



Modi's Thumping Victory Expected to Weigh on Global Sugar Market

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Bloomberg – 25 May 2019: The sugar industry in India, which jostles with Brazil as the world's top producer, is likely to continue to benefit from significant government support after a landslide victory for Prime Minister Narendra Modi.

This scenario may weigh on raw sugar futures in New York, which are already near the lowest in about seven months. In his first five-year term, Modi's government provided subsidies worth hundreds of millions of dollars to mills, farmers and exporters, besides raising the minimum selling price for sugar and providing concessional loans to ethanol makers to boost capacity.

Other producers such as Brazil, Australia and Guatemala have already taken complaints against the subsidies to the World Trade Organization, with Thailand and Canada also expressing opposition.

"The next year is going to be a challenging one for us as we are going to have record opening stockpiles," said Prakash Naiknavare, managing director of the National Federation of Cooperative Sugar Factories Ltd. India should export 7 million to 8 million metric tons in the year from Oct. 1 to trim reserves, which are estimated to reach 14 million tons by October, he said.

Modi's second five-year term will ensure mills continue exporting sugar with government support, Naiknavare said. The policy of guaranteed prices for the nation's 50 million cane farmers and financial help for transporting sugar from mills to port are expected to remain in place in the coming years, he added.

Indian sugar output is likely to exceed consumption for a third year in 2019-20. Supplies, including reserves, may total 44 million tons, against domestic demand of 26 million tons, the federation estimates. Sugar output in 2018-19 may reach a record 33 million tons, according to the Indian Sugar Mills Association.

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