

## Industry Report

(Updated - May 2017)

### 1. World Sugar

#### 1.1 World Sugar Scenario

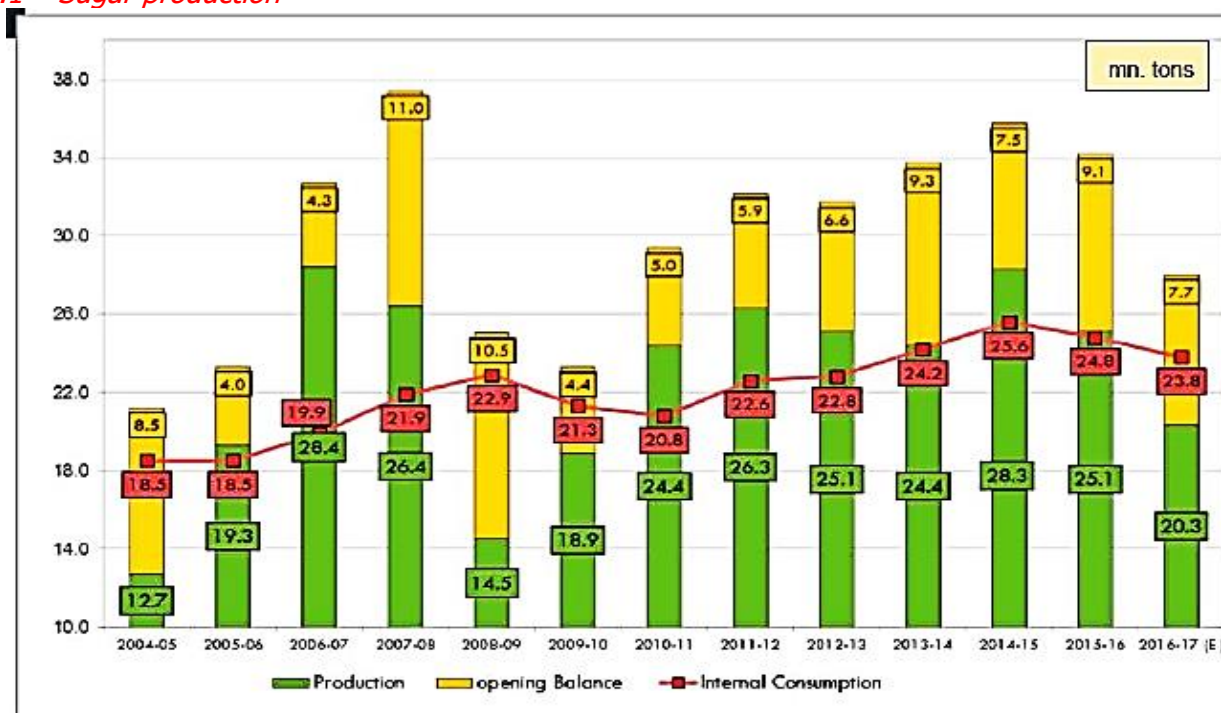
World sugar production is slated to rise strongly on the back of production rebound in India and the increase expected for EU and Thailand. F.O. Licht expects a return to surplus of 2.8 million ton after two years of deficits but does not expect prices to crash as stocks are still at a low level.

#### 1.2 World sugar prices

In April, world sugar values suffered considerable downward corrections but posted a sharp gain on the last trading day before expiration of May futures position in ICE NY 11. White sugar prices were also under bearish pressure. In general, world market price dynamics in April could not be directly associated with the developments of fundamentals.

### 2. Indian sugar

#### 2.1 Sugar production



Source: ISMA

The final figure for Sugar production in 2016-17 will be the lowest since 2010-11. Production till end of April 2017 shows near 50% decline for Maharashtra and Karnataka but a 28% rise for U.P.

#### 2.2 Raw sugar import

The Director General of Foreign Trade has amended the Foreign Trade Policy 2015-20 in April 2017, allowing for duty-free import of 5 lakh tons of raw sugar under the Tariff Rate Quota scheme.

### 2.3 Production outlook for 2017/18

Early discussions pointer to a strong rebound in Northern States while the increase might be limited for Southern States like Karnataka and Tamil Nadu. In essence, there could be near parity in the country between production and off-take in next sugar season, 2017-18.

### 2.4 Sugar price

Sugar prices have been recording monthly rise since the start of current sugar season, albeit with intermittent corrections. There was however trend reversal observed in late April 2017 due to raw sugar import announcement made by the Government. Despite peak summer demand, the market remains flat.

### 2.5 New GST rates

The GST Council has broadly approved the GST rates to be levied on certain goods. Sugar industry is covered under both Goods and Services.

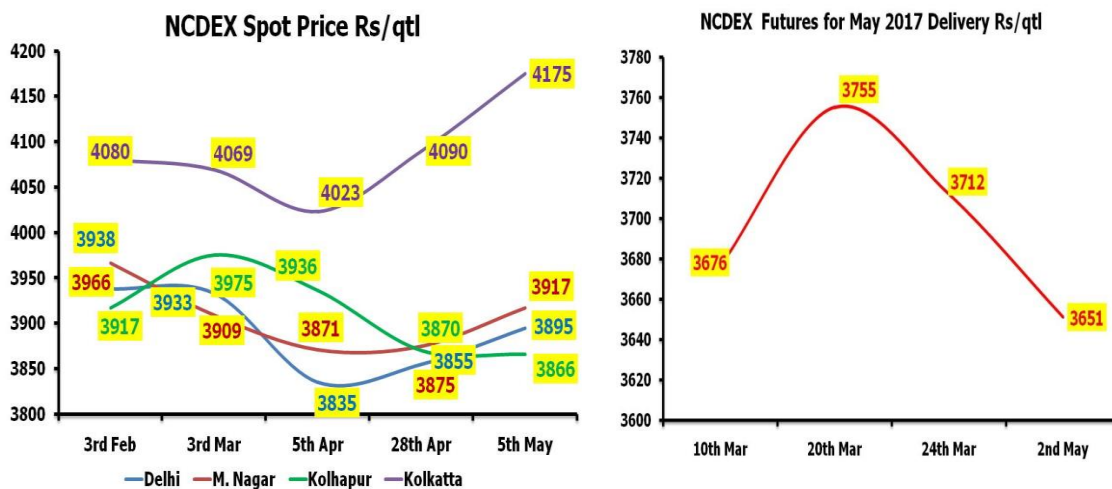
### 2.6 Stock holding limits

Food Ministry by its Order dated 28<sup>th</sup> Apr'17 has extended the validity of stock holding limits till 28<sup>th</sup> Oct'17 with a view to discourage hoarding and keep a tight watch on sugar prices.

### 2.7 Sugar weightage in Wholesale Price Index

In the W.P.I commodity basket, both raw sugar and refined / white sugar have a separate and simultaneous provision in the weightage. The rectified spirit is also included whereas it should be shifted to manufacture of beverages. In response to the persistent representation of the Indian Sugar Mills Association, the Government has revised the WPI results on 12-May-2017 and considerably reduced the weightage for sugar and overall basket of sugar related products.

### 2.8 Sugar Prices



Source: ISMA

### *2.9 PDS sugar*

Despite no provision made in the Union Budget 2017-18 for Central subsidy on PDS sugar, the CCEA has decided to partially restore this subsidy, restricting it to AAY beneficiaries against the past practice of covering the entire BPL families.

### *2.10 Jute packing*

The Ministry of Textiles by Notification No.S.O.965 (E) dated 21<sup>st</sup> March 2017 has further extended the validity of its Notification dated 14<sup>th</sup> Jan 2016 mandating jute packing for sugar at 20% till 30<sup>th</sup> June 2017.

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