

CLOUD OVER OUTPUT FROM UP, GOVT LIKELY TO RESTRICT SUGAR EXPORTS

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NEW DELHI; SEPTEMBER 15: AFTER banning exports of wheat and broken rice, the Narendra Modi Government is set to take a call next on sugar.

Mills, in all likelihood, will be allowed to export up to 50 lakh tonnes (lt) of the sweetener in the new sugar year from October. Any decision on further quantities would be taken in January-February after a review of domestic production and price trends.

On May 24, the Modi Government had moved sugar exports from the “free” to “restricted” category. It also capped total exports for the 2021-22 sugar year at 100 lt, which was raised to 112 lt with effect from August 1.

“They (Government) are concerned about output, particularly in Uttar Pradesh where the monsoon rainfall has been nearly 43 per cent deficient and there are also reports of the cane crop being affected by red rot (a fungal disease),” a source told.

The current 2021-22 sugar year has seen both production and exports from India touch record levels of 360 lt and 112 lt respectively. However, closing stocks, estimated at 60 lt on September 30, would be a five-year low.

“That’s still equivalent to two-and-a-half months’ consumption (projected at 275 lt for the whole year). Also, lower production in UP is likely to be offset by increases in Maharashtra, Karnataka and Tamil Nadu, where rains have been good and reservoirs are full. But they don’t want to take any chances, especially after the latest consumer food price inflation number of 7.62 per cent for August,” the source said.

Prakash Naiknavare, Managing Director of the National Federation of Cooperative Sugar Factories, said that permitting exports in tranches makes sense, as it will enable mills to enter into contracts before they start production for the New Year (crushing operations usually take off post-Diwali).

A strategy to regulate exports after reviewing the domestic availability position is likely in 2022-23 as well.

“The notification allowing an initial quantity of 50 lt is expected in the next few days. A second tranche of 30-35 lt may follow by February, when a reasonable estimate of production can also be made,” the source said.

Mills are keen to start exports early for two reasons. The first is that the world’s biggest exporter Brazil’s sugar season is from April to November. It gives a window of exports for Indian mills, which crush from late-October to early-May. The second is prices.
