

SUGAR PRICES RISE EVEN AS RECOVERY WORRIES REMAIN

MUMBAI; JANUARY 08: WHILE a marginal increase in the price of sugar in the past two days has revived industry sentiment, a sharp fall in cane recovery continues to pose a challenge.

Average realization for mills has increased by ₹0.5-1 to ₹34-35 a kg (M-30 variety in Uttar Pradesh) and ₹31.70 a kg (S-30 in Maharashtra). The Central Government has fixed the minimum selling price at ₹31, but unbranded sugar is retailing at ₹44-46 a kg.

Even so, mills fear the decline in recovery could hit their profit margin and hinder their cane payment. With the crushing season having started late by about a month (the sugar year officially begins October 1), mills have so far been able to clear most of their payment dues.

“Most of the large sugar mills have cleared their cane arrears of the last year and also for the current season primarily from incomes earned through sale of ethanol and export subsidy. The decline in sugar recovery, however, continues to pose a challenge for sugar industry this year. Because of delayed start of crushing, profit margins in December quarter would remain muted which may recover in March quarter,” said a senior official with one of India’s largest sugar mills.

Praful Vithalani, Chairman All India Sugar Traders Association (AISTA) believes prices increased marginally due to the 18 per cent decline in sugar production estimates to 27 million tonnes for season 2019-20, versus 32.7 million tonnes in the previous year.

The data compiled by the National Federation of Co-operative Sugar Factories (NFCSF) shows average sugar recovery for the first three months of the current season (October - December) at 9.94 per cent, compared to 10.33 per cent in the corresponding period last year. In UP, it was 10.7 per cent, from 10.8 per cent in the comparable period; in Maharashtra, 9.95 per cent, compared to the earlier 10.4 per cent.

The reason given for the latter fall is that cane crop in the States faced a huge water shortage at the outset of the monsoon season. Followed by a later spell of flooding, due to excess rain. The ideal situation for growth of cane is intermittent rain at regular intervals. Warm days and cold nights during the winter help adequate sucrose (sweetener) formation in cane stems.

- By Dilip Kumar Jha

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