



**India's Sugar Policy and the
World Sugar Economy
FAO International Sugar
Conference,
Fiji, 2012.**

August 2012

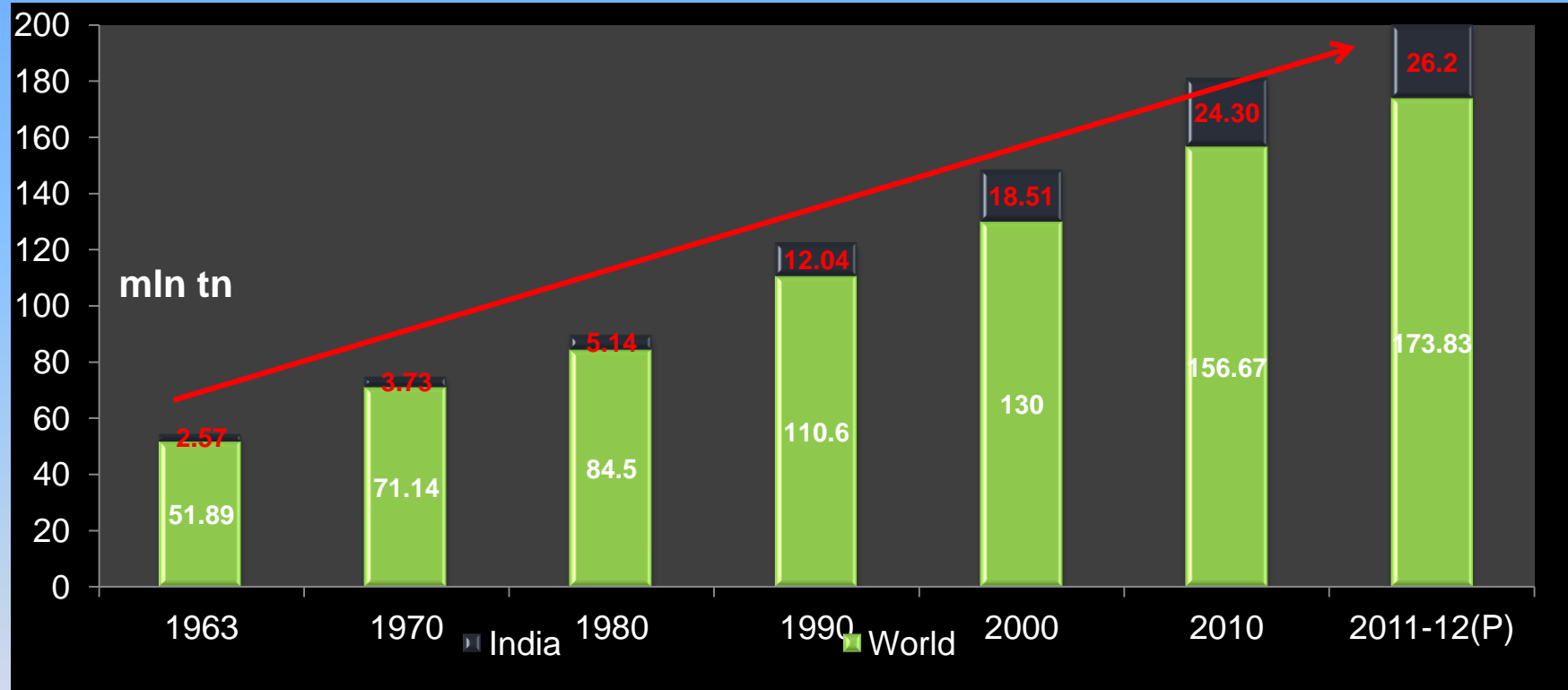
Theme of the Presentation

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- India's place in world sugar
- Structural features of the sugar economy in India
- Evolution of Government policy regarding sugar
- Political Economy of sugar in India
- Key messages

Indian Share in global sugar production

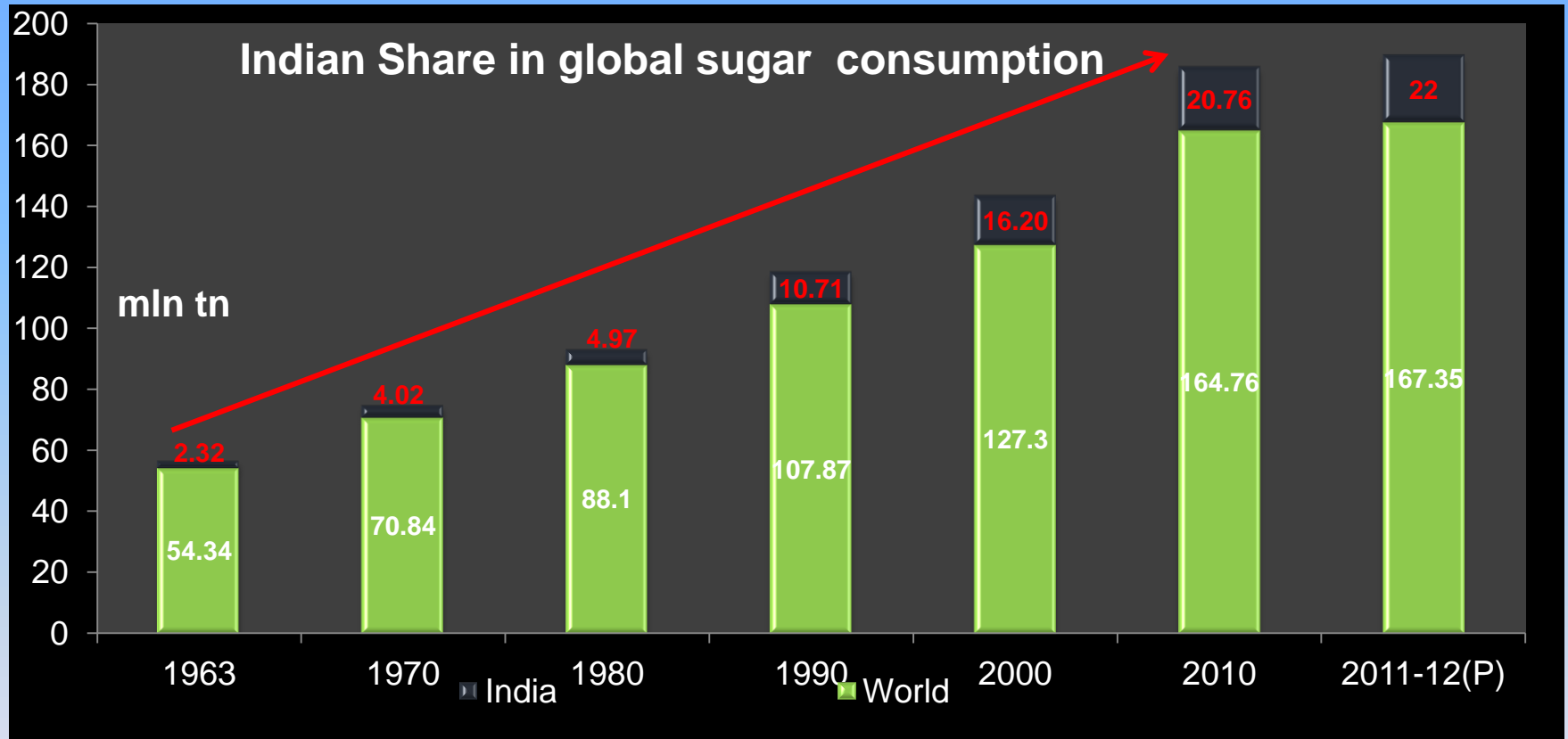
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- In last five decades Indian Sugar production share has gone up from 5% to >15% in global sugar production.
- Indian share is >20% in cane sugar production of globe

Indian Share in global sugar consumption

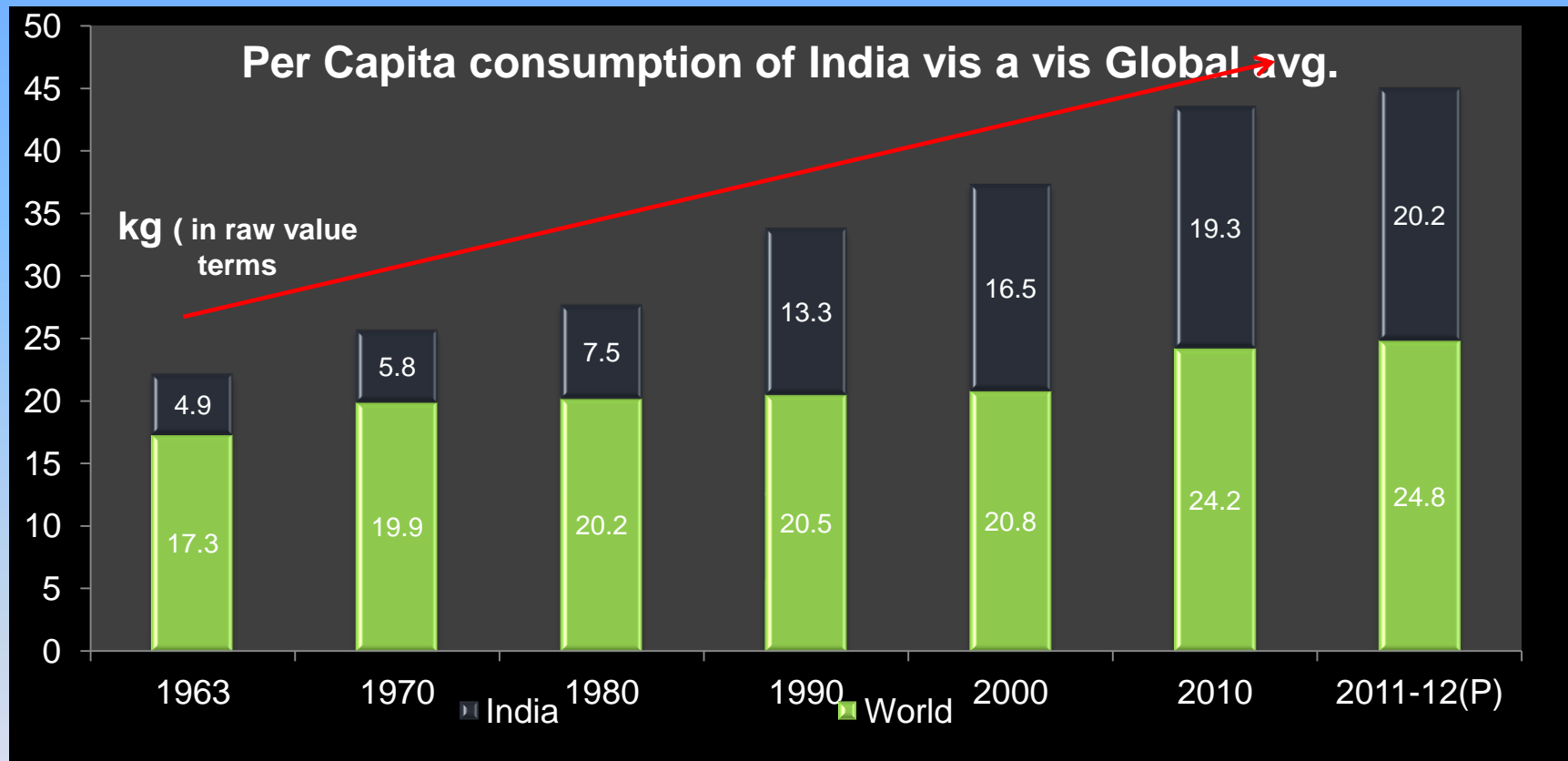
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- In last five decades Indian Sugar consumption share has gone up from 5% to >13% in global sugar production.
- Indian share is >20% in cane sugar consumption of globe

Per Capita consumption of India vis a vis Global avg.

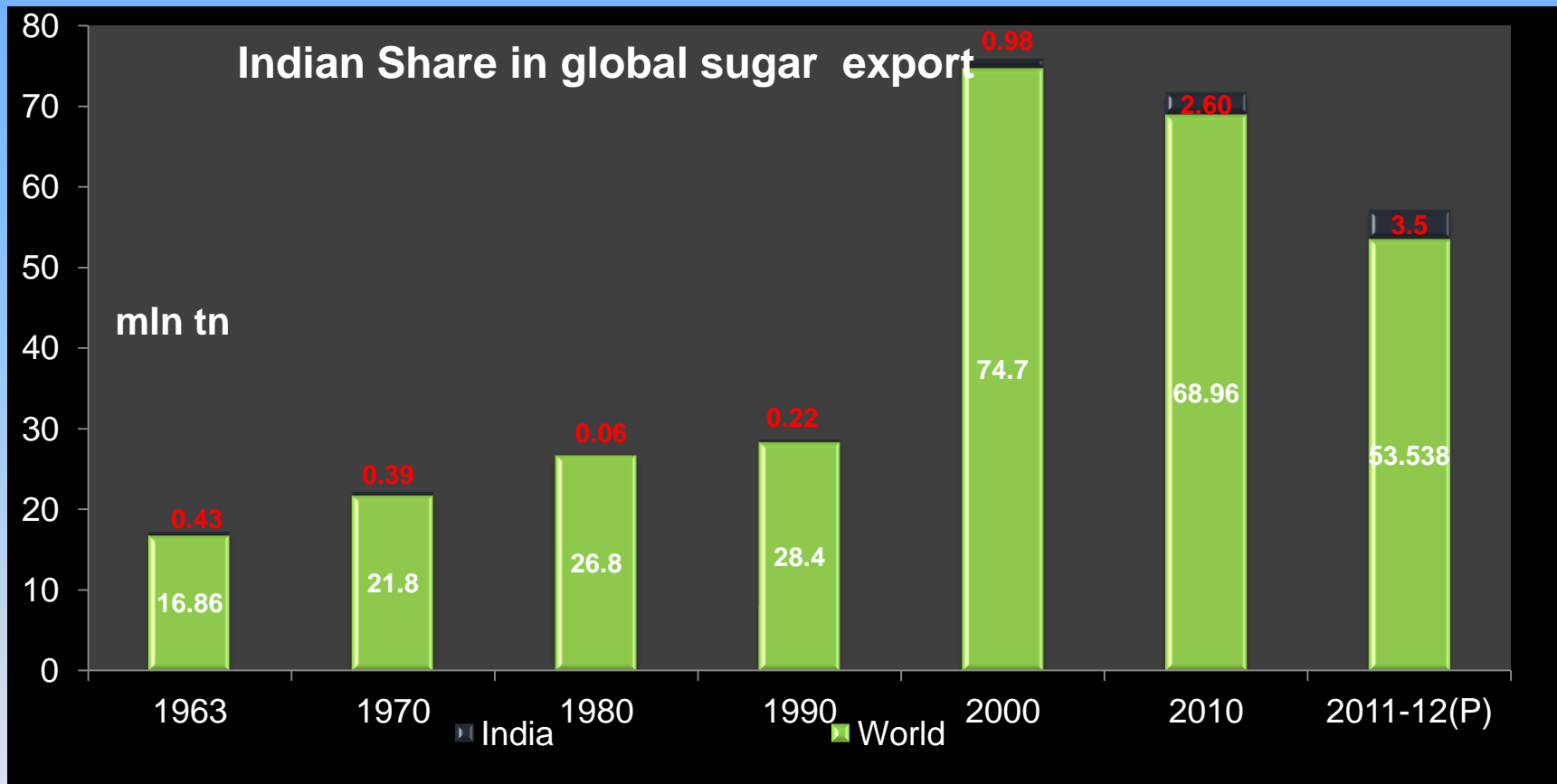
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- Consumption in India is growing more (CAGR) as compare to Global avg.
- More disposable income, better life style and growth in GDP supports more consumption in India

Indian Share in global sugar export

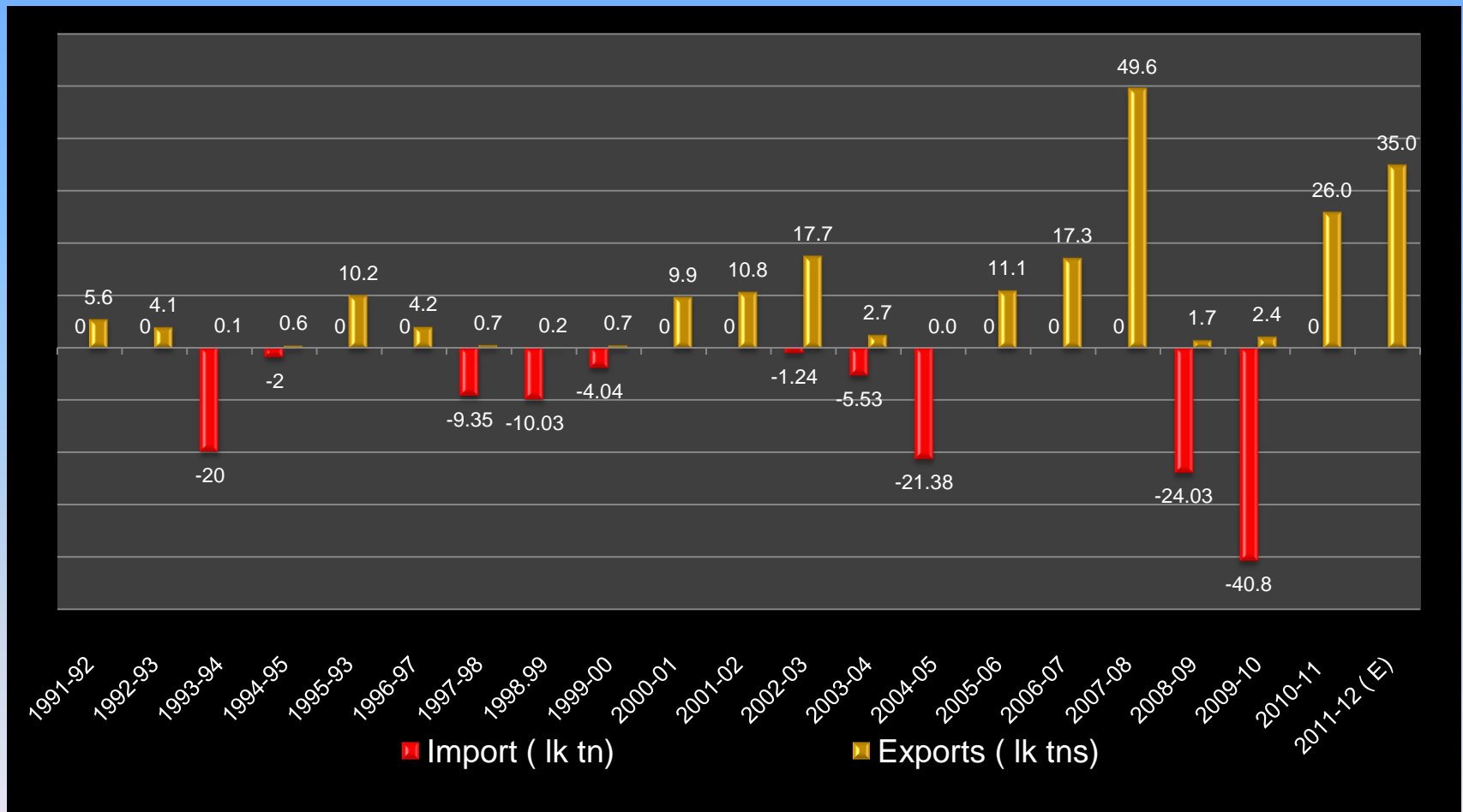
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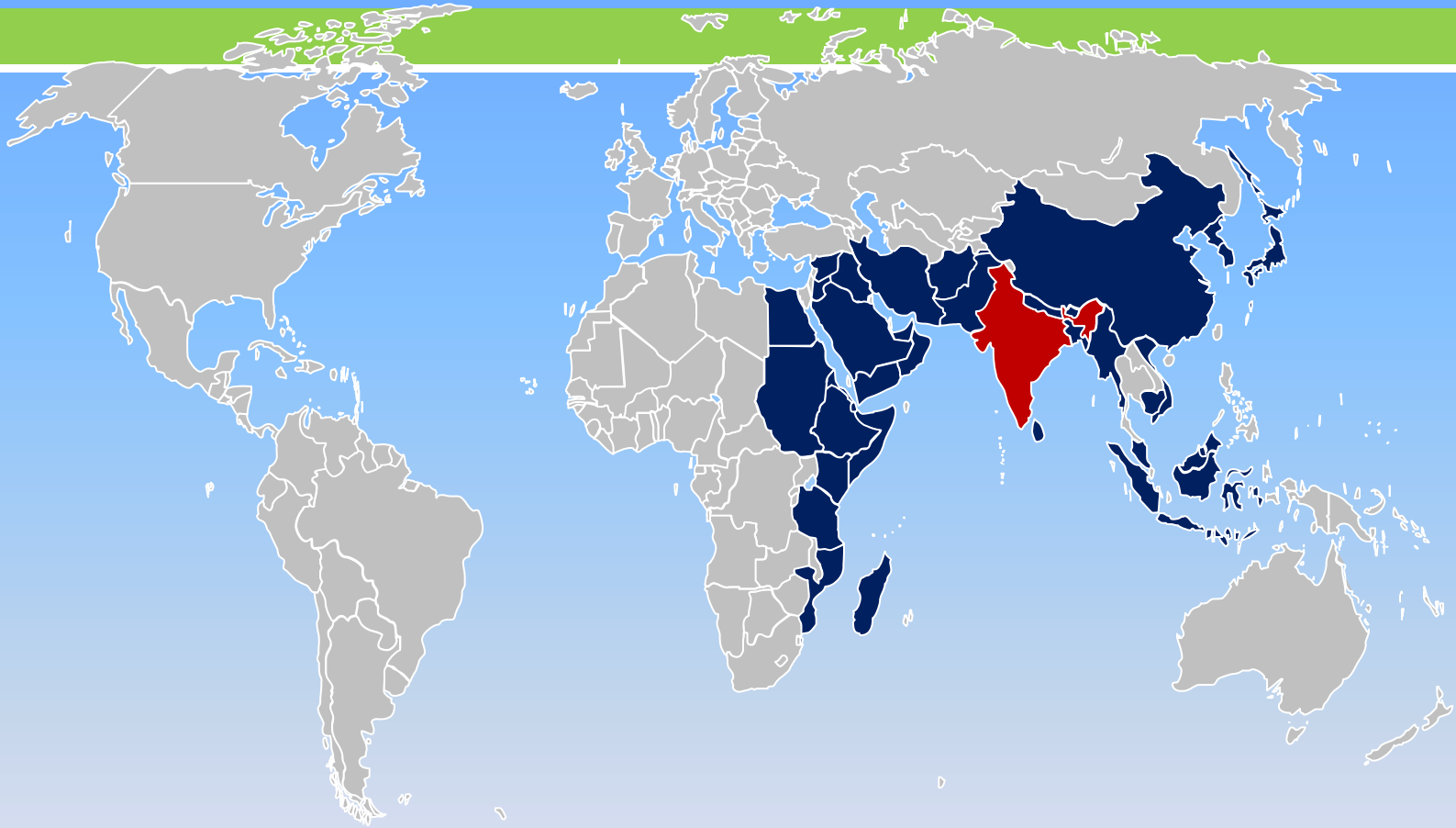
- Whenever country produces surplus, have 5-6% in export availability in global sugar exports
- Have done exports of about 5 mln tons in one season, so capable of handling exports

Cyclical sugar trade in last 20 years.....

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Indian Sugar Export Destinations



The Indian Sugar Industry

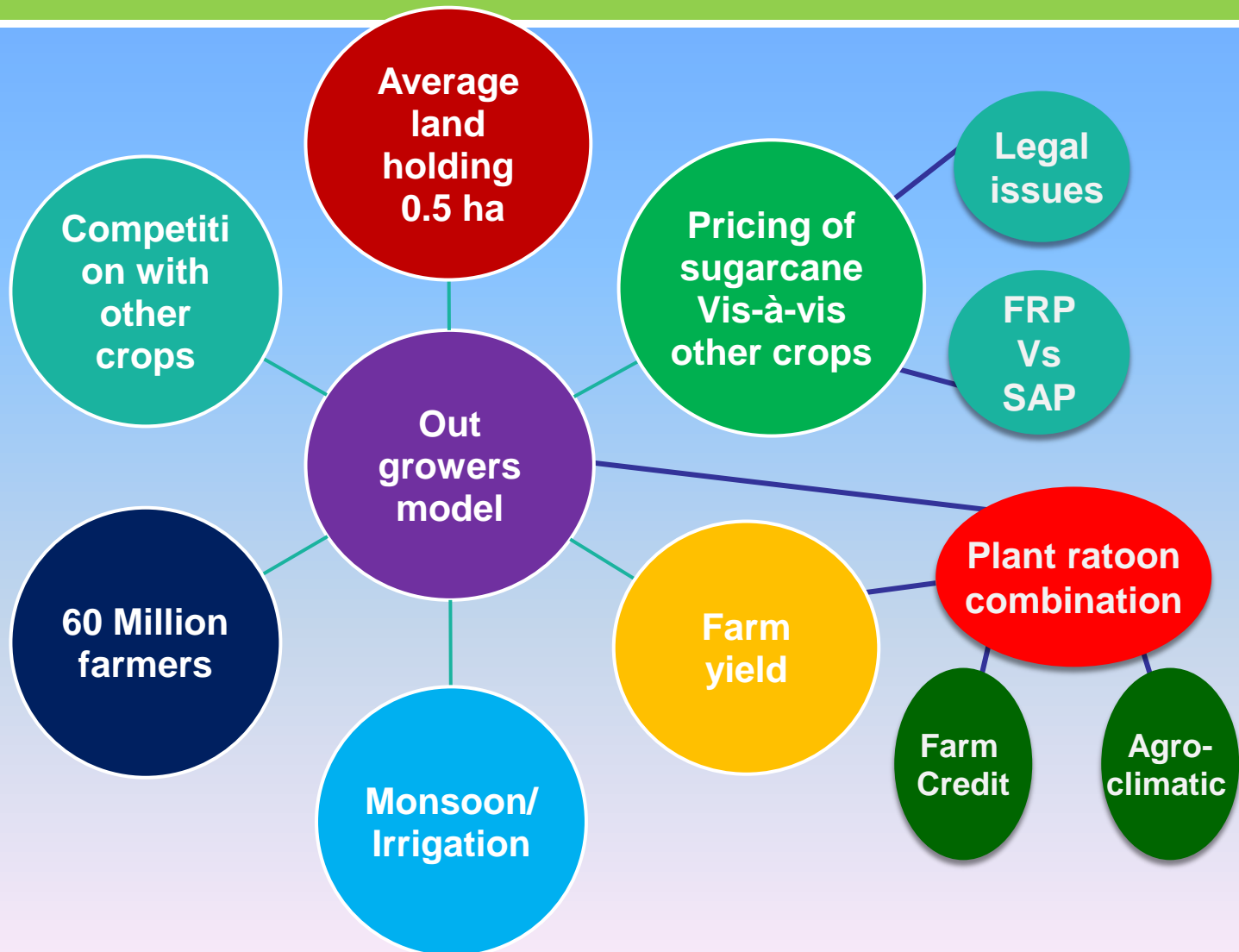
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- 2nd largest producer of sugar in the world
- 5 million hectares & 60 million cane farmers and dependants.
- Rs.80,000 crore (approx.US\$ 16 billion) industry. Cane payment of Rs.55,000 crore (approx. US\$ 10 billion) are directly paid to farmers without middlemen.
- Large number of sugar mills – 527 operated in 2011-12
- Competition for cane from jaggery manufacturers
- 65% of sugar consumed by bulk consumers

Located in rural heartland, directly contributes to rural economic development & employment

Indian Agriculture – An Out growers Model

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The Infamous Indian Sugar Cycle

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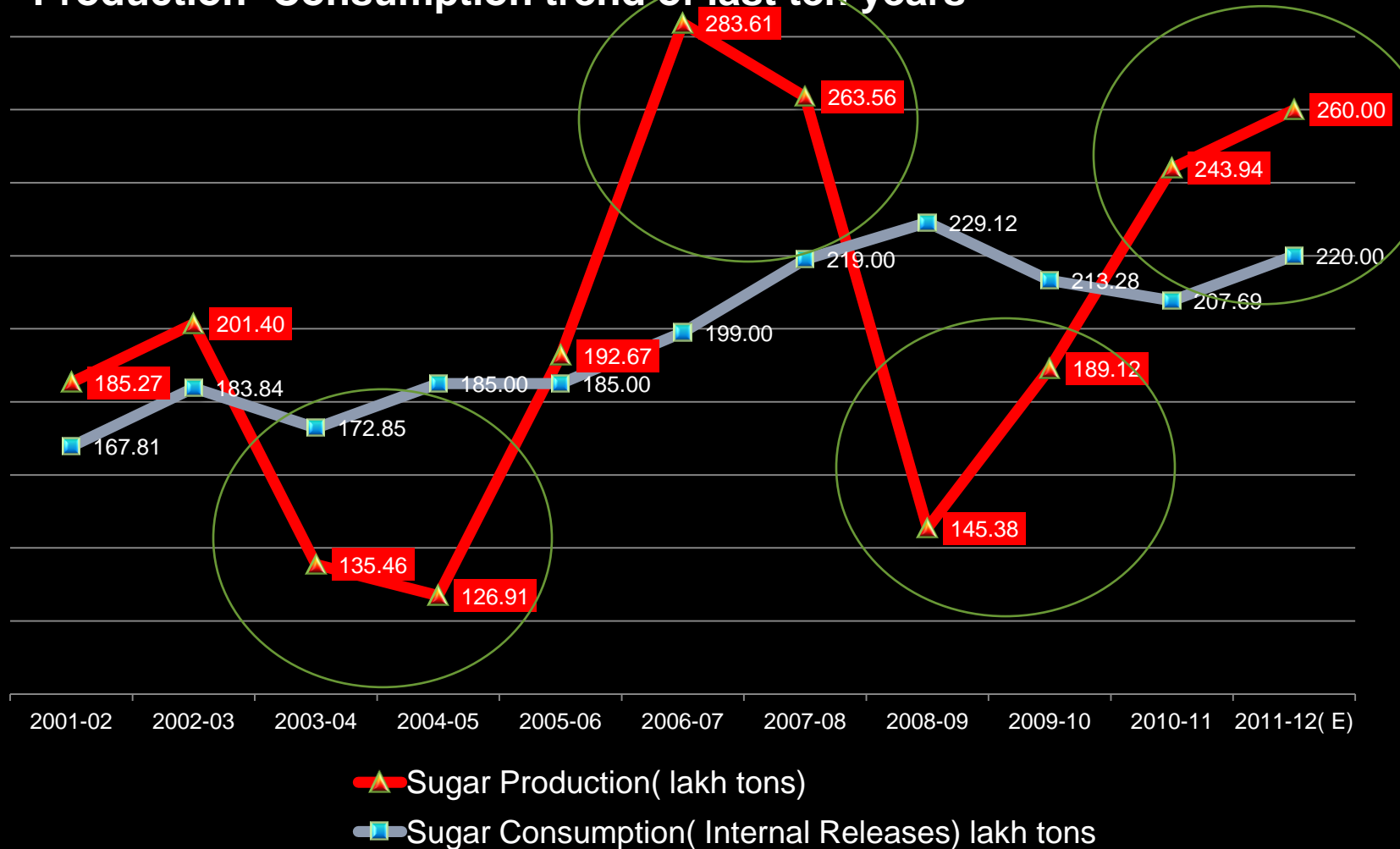
Production trend of last ten years



The Infamous Indian Sugar Cycle

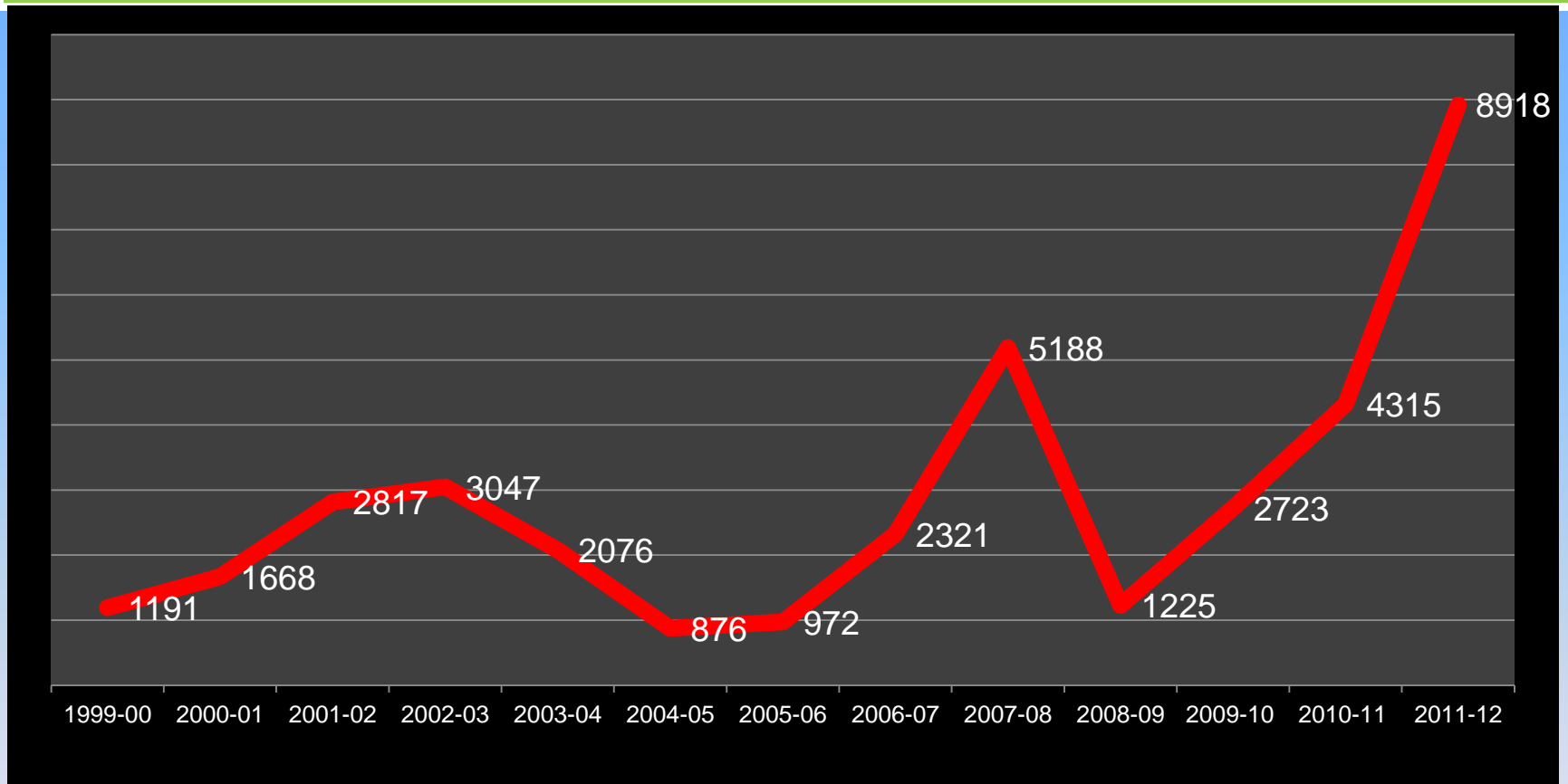
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Production- Consumption trend of last ten years



Cane Price Arrears (as on 31st March in Rs. crore)

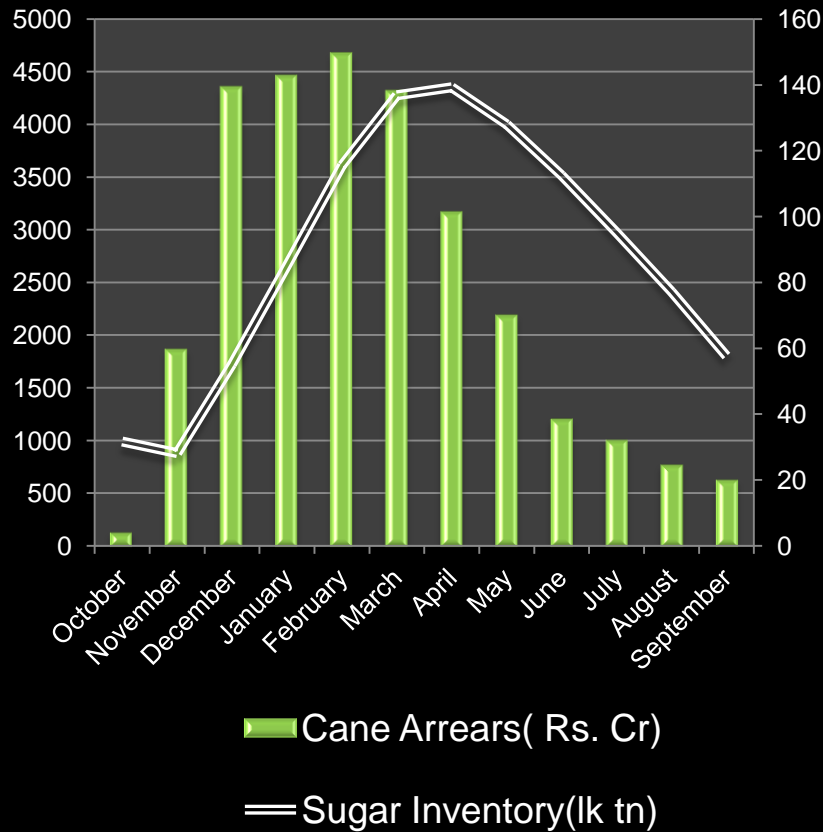
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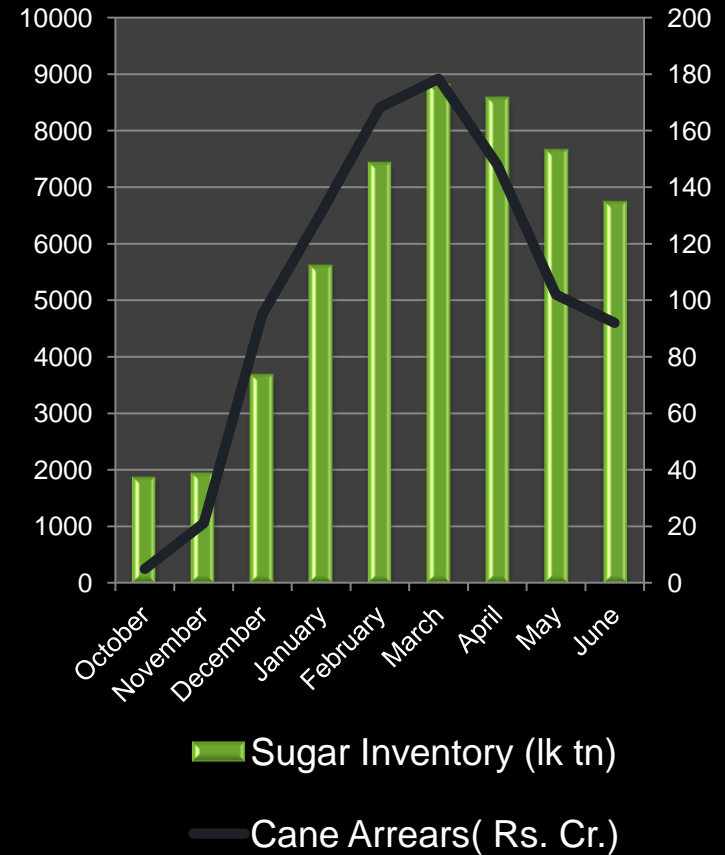
Cane Price Arrears vis-à-vis Sugar Inventory

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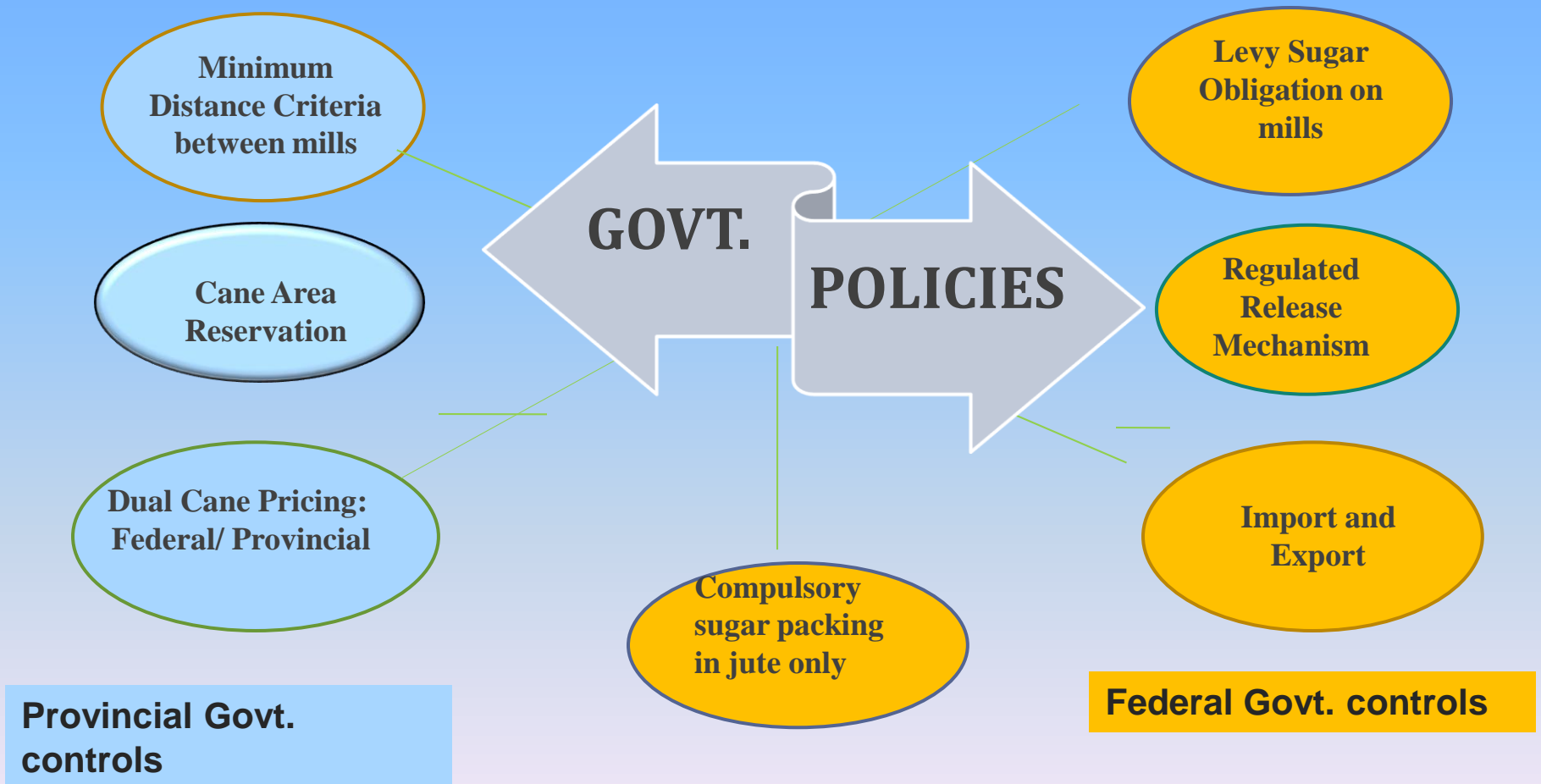
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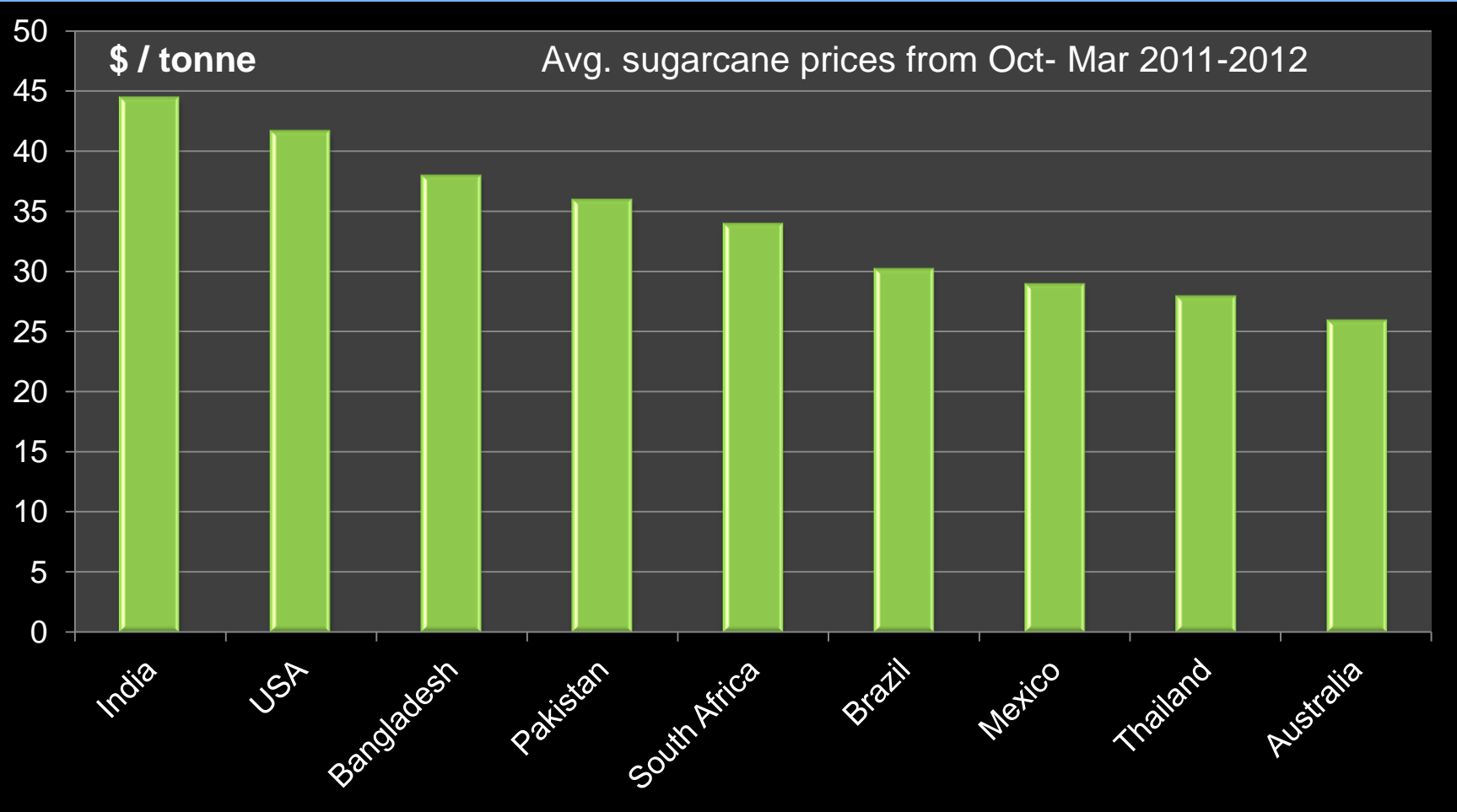
2011-12



Controls on Indian Sugar Sector



Indian sugarcane prices are the highest in the world



Indian sugar price amongst the lowest in the world

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- Most of the benefits goes to bulk consumers, who consume 65% of total sugar

Sugar Industry: Little Control Over Its Own Fate!

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- **Raw Material:** *Its Price and Availability*
- **Sales:** *Volume as well as Levy Obligation*
 - : *Stock Limits on Traders, Bulk Consumers etc.*
 - : *Sugar Inventory*
- **Selling Price of Sugar:** *Below cost of production*
- **Packaging Material of Sugar:** *Price and Quality*
- **Export-Import of Sugar:** *Quantity and Policy Restrictions*
- **Cash Flow Planning:** *Payment to Farmers and Lenders*

What is India's Sugar Policy ?

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- Mission Statement of Department of Food and PD : Ensuring availability of sugar
- Objective : Development/Promotion of sugar industry

Legacy of control

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- Essential Commodities Act, 1955 : Both sugar and sugarcane included as Essential Commodities;
- Sugar (Control) Order, 1966
- Sugarcane (Control) Order, 1966

Sugar and sugarcane still ‘essential commodities’ in 2012

Political Economy of sugar

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- Sugar price determined by Federal Government
- Sugarcane price decided by provincial governments.
- Consumer v/s Farmer debates
- Action or policy is reactionary

World sugar's view of India ?

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- Trust deficit – Is India a reliable player ?
- Long term sugar policy vs. Short term breathers
- Market or Competitor
- Opportunities for investment

Key messages

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- Politics will override economics
- Deregulation ?
- India – only relevant as a consumer !
- Good sugarcane prices may sustain levels to meet domestic consumption
- Exports only when production is surplus

Thank You