

India's sugar production to increase by 2.5 million tonne in 2023-24: Crisil

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Synopsis

CRISIL has expected a 2.5 million-tonne increase in India's sugar production in 2023-24 due to a ban on using sugarcane juice for ethanol. The government's move immediately stops ethanol production from cane juice but permits it from B and C heavy molasses. With sugarcane supply issues, sugar mills face a choice between sugar and ethanol.

India's sugar production is expected to increase by ~2.5 million tonne in 2023-24 as a result of ban on use of sugarcane juice for ethanol, said ratings agency CRISIL.

It has banned production of ethanol directly from sugarcane juice with immediate effect. "However, production of ethanol from B heavy molasses and C heavy molasses is still permitted. Of the total ethanol produced in the country, ethanol from cane juice accounted for 25-30% while that from B heavy molasses accounted for over about 60-65%. Ethanol from C heavy molasses and grains accounted for the rest," said CRISIL in a release.

Given sugarcane is a key raw material for production of both sugar and ethanol, dwindling supply is compelling producers to choose between the two.

"Against the backdrop of price volatility in staples like rice, wheat, onion, tomato, and the upcoming national elections, the government has taken measures to control domestic sugar prices. Sugar mills will now divert more sugarcane towards production of B heavy and C heavy molasses, originally intended for ethanol production from sugarcane juice," said CRISIL.

The government restricted the use of sugarcane juice and sugar syrup for ethanol production in ethanol supply year (ESY) 2023-24 (November 2023 to October 2024) on December 7th, 2023, with immediate effect. However, supply of ethanol from existing offers received by oil marketing companies from B heavy molasses, C heavy molasses and grains will continue.

"Production of sugarcane and sugar is projected to decline ~9% and ~3%, respectively due to scanty rainfall seen in key sugarcane producing states of Maharashtra and Karnataka," said CRISIL.

At the end of SS 2023 (in September 2023) closing inventories of sugar were adequate to meet just 2 months' consumption as against the past 5-year average of 4 months' consumption. In light of diminished sugarcane production and sugar supplies, the government implemented several measures.

In October 2023, it extended restrictions on sugar exports beyond October 2024. In July, the Food Corporation of India stopped supplying rice for ethanol production amid supply concerns.

Commenting on the impact on sugar mills, CRISIL said that the sugar production would decrease at a slower pace of 3-4%, against the earlier estimated 10-11%

"Ethanol production would fall by 20%, which could bring ethanol blending rate to less than 10% in ESY 2023-24, against 12% in 2022-23," it said.

India experienced in scanty rainfall in key sugarcane-producing states such as Maharashtra and Karnataka that received 3% and 18% lower rainfall on-year. Insufficient water availability led to lower yields. "As a result, sugarcane production is expected to decrease ~9% in SS 2023-24 (October 2023 to September 2024)," said CRISIL.

Source: <https://economictimes.indiatimes.com/news/economy/agriculture/indias-sugar-production-to-increase-by-2-5-million-tonne-in-2023-24-crisil/articleshow/105894724.cms>