

INDIAN SUGAR SECTOR

Sugar stocks likely to remain moderately high for SY2025; export policy remains crucial to maintain optimum sugar balance

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As per ICRA's estimate, net sugar production for SY2025 is likely to be lower than the current season, mainly due to the expected higher sugar diversion towards ethanol since the Government has removed the cap on the same; though sugar stock thereafter will remain comfortable.

Domestic prices remained in the range of Rs. 38-39/kg, with the closure of the crushing season and are expected to remain firm till the start of the next.



Sugar Demand-Supply Balance Estimates – ISMA* projects gross sugar production of 33.3 million MT in SY2025 against 34 million MT in SY2024. After considering the ethanol diversion of 4 million MT, net sugar production is likely to decline to 29.3 million MT. Since the closing sugar stock level may remain moderately high, after diversion, the clarity on the policy for allowing diversion beyond the expected level as well as allowing exports, remain the key monitorables for the sector.



Sugar Production – Net sugar production is expected to remain at 32.0 million MT, after diversion for SY2024. Domestic sugar consumption is estimated at 28.5 million MT in SY2024; therefore, closing stock is expected to be around 9.0 million MT as on September 30, 2024 (significantly higher than the sugar stock of 5.6 million MT as on September 30, 2023). This would be equivalent to 3.8 months of consumption (PY: 2.4 months).



Domestic Sugar Prices – Domestic sugar prices (Uttar Pradesh) have remained in the range of Rs. 38-39/kg with the closure of the crushing season and are expected to remain firm till the start of the next, mainly due to the onset of the festive season.



International Sugar Prices – International prices of raw sugar declined to \$406/MT in August 2024 over \$425/MT in July 2024 while prices of white sugar declined to \$522/MT in August 2024 over \$549/MT in July 2024. The premium between white and raw sugar stood at \$116/MT in August 2024—lower than \$124/MT in July 2024.



Ethanol – In July 2024, India achieved an ethanol blending ratio of 15.80% and cumulative ethanol blending during November 2023–July 2024 stood at 13.3%. For ESY2024, 647 crore litres of ethanol have been contracted, of which 461 crore litres have been supplied till July 2024.

*ISMA: Indian Sugar Mills Association; SY: Sugar Year (from October 01 to September 30); ESY: Ethanol Supply Year (From Nov 1 to Oct 31)



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