



# India Sugarcane Crop & Balance Sheet

2 February 2024

**Speaker**

**Rahil Shaikh**

Managing Director, MEIR Commodities India Private Limited



# Contents

1. Cane story so far this season
2. India Sugar Production Estimates 2023/24
3. India Sugar Balance Sheet 2023/ 24
4. Ethanol Program
5. Sugar Balance sheet in 2024/25
6. Conclusion
7. Indian Monsoon 2024 by Marex



# The Story So Far...

Despite all the ups and downs – late start to the monsoon, then poor monsoon in Maharashtra (MH) & Karnataka (KTK) then finally some good rains in November for MH& KTK and finally the apparent partial recovery of the MH/KTK cane crops for this year along with Uttar Pradesh (UP) expected to top -up more sugar than its we thought..... and not to forget the world prices going up to 28c then down to 20c, and now bounced back to above 23.50c ..... despite all those accidents, India is still on track to:

1. Expand cane production modestly. Which is needed since consumption still seems to be expanding by about 0.5 mmt per year due to population growth and economic recovery.
2. Sugar production will always be at the mercy of weather.
3. But fortunately India has plenty of capacity to always produce a slight surplus of sugar over domestic demand, so as to avoid necessity of importing, and thus being dependent on world price.
4. But that surplus can be easily got rid of by diversion to ethanol, since the ethanol program remains on track and will presumably go back to taking cane juice once the current shortage is over. So surplus will not have to be exported, thus being dependent on world price.
5. So, India can continue to fix FRP and MSP and keep production/consumption expanding moderately, with any weather surplus/deficit due to weather cushioned by the ethanol program.



# India Sugar production estimates for 2023/ 24

Particulars	Maharashtra (MH)	Karnataka (KTK)	Uttar Pradesh (UP)	Rest of India (RoI)	All-India
Total Sucrose Production (mmt)	9.74	4.73	12.51	6.14	33.12
Diversion to Ethanol (mmt)	0.3	0.27	0.85	0.3	1.70
Net Sugar Production (mmt)	9.44	4.46	11.66	5.84	31.40

- We have estimated 31.4 million tonnes as the all-India net sugar production with a sucrose production of 33.12 million tonnes and 1.7 million tonnes of diversion towards ethanol production.
- Sugar Associations and Trade fraternity have requested the government to allow additional 1 to 1.2 million tonnes of sugar diversion towards ethanol production for the year 2023/24. We believe it is a fair request made because at present the sugar situation is better than we have thought earlier.



# India Sugar Balance Sheet 2023/ 24

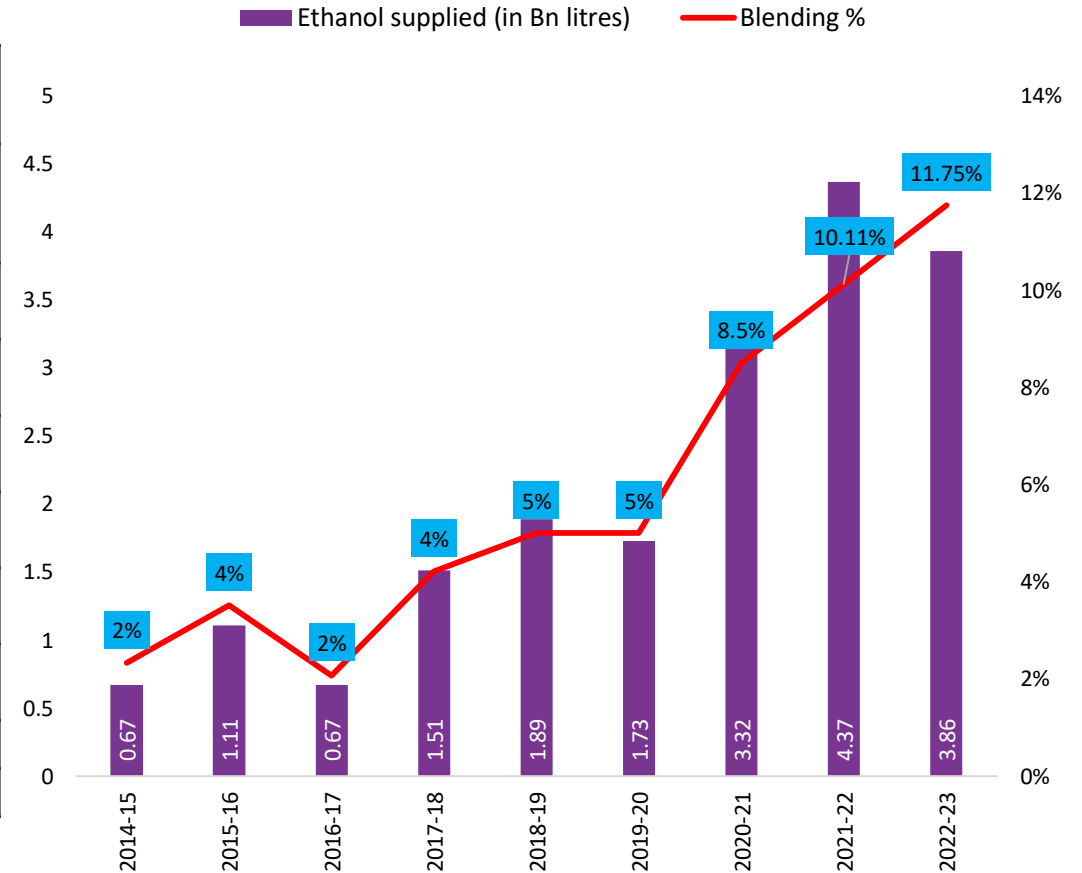
Particulars	SS 2022-23	SS 2023-24 (E)
Opening stock in mmt	5.80	4.15
Sucrose Production	36.65	33.12
Diversion for ethanol	3.80	1.70
Net Production in mmt	32.85	31.40
Consumption in mmt	-28.1	-28.7
Exports in mmt	-6.40	-0.40
Closing stock in mmt	4.15	6.45

- Reduction in the carry over stocks by about 6 million tons in the last 4 years.
- India was a consistent sugar exporter in the last four seasons. However, lower carry over stocks and weather anomaly have pushed country's next two sugar seasons to take a break on exporting sugar out of the country. Govt of India had announced export restrictions on sugar beyond October 31, 2023 until further notice by DGFT.
- However, some small tonnage of exports to take place on case by case basis -recommendation from countries like Nepal, Bhutan etc. via NCEL.
- Domestic Sugar consumption keeps on increasing year after year and it is evident with the domestic quota releases so far. We have estimated 28.7 million tonnes consumption for 2023/24. According to us, entire domestic quota/ releases which shall be given by the government will get consumed in the country.



# Ethanol Prices and blending% achieved until last year

Feed Stocks	Ethanol Ex-Mill price in INR/Litre								
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Ethanol Supply Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
C- heavy Molasses	42.00	39.0	40.85	43.46	43.75	45.69	46.66	-	56.28
B- heavy Molasses	-	-	-	52.43	54.27	57.61	59.08	-	-
Sugarcane Juice/Sugar/Syrup	-	-	-	59.19	59.48	62.65	63.45	-	-
Damaged Food Grain #	-	-	-	47.13	50.36	51.55	52.92	64	-
Maize #	-	-	-	-	-	-	-	66.07	-
Surplus Rice issued by FCI #	-	-	-	-	-	56.87	56.87	-	-
Additionally taxes at actual & transportation rates as decided by OMCs being paid to ethanol suppliers									
# Price fixed by OMCs									



- Ethanol Blending % achieved in ESY 2022/ 23 was about 11.75%.
- Estimated sugar diversion towards production of ethanol is around 3.8 million tonnes.



# Ethanol Scenario in ESY 2023/ 24

- Initially, in the First ethanol tender of ESY 2023-24 OMCs had allocated 5.62 billion litres (2.70 bn ltrs from Sugar + 2.92 bn ltrs from Grains). But on December 7, 2023, the govt. banned sugar mills and distilleries from using Sugarcane Juice (SCJ) and B-heavy molasses (BHM) for producing ethanol with immediate effect, to ensure adequate availability of sugar for domestic consumption. The allocation was revised downwards at 4.54 billion litres (1.63 bn ltrs Sugar + 2.92 bn ltrs Grains).
- The ban was a temporary due to a lack of clarity on sugar output for the current season, as the lower rainfall in key sugar producing states affected the cane agri. yield and quality. However, such sudden action by the govt. had raised concerns among the millers/distilleries, OMC's and sugar industry on the EBP targets following which the ban was lifted on December 18, 2023, after the government clarified that the OMCs would reallocate the quantity of ethanol they intend to purchase from each distilleries. The total diversion of sucrose for ethanol production was capped at 1.7 million tonnes for 2023/ 24.
- The lifting of the ban was welcomed by the sugar and ethanol sectors as it gave them the flexibility to use both SCJ and BHM within the overall cap on diversion of sucrose. The government also asked all molasses-based distilleries to endeavour and make ethanol from C-heavy molasses (CHM), which has the least impact on sugar production. Further, an incentive of 6.87 Rs/Ltr will be payable on Ethanol sourced from CHM. This incentive amount will be payable over and above the previous procurement price of Ethanol sourced from CHM i.e. 49.41 Rs/Ltr making the effective price of CHM ethanol at 56.28 Rs/Ltr.
- Oil Marketing Companies (OMCs) in the Second ethanol tender dated 24<sup>th</sup> Jan, 2024 have invited bids for supply of around 2.67 bn litres of Ethanol for ESY 2023-24. Quotes are requested for ethanol production from CHM, Damaged Food Grain (DFG) and Maize only.

Until 7<sup>th</sup> January 2024, India has achieved 10.77% ethanol blending. The sugar-based feedstock has supplied a total quantity of 0.49 bn ltrs of ethanol against the contracted amount of 1.27 bn ltrs (Q1+Q2). The total ethanol supplied from both molasses-based distilleries and grain-based distilleries stands at 0.74 bn ltrs.

Feedstock	Q1 +Q2	
	Contracted	Lifted
Sugarcane Juice	0.42	0.31
B-Heavy Molasses	0.82	0.16
C-Heavy Molasses	0.03	0.02
<b>Total from Sugar</b>	<b>1.27</b>	<b>0.49</b>

Further, owing to an increase in the sugar production in MH, KTK and UP many Sugar Associations and Trade bodies have requested the government to allow additional 1 to 1.2 million tonnes of sugar diversion towards ethanol production for the year 2023/24.



## Sugar Balance sheet in 2024/25

Particulars	SS 2023-24 (E)	SS 2024-25 (F)
Opening stock in MMT	4.15	6.45
Sucrose Production in MMT	33.12	31.00
Diversion for ethanol in MMT	1.72	1.70
Net Production in MMT	31.40	29.30
Consumption in MMT	-28.7	-29.20
Exports in MMT	-0.40	-0.30
Closing stock in MMT	6.45	5.95

- Considering normal monsoon in 2024, we forecast sucrose production at 30 million tonnes.
- By lowering ethanol diversion in the current and the next season we may avoid import situation but given supply tightness and increasing consumption the situation may turn worrisome.
- Poor monsoon and lower reservoirs levels have impacted the current year crop and the plantings for the next year 2024/ 25.
- Understanding that sugarcane acreages will be down in 2024/ 25 the crop upside will be limited to the assumption of normal monsoon and hoping good agricultural yields.





# Conclusion

- Brazil is speeding up with its contribution to the world sugar production by increasing its crystallization capacity. However, world still looks upon at India to meet its demand as we should continue to project ourselves as structural sugar exporters, if not immediate, at least in the long run.
- And to meet above, India should have stable Government policies to stand as reliable trade partner in the world markets.
- A judicious consideration of challenges and potential impacts is imperative to ensure a balanced approach and sustainable growth in both the ethanol and sugar industries. Therefore, the government should periodically review the ban, making necessary adjustments based on the evolving situation and stakeholder feedback.
- Long term focus on ethanol blending from sugarcane as contribution from other feedstocks at present is marginal.

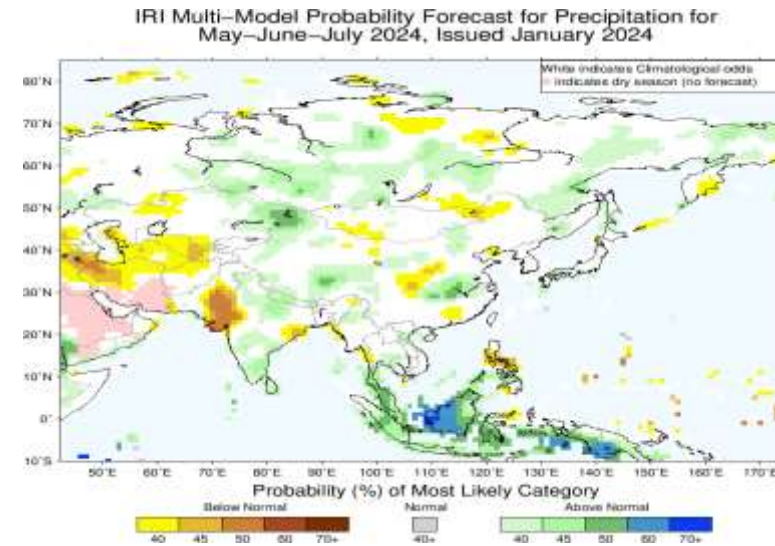
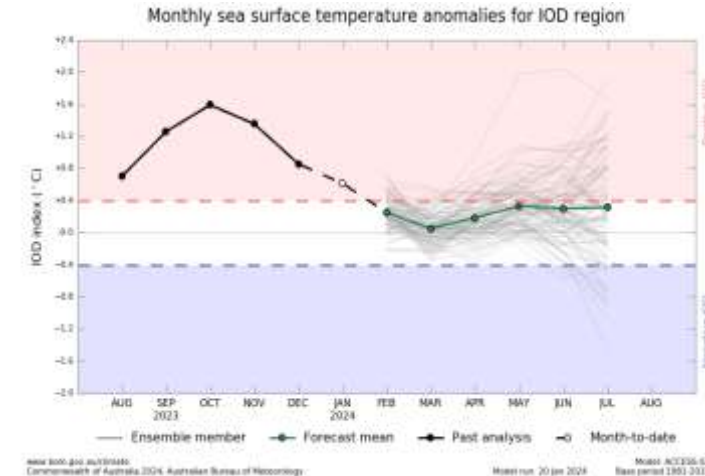
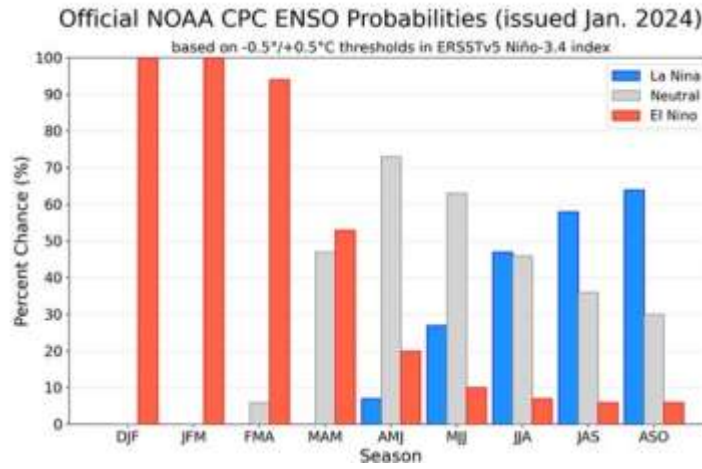
*For the long run- Returns from sugarcane continues to be very high as compared to other crops. Farmers get around 50 to 60% higher returns from sugarcane as compared to any competing crop. Farmer gets full cane price fixed by the Government of India which is not the case for other crops. Each farmer is attached to a sugar mill. Hence, until farmers have enough irrigation and normal monsoon, area under cane will continue to grow.*

*If weather is good we believe 2025/26 sugarcane crop should bounce back.*



# India Monsoon 2024 - Marex

- The Indian 2023 monsoon season saw 94% of its long period Average. Uneven rainfall throughout the season resulted in drier than normal conditions through June and August in key cane growing regions in Maharashtra and Karnataka. With expected changes to the El Niño Southern Oscillation and the Indian Ocean Dipole the 2024 monsoon season could look quite different.
- The current strong El Niño event is expected to weaken in the coming months with a shift towards neutral or even La Niña conditions as early as April-May-June.**
- We do note that following a transition from El Niño conditions to neutral or La Niña SST conditions the influence on the atmosphere can lag by several months. Confidence in long-range El Niño outlooks is low, particularly during the spring months, however it is common for La Niña events to emerge following a strong El Niño event.
- El Niño is typically associated with below normal monsoon rainfall while La Niña typically increases it. A return to neutral conditions by the start of the monsoon season reduces the risk of El-Niño related dryness impacting the upcoming monsoon. If La Niña conditions emerge this would be supportive for above normal monsoon rainfall.
- The positive Indian Ocean Dipole peaked in October 2023 and is currently breaking down.**
- The latest weekly IOD index ending January 28th dropped back within the neutral threshold. The IOD is generally favoured to remain within the neutral threshold over the next three months. A neutral IOD would not support a strong dry or wet pattern over India during the monsoon.
- The latest long-range rainfall outlooks currently favour a wet pattern emerging over the key cane regions in India over the May-June-July period.**
- The IRI US multi model probability forecast favours a wet pattern over Karnataka, Maharashtra and Uttar Pradesh in May-June-July, indicating a good first half to the monsoon. The European seasonal models agree for above normal rainfall over the cane growing regions in Maharashtra and Karnataka in the first half of the monsoon.**





# About Marex

- Marex provides the best specialized around-the-clock execution, clearing and research services in the marketplace for agriculture in all major exchanges.
- As a diversified global financial services platform, Marex provides essential liquidity, market access and infrastructure services to clients in the energy, commodities and financial markets. There are four core services: Clearing, Agency & Execution, Market Making and Hedging & Investment Solutions.
- It has a leading franchise in many major metals, energy and agricultural products, executing around 50 million trades and clearing over 205 million contracts in 2022. The Group provides access to the world's major commodity markets, covering a broad range of clients that include some of the largest commodity producers, consumers, trade houses, banks, hedge funds and asset managers. It is our leading position in the market that enables us to be a barometer of market sentiment at any point in time.
- Marex was established in 2005 but traces its roots in the commodity markets back almost 100 years. Headquartered in London with more than 30 offices worldwide, the Group has over 1,800 employees across Europe, Asia and North America.
- Marex Sugar is recognized as a global brand within its own right. Marex has leveraged its position and resources within the firm to build a network of analysts and consultants across key geographic sugar-producing regions. This regional expertise and boots on the ground approach has enabled Marex to expedite the delivery of fundamental news flows and key policy decisions.
- **Research partner with MEIR Commodities India for exclusive research in India for the past 5 years.**

## Some Sugar Product offerings by Marex

- Futures and options execution – vanilla, synthetic/arbitrage, calendar spread options (NY 11 and white sugar).
- Market commentary – daily short-term technical analysis, macro themes, weekly conference call.
- Research and consultancy – included in clearing or by separate negotiation.
- Market reports – Indian balance sheet, vessel line-ups, ethanol parities, weather reports.
- Ad-hoc studies – historical CFTC spec positioning, correlation analysis, volatility analysis.
- Bespoke trading tools – volatility curves, correlation grids.
- Sugar symposium and topical panel discussions
- Communication – dedicated and recorded mobile channels.

## Resources

- 7 strong sugar team with decades of experience
- 5 brokers based in London and New York
- 2 brokers dedicated to options
- 2 dedicated sugar analysts
- Team of in-house meteorologists
- Dedicated on the ground resources in EU, Brazil India, Pakistan, China, and Thailand



This presentation has been prepared by MEIR for information purposes only.

This document is provided to you on the understanding that it is solely for assisting you in your review. This document is confidential and is only to be used for the aforesaid purpose. It is not intended for any other purpose and no reliance should be placed on this document by any other person(s). This document must not be provided to any third party without prior written consent.

While reasonable care has been taken to ensure that the facts stated are fair, clear and not misleading, MEIR does not warrant or represent (expressly or impliedly) the accuracy, completeness or fitness for purpose or use of any information in this presentation. Any opinions expressed may be subject to change without notice. MEIR accepts no liability whatsoever for any direct, indirect or consequential loss or damage arising out of the use of all or any of the data or information in this presentation.