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POLICY

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India

Sugar Semi-annual

2012

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Report Highlights:

This report updates IN2058. Official statistics indicate sugarcane plantings in marketing year 2012/13 (October-September) are unchanged from 2011/12 at 5.1 million hectares. Production is forecast at 335 million tons, down 6% compared to last year. Centrifugal sugar production is expected to drop 11 percent to 25.6 million tons (raw value). 2012/13 sugar imports are forecast at 500 thousand tons. Higher beginning stocks and a comfortable supply situation will encourage 2012/13 sugar exports to 2.2 million tons, compared to 3.5 million tons in 2011/12 (through August 2012).

Commodities:

Sugar, Centrifugal

Sugar Cane for Centrifugal

Production:

Based on the government's first advance estimate ^[1] for crop year 2012/13 (July-June), sugarcane has been planted on 5.1 million hectares, marginally higher than 5.08 million hectares the previous year. As anticipated, below normal rains in the first half of monsoon season (June-September) discouraged additional sugarcane planting, particularly in Maharashtra and Karnataka. (Combined June and July rainfall for these states was just 65% of the normal level and cane planting dropped more than 7% compared to last year). Encouraged by normal rains and higher cane price payments, farmers in Uttar Pradesh planted additional area to sugarcane (up 7.5% over last year), which partially compensated the drop in acreage in other major cane growing states.

Maharashtra, one of India's largest sugar producing states, has been facing acute water scarcity since January 2012. Below normal rains in June and July further compounded Maharashtra's concerns over drinking and irrigation water availability. Forage declined and some cane was diverted to cattle feed.

In response, the Maharashtra government opened forage depots in drought affected regions, providing free green forage and water to cattle owners as drought relief measures. This will likely reduce the net area planted to cane and bring down its availability for crushing.

Given these factors, total sugarcane and centrifugal sugar production ^[2] in marketing year 2012/13 is forecast lower at 335 million tons ^[3] and 25.6 million tons, respectively (see tables 1 and 2). Based on official estimates (India's fourth advance estimate for 2011/12), 2011/12 sugarcane production has been raised by 10 million tons to 357.7 million tons (Table 3). (*Note: Please refer to IN2058 for information on production policy*).

^[1] <http://agricoop.nic.in/nfcweather/nfcasSep-28-2012.pdf>

^[2] Unless otherwise stated in context, reference to 'sugar' means raw sugar.

^[3] Government first advance estimate for crop season 2012/13

Consumption:

Post's 2012/13 consumption estimate has been lowered to 26 million tons on expected tight supplies, while 2011/12 consumption has been trimmed to 24.7 million tons due to higher than anticipated exports (Table 1).

MARKET PRICES

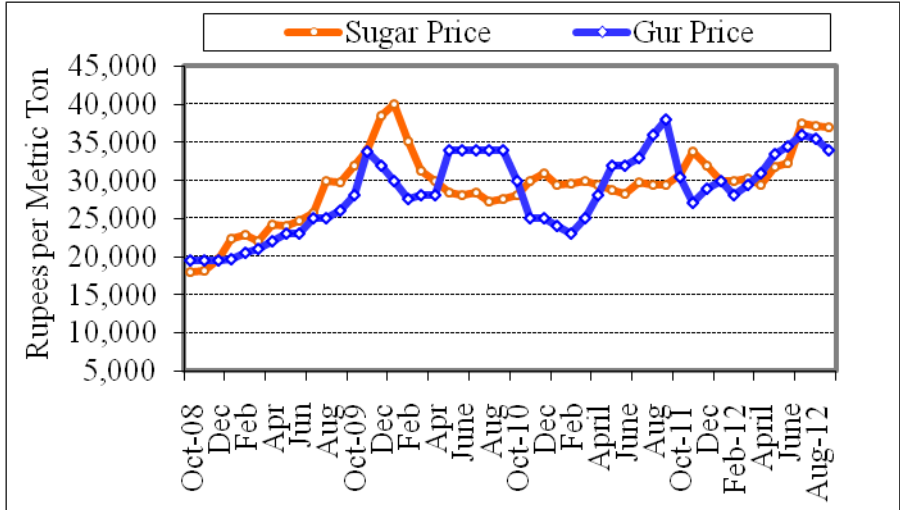
Sugar prices remained stable through June 2012, but increased in July 2012 (Table 5) on expectations of

lower 2012/13 sugar production due to low rainfall. In response to increasing prices, the Government of India allowed sales of additional sugar quota through its sugar release mechanism in order to help ease prices. (See GAIN report IN2058 for more information on government quotas for Public Distribution System sugar). The following measures were taken by the Indian Government to improve availability and control sugar prices during the 2012/13 sugar season ^[1].

- 1) The unsold levy quota of 200,000 tons from the April-June quarter was allowed for open market sale from July 13th through August 14, 2012.
- 2) Sugar mills were directed to sell at least 70% of their July-September quota by August 31, 2012 vide order dated July 24, 2012.
- 3) An additional 400,000 ton quota (to be sold by August 31) was released on August 07, 2012. A total of 21.31 million tons of sugar was released for domestic consumption during 2011/12.

Currently, sugar prices in India’s major domestic wholesale market range from \$660 to \$720 per ton. Although end season gur prices are relatively stable (Table 6) due to lower end season production, gur prices in marketing year (MY) 2012/13 will largely be guided by sugar price movements (Figure 1).

Figure 1. India: Sugar and Gur Prices in Delhi Market, 2008-12



Source: Industry and Trade Sources

^[1] Rajya Sabha(Council of States), Question No 345

Trade:

Imports

2012/13 imports are forecast at 500 thousand tons, indicating lower production. 2011/12 imports are increased to 100 thousand tons, reflecting trade data. 2010/11 imports remain unchanged at 405 thousand tons.

Exports

Higher beginning stocks and a comfortable supply situation will encourage 2012/13 sugar exports to 2.2 million tons (raw value), compared to 3.5 million tons in 2011/12 (through August 2012). Industry sources expect September 2012 shipments to be minimal. 2010/11 exports remain unchanged at 3.9 million tons.

TRADE POLICY

In an effort to expand domestic supplies, India extended its zero import duty on raw and white sugar through June 30, 2012 ([Customs Notification No. 25/2012](#)). On July 1, 2012, the Indian Government changed course, imposing a 10% duty on sugar imports due to anticipated higher domestic sugar supplies in the first three quarters of MY 2011/12. The relevant notification is available at [Customs Notification No 45/2012](#).

With international raw sugar prices falling \$150 per ton lower than domestic prices (during the week of October 5, 2012), imports have become viable. Industry observers believe that if the Indian rupee continues to strengthen relative to the U.S. dollar, then refiners in Maharashtra and Karnataka will import raw sugar. This will increase India's domestic capacity utilization, (which is facing short sugarcane supplies) and will also help keep domestic food inflation in check, especially with the start of the festive season (September-March). Since June 2012, the Indian rupee has gained more than 6 percent relative to the U.S. dollar.

In May 2012, the Empowered Group of Ministers liberalized sugar exports, allowing them under open general license. This was formalized by the May 11, 2012 Department of Food and Public Distribution Notification [Order S.O. 1059 \(E\)](#), abolishing the requirement to obtain export release orders from the Directorate of Sugar for the 2011/12 season. (Previous export release orders under open general license 5 can be viewed at [Export Release Order 2012](#)). The decision was intended to help the sugar industry liquidate surplus stocks and settle their arrears. On May 14, 2012, however, the Ministry of Commerce required millers to register their export contracts ([Notification No. 117 \(RE-2010\)/2009-2014](#)). Sugar mills and exporters are thus free to export sugar as per their commercial interest, although the Indian government is monitoring exports closely. Note that recent press reports indicate that 2012/13 sugar exports will likely continue under open general license.

Stocks:

2011/12 sugar ending stocks have been raised to 6.5 million tons. 2012/13 ending stocks are forecast at 7 million tons, which is sufficient to meet the normal stock requirements (3 months consumption).

Production, Supply and Demand Data Statistics:

Table 1. India: Commodity, Centrifugal Sugar (raw value basis), PSD
(Figures in '000 MT)

Sugar, Centrifugal India	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Beginning Stocks	6,222	6,223	5,798	6,299	6,528	7,700	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	26,574	26,574	28,830	28,800	29,750	25,630	(1000 MT)
Total Sugar Production	26,574	26,574	28,830	28,800	29,750	25,630	(1000 MT)
Raw Imports	402	402	0	100	0	500	(1000 MT)
Refined Imp.(Raw Val)	3	3	0	0	0	0	(1000 MT)
Total Imports	405	405	0	100	0	500	(1000 MT)
Total Supply	33,201	33,202	34,628	35,199	36,278	33,830	(1000 MT)
Raw Exports	1,187	1,187	0	1,077	0	800	(1000 MT)
Refined Exp.(Raw Val)	2,716	2,716	2,600	2,422	2,500	1,400	(1000 MT)
Total Exports	3,903	3,903	2,600	3,499	2,500	2,200	(1000 MT)
Human Dom. Consumption	23,500	23,000	25,500	24,000	26,500	25,000	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Use	23,500	23,000	25,500	24,000	26,500	25,000	(1000 MT)
Ending Stocks	5,798	6,299	6,528	7,700	7,278	6,630	(1000 MT)
Total Distribution	33,201	33,202	34,628	35,199	36,278	33,830	(1000 MT)
TS=TD		0		0		0	

Note: Stocks include only milled sugar, as all *khandsari* sugar produced is consumed within the marketing year. Virtually no centrifugal sugar is utilized for alcohol, feed, or other non-human consumption.

Table 2. India: Commodity, Sugarcane, Centrifugal, PSD
(Area in '000 hectare and others in '000 MT)

Sugar Cane for Centrifugal India	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	4,940	4,940	5,090	5,090	5,250	5,100	(1000 HA)
Area Harvested	4,940	4,940	5,090	5,090	5,250	5,100	(1000 HA)
Production	342,380	342,380	347,870	357,670	365,000	335,328	(1000 MT)
Total Supply	342,380	342,380	347,870	357,670	365,000	335,328	(1000 MT)
Utilization for Sugar	240,000	240,000	260,000	270,000	270,000	240,000	(1000 MT)
Utilizatn for Alcohol	102,380	102,380	87,870	87,670	95,000	95,328	(1000 MT)
Total Utilization	342,380	342,380	347,870	357,670	365,000	335,328	(1000 MT)
TS=TD		0		0		0	

Note: Virtually no cane is utilized directly for alcohol production. 'Utilization for alcohol' in the PS&D includes cane used for gur, seed, feed and waste. 'Utilization for sugar' data include cane used to produce mill sugar and khandsari sugar.

Author Defined:

Table 3. India: Sugarcane Area, Production, and Utilization

Sugar Cane	Area ¹	Yield ¹	Production ¹	Sugar ²	Khandsari ³	Gur ³	Seed ³
	Million ha	Tons/ha	Million Tons	Million Tons	Million Tons	Million Tons	Million Tons
1985/86	2.86	59.99	171.68	68.98	10.48	71.62	20.60
1990/91	3.69	65.39	241.05	122.32	13.18	76.63	28.93
1995/96	4.15	68.02	282.09	174.76	10.00	67.27	30.06
2000/01	4.32	68.49	295.60	176.65	11.00	72.48	35.47
2001/02	4.41	67.38	297.21	180.32	10.50	70.73	35.67
2002/03	4.52	63.58	287.38	194.33	9.50	49.07	34.49
2003/04	3.94	59.39	233.86	132.51	10.00	61.35	30.00
2004/05	3.66	64.74	237.09	124.77	9.50	74.37	28.45
2005/06	4.20	66.93	281.17	188.67	8.50	50.26	33.74
2006/07	5.15	69.03	355.52	279.24	7.50	26.11	42.66
2007/08	5.06	68.81	348.19	249.90	7.00	49.50	41.78
2008/09	4.40	64.77	285.00	145.00	6.50	99.30	34.20
2009/10	4.20	66.14	277.80	185.54	6.50	52.43	33.34
2010/11	4.89	70.01	342.38	240.00	7.50	53.80	41.08

2011/12	5.09	70.26	357.67	270.00	7.00	37.75	42.92
2012/13 ³	5.10	65.75	335.33	240.00	7.00	47.80	40.20

Note: Figures for 2011/12 and 2012/12 are FAS estimates. Area in million hectares. Yield in metric tons per hectare. Others in million metric tons.

Source: /1: Directorate of Economic and Statistics, Ministry of Agriculture

/2: Indian Sugar Mills Association except 2011/12 and 2012/13

/3: FAS/New Delhi estimate

Table 4. India: Mill Sugar Production by State

(Figures in 100,000 tons crystal weight basis)

State	2009/10	2010/11	2011/12	2012/13
	Final	Revised	Estimate	Forecast
Andhra Pradesh	5.2	10.1	11.0	11.0
Bihar	2.6	3.9	5.5	5.5
Gujarat	11.9	12.4	11.4	10.0
Haryana	2.5	3.9	4.2	3.0
Karnataka	25.6	36.8	36.0	26.0
Maharashtra	70.7	90.5	90.0	64.0
Punjab	1.8	3.0	3.4	3.0
Tamil Nadu	12.8	18.5	21.0	24.0
Uttar Pradesh	51.8	58.9	70.0	75.0
Others	4.4	6.0	12.5	14.0
Uttar Pradesh	51.8	58.9	70.0	75.0
Total	189.1	243.9	265.0	235.5

Note: Excludes Khandsari sugar, as state break-up is not available.

Source: /1: MYs 2009/10 and 2010/11 - Indian Sugar Mills Association

/2: MYs 2011/12 and 2012/13 – FAS/New Delhi Estimate

Table 5. India: Commodity, Centrifugal Sugar, Price Table

Year	2010	2011	2012	Percent Change
January	40000	29500	30000	2
February	35200	29650	30000	1
March	31250	30000	30250	1
April	30000	29400	29400	0
May	28500	28750	31750	10
June	28000	28300	31250	10
July	28500	29750	32300	14
August	27250	29500	37500	26
September	27500	29500	37200	26
October	28000	30750		
November	30000	33750		
December	31000	32000		
Exchange Rate:	45.65	49.00	52.41	
	Local Currency/US \$			

Note: Exchange rate for 2010 and 2011 refers to Indian Fiscal Years (IFY) 2010/11 (April/March) and IFY 2011/12 respectively. Exchange rate of 2012 refers to average for first six months.

Source & Contract Terms: Indian Sugar Mills Association and NFCSF; month-end prices in the Delhi wholesale market.

Table 6. India: Commodity, Gur, Price Table (Price in actual weight basis)

Year	2010	2011	2012	Percent Change
January	30000	24000	30000	25
February	27500	23000	28000	22
March	28000	25000	29500	18
April	28000	28000	31000	11
May	34000	32000	33500	5
June	34000	32000	34500	8
July	34000	33000	36000	9
August	34000	36000	35500	-1
September	34000	38000	34000	-11
October	30000	30500		
November	25000	27000		
December	25000	29000		
Exchange Rate:	45.65	49.00	52.41	
	Local Currency/US \$			

Note: Exchange rate for 2010 and 2011 refers to Indian Fiscal Years (IFY) 2010/11 (April/March) and IFY 2011/12 respectively. Exchange rate of 2012 refers to average for first six months.

Source & Contract Term: Indian Sugar Mills Association and NFCSF; month-end prices in the Delhi wholesale market.

Table 7. India: Commodity, Sugarcane, Price Table (Price in Rs. per ton)

	2009/10	2010/11	2011/12
Minimum Support Price (MSP) or Fair Remunerative Price (FRP)			
Wheat	11,000	11,200	12,850
Rice (Grade A)	9,800	10,300	11,100
Sugarcane	1298.4	1391.2	1450.0/*
State Advised Price (SAP) for Sugarcane, by State			
Uttar Pradesh	1650-1700	2050-2100	2350-2500
Haryana/Punjab	1850-1900	1900-2200	2200-2310
Southern States [#]	2000-2400	1750-2300	1800-2050

Notes:

*: FRP for 2011/12 at 9.5 percent recovery, subject to a premium of Rs 1.53 for every 0.1 percent increase in recovery above 9.5 percent.

#: Sugar mills pay market price.

In 2011/12, Tamil Nadu government was paying Rs 100 in addition to SAP as transport cost.

Exchange rate:

2010/11 (April-March) 1 US\$ = 45.61 Indian Rupees

2011/12 (April-March) 1 US\$ = 48.13 Indian Rupees

Source: Indian Sugar Mills Association

