the end of SY2026, indicating a relatively tighter demand-supply balance compared to the previous years.

Further, the anticipated El Niño conditions pose a downside risk to sugarcane yields in key producing states, which could weigh on sugar production in SY2027 and keep the supply outlook constrained.



Demand-supply balance estimates – Gross sugar production in SY2026 is projected to increase by 5.03% to 31.10 million MT (previous year [PY]: 29.6 million MT). Net sugar production, after an estimated diversion of 3.1 million MT towards ethanol production, is likely to remain at 28 million MT. Considering the domestic consumption of 28.3 million MT and export of 0.7 million MT (already done), the closing sugar stock level is expected to remain at around 4.3 million MT (PY: 5.3 million) by September 2026, which is about two months of consumption, indicating slightly lower sugar inventory levels compared to the previous years.



Production – In SY2026, sugar production stood at 27.53 million MT till April 30, 2026, marking a YoY increase of 7% compared to 25.65 million MT during the same period last year. The increase in output was supported by adequate sugarcane availability and improved yield across the key sugar producing regions compared to the previous year. At present, Maharashtra leads the sugar mill operations, followed by Uttar Pradesh and Karnataka.



Domestic prices – Domestic prices (Uttar Pradesh) remained firm at Rs. 40-41/kg during May-June 2026.



International prices – International sugar prices moderated on a year-on-year (YoY) basis, with raw sugar prices declining to \$326/MT in May 2026 from \$384/MT in May 2025, although recording a recovery from \$309/MT in April 2026. Similarly, white sugar prices declined to \$440/MT in May 2026 from \$490/MT in May 2025, while improving from \$426/MT in April 2026. Consequently, the white premium increased to \$115/MT in May 2026 from \$105/MT in May 2025.



Ethanol – India's blending ratio remained steady at 20% in 7M ESY*2026. In 7M ESY2026, 615 crore litres have been blended, with 105 crore litres blended in May 2026.

* ESY: Ethanol Supply Year (from November 1 to October 31)



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