

Industry Update

1. World Sugar

1.1 World Sugar Scenario

International Sugar Organization in its Quarterly Market Outlook of August'18 has made the first forecast for 2018/19 crop year:

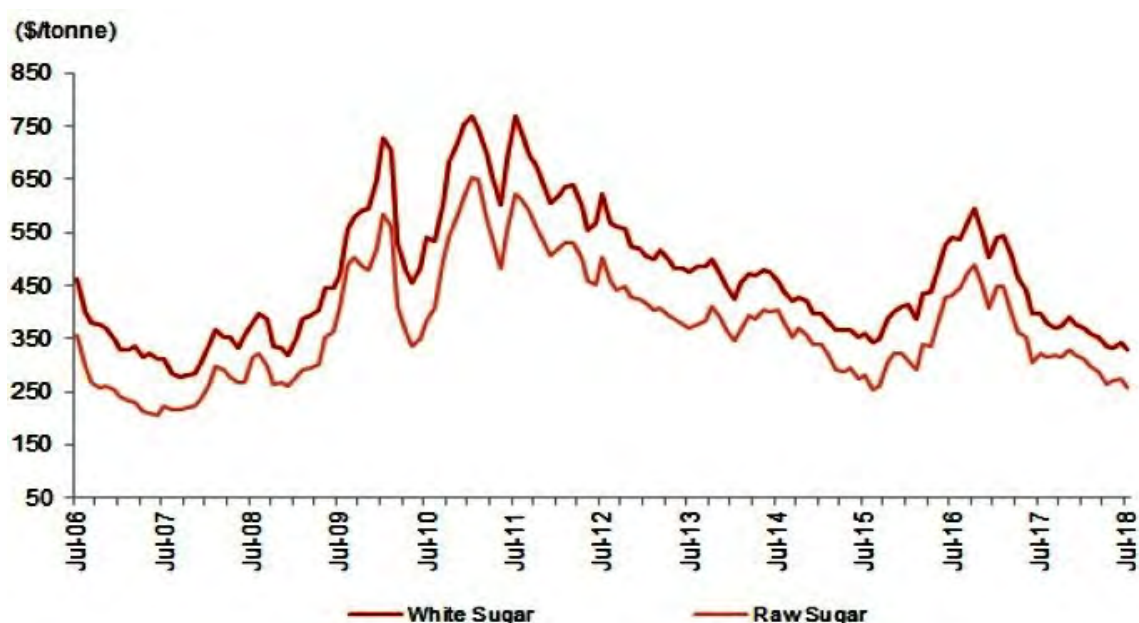
- A second consecutive season of considerable global statistical surplus
- Further increase projected for world production to record 185.2 million tons (Mt)
- Record production in India & Thailand
- A global trade surplus is expected in 2018/19
- Ending stocks/consumption ratio to rise
- World market prices at the lowest level since Dec 2008

ISO anticipates the global sugar consumption to grow by 2.895 Mt from 2017/18 to 178.468 Mt, tel quel. The main supply features of 2018/19 are the projected production increases in three countries led by India and decline in Thailand and EU.

1.2 World consumption

Recent years have shown considerable Y-o-Y fluctuations in growth rates of global use of sugar from an average of about 2% in mid2000s to the current level of about 1.7%. A considerable part of loss in consumption growth rates can be attributed to slowing down in global population growth. Indeed, the rise in per capita income which will pick up in global economic activity is positive to sugar consumption growth.

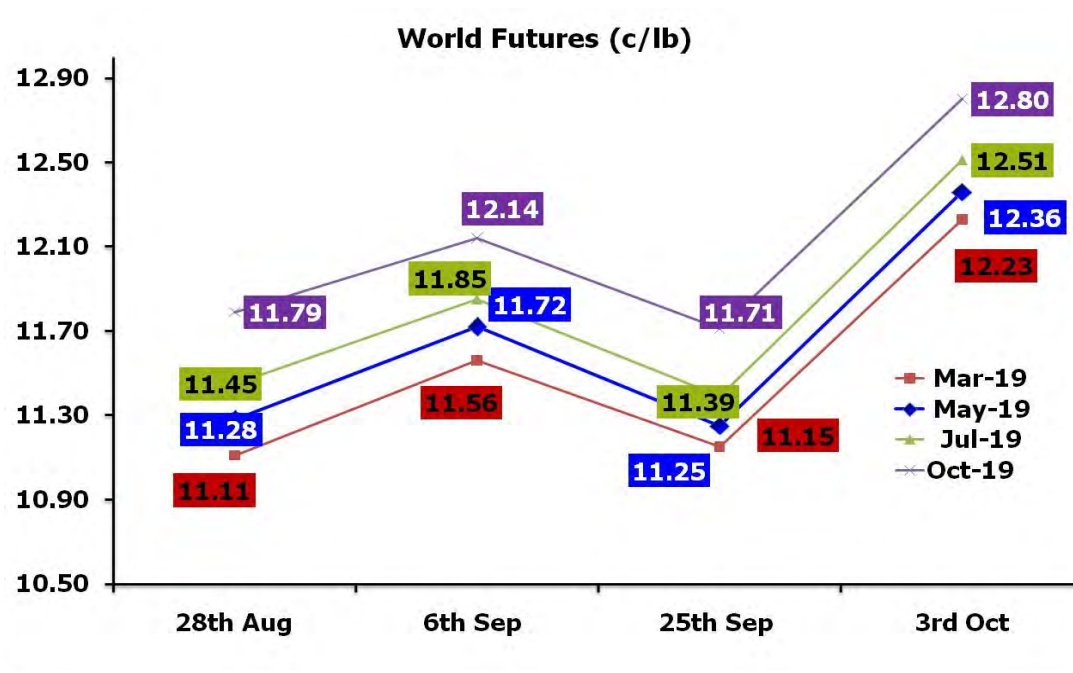
1.3 World sugar prices



Source: LIFFE, ICE & CRISIL Res.

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1.4 World Futures



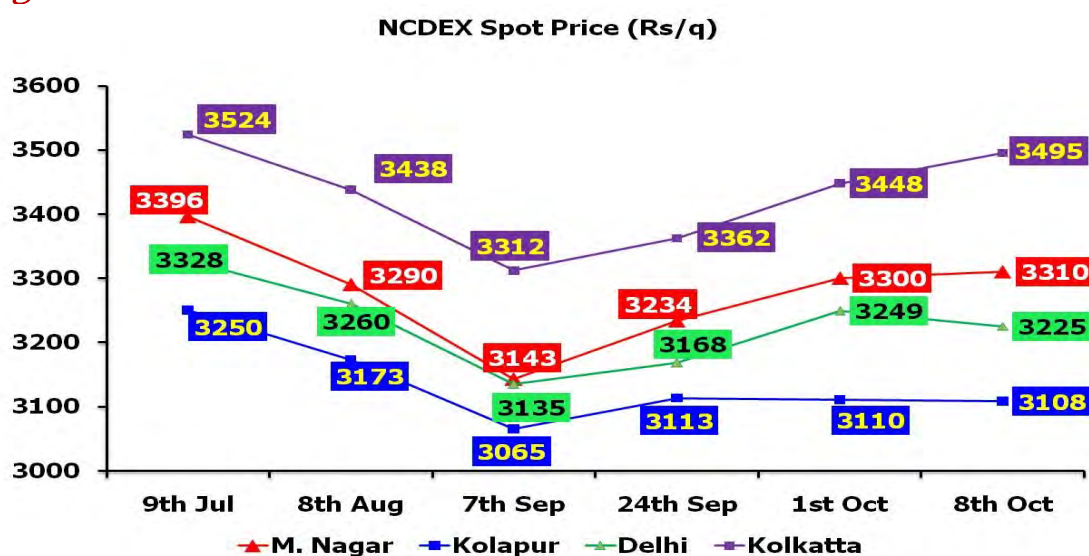
Source: ISO

2. Indian Sugar

2.1 Sugar production

While the Indian Sugar Mills Association stood by its initial estimate of sugar production for sugar season 2019 at 350-355 lakh tons, the first advance estimate of Ministry of Agriculture reveals that sugarcane yield in the States of Maharashtra, U.P, Haryana, Bihar and AP is expected to decline in ongoing season, as compared to previous season.

2.2 Sugar Prices



Source: ISMA

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2.3 Sugar exports

Considering the larger surplus build up during 2018/19, Central Govt has now fixed an export target of 50 lakh tons for the ongoing season. Govt. by order in Sept'18 has allocated sugar mill-wise MIEQ based on average sugar production achieved during last two operational sugar seasons and SS 2017/18.

GoI is also taking all out steps to push sugar exports this time by organizing trade visits to major importing countries to be led by a delegation, to explore the market for export.

2.4 Schemes to support sugar industry

The Central Govt on 5th Oct'18 notified two Schemes:

Scheme for Assistance to Sugar Mills

- Purpose: To facilitate timely payment of cane price dues for SS 2018/19
- Eligibility - Fulfilment of 80% ethanol commitment and requisite compliance thereof
- Extent of Assistance – Rs.13.88/ qtl of cane crushed during SS 2018/19
- Utilization – FRP payment for 2018/19 and cane price arrear of previous sugar seasons
- Mode of Disbursement – Direct credit to farmers' a/c and subsequent balance, if any, shall be credited to mill's a/c.

Assistance for Exports to defray expenses on internal transport, F&H and other export charges

- Purpose, Eligibility etc. – Most conditions under Cane Price Assistance Scheme reiterated herein.
- Extent of Assistance - Flat rate subject to a ceiling of actual expenditure:
 - @ Rs.1000/ t for mills located within 100 kms from the ports;
 - @ Rs.2500/ t for mills located beyond 100 kms from the port in coastal States; and
 - @ Rs.3000/ t for mills located in other than coastal States

2.5 Southwest monsoon

The countrywide cumulative rainfall for the overall season from June 1 till Sept 30 was recorded at 804 mm against the normal rains of 887.5 mm. This monsoon witnessed deficit rainfall in all four months that too with increasing trend with September ending with 22%.
