

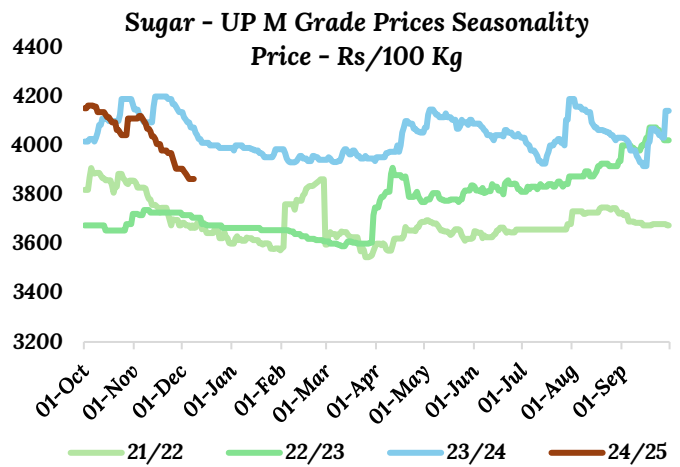
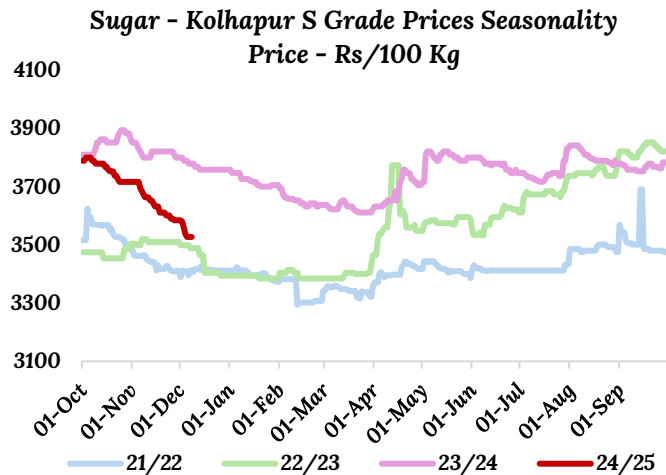


# INDIAN SUGAR REPORT

8 DEC 24



# INDIAN SUGAR MARKET UPDATE



- Free fall in sugar prices as can be seen from the charts above,
- The Sugar prices from the start of the season has been coming down and has lost 7% of its value till date.
- During the month of Dec itself, the market has come down by 1.6% in Maharashtra and 1.1% in UP.
- New production started late in Maharashtra and Karnataka but the sugar mills are up and running at good capacity which is giving boost to the supplies.
- Last year, the cross border trade was happening due to which the sugar was able to make its way to the neighbouring countries, AN ADDITIONAL SOURCE OF DEMAND.
- This year, the border trade has been restricted and with the kind of unrest we are witnessing in Bangladesh, it does not look like things are going to get normal very soon and cross border state shall start.
- We might not have this additional demand of sugar which was able to keep prices under check last season but this year all the Sugar supplies will have to find demand within its borders internally, which is putting pressure on the sugar prices and pulling them down.
- Sale of sugar over and above the Domestic Quota is one of the major reasons of steep fall in sugar prices.
- The quota as released by the Govt this season is 8% lower than last year but the prices are down 7%, due to the extra sugar making its way to the market and adding to the supplies.
- This phenomenon shall continue till
  - Crushing season continues and mills who are cash starved and need additional funds for working capital needs and payment to the farmers, shall continue to release more sugar into the system.
  - Or downfall in prices shall stop when the news of reduced sugar production comes out in the market, creating a bullish sentiment.
- News of lower recoveries in UP and cane impacted due to disease and floods in low lying areas is already making rounds and production is expected to take a dip/
- Crushing need to be watched in Maharashtra and Karnataka state where the cane harvest started late and cane got some time to grow and add sucrose as well.
- How much cane area has reduced and how much good health of the cane can help recover some of the loss in production need to be ascertained as it shall impact the overall availability of sugar for the domestic market, making the balance sheet either tight or loose, giving direction to the sugar prices in the domestic market.

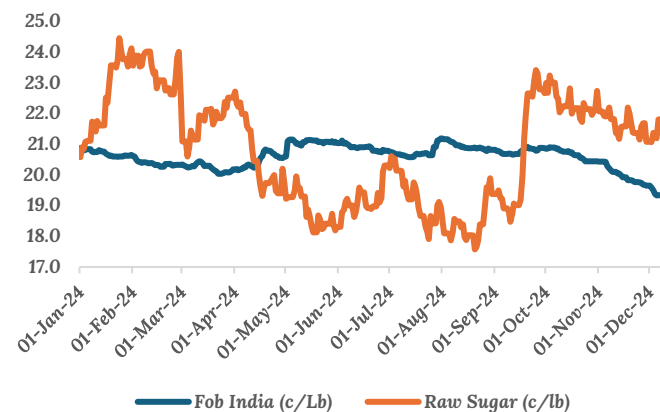


# INDIAN SUGAR MARKET UPDATE

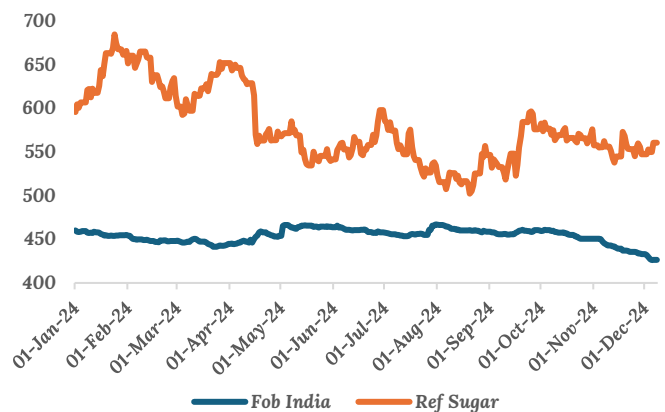
- With the fall in prices of sugar, the voice to allow export of sugar will be gaining steam but need to see whether exports makes sense with the current structure of the balance sheet.
- The major points to note are
  - Variance in Opening Stocks : One of the key factors today in deciding if Exports are required or not.
  - Production estimates : Still a forecast which need to materialise. The different in production varies from 27 MMT to 30 MMT of sugar for the domestic market which itself creates Surplus/Deficit of sugar and make it difficult for the policy makers to take decision.
  - Consumption : A black box which shall continue to keep the analysts on their toes. With the cross border trade not happening due to the border restriction, consumption shall be confined to domestic market. With the economy growing slower than expected and GDP forecasts getting reduced, will it impact the sugar consumption, need to be seen.
  - Ethanol blending program : Grains Ethanol program seems to struggle a bit due to which the onus as per GreenLeaf shall be more on Sugar feedstock, especially in the season 2025-26 where the Govt need to achieve 20% blend target.
  - In such case exporting sugar will tantamount export of Ethanol which can be used for conversion to green fuel and meet the blend target.
  - Support in terms of Ethanol prices and higher blending through sugar based feedstock shall help the industry and set the path to hit the 20% blend target next season.
  - Exports of 1 MMT (largely voiced) which has been largely voiced, how much impact it shall make to the sugar industry is debatable but higher ethanol blend shall have its own merits for the domestic sugar market and Ethanol blending program of the Govt.

## Indian Sugar Prices (FOB) compared to Raw & Refined Sugar (\$/Mt)

INDIAN SUGAR (FOB) VS RAW SUGAR : C/LB



INDIAN SUGAR (FOB) VS REF SUGAR : \$/MT

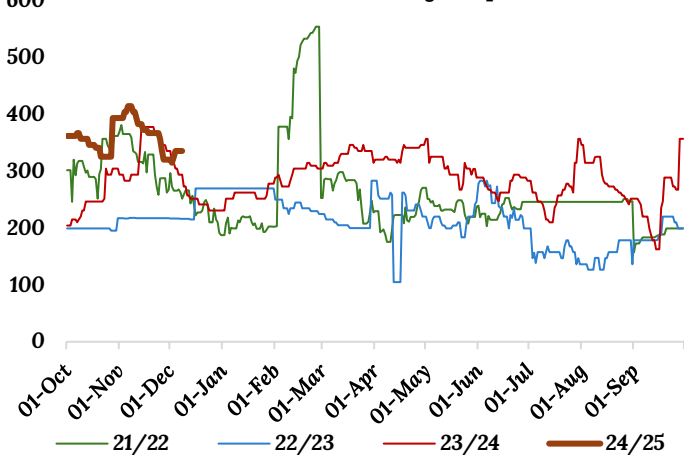


## What to prefer to Produce : Ethanol or Sugar

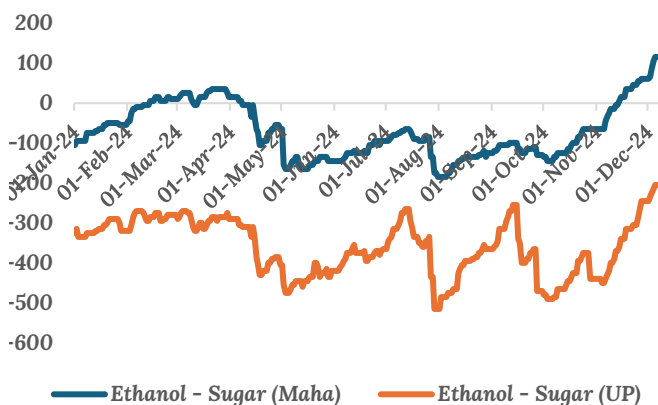
- The Ethanol prices from Juice has been converted to sugar to know if it is profitable to make sugar or Ethanol basis current Maharashtra and UP sugar prices.
- The current downfall in prices has changed the economics in favour of Ethanol in Maharashtra.
  - With the spread of Sugar between UP and Maharashtra, UP sugar prices are always higher than its western counterpart.
  - Basis higher sugar prices in UP, the parity still looks like in favour of Sugar which is not the case in Maharashtra and Karnataka where Ethanol gives better realisation than sugar.



**UP vs Maharashtra Sugar Spread**

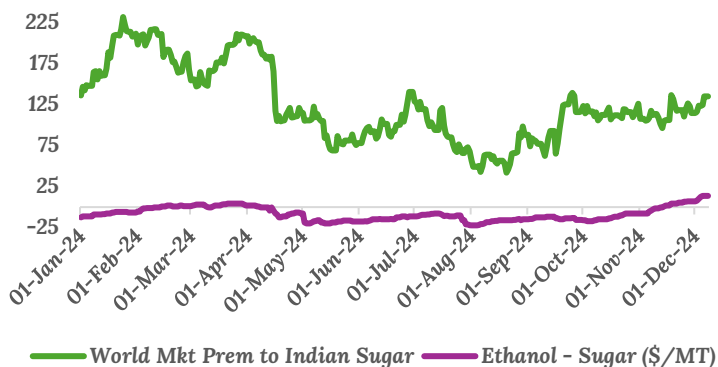


**Difference between Ethanol Price back off sugar basis Juice vs Maha & UP Sugar prices (Inr/Qtl)**



- Ethanol prices are expected to be revised higher (pending since long now)
- With the increase in Ethanol prices, the sugar prices will have to do further catch up to come at par or better than Ethanol prices especially in Maharashtra and Karnataka where prices tend to trade lower.
- UP spread shall continue to maintain which shall keep sugar prices above Ethanol.
- But there is another factor which need to be looked at and will be pushed and that is EXPORTS.

**Prem of International Mkt over Indian Sugar (Fob) vs realisation from Ethanol**



- Export realisation today is much higher for Maharashtra state than current domestic sugar and Ethanol prices.
- The millers will like to have some exports allowed to enable them take advantage of the premium being offered by the World market.
- The World market shall surely come down if exports are allowed and reduce the premium millers can fetch through exports.
- Thus, it shall still be better to push for better ethanol prices, divert more sucrose for Ethanol and reduce the supply of sugar in the domestic market to make margin from both sugar and Ethanol.

