

Govt move to regulate sugar exports sensible, welcome, say experts

After Brazil, India is the world's second-largest sugar producer and exporter

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The production, however, is higher than the estimated domestic consumption of about 27.8 million tonne./ Representative image | Image by jan mesaros from Pixabay

It is a welcome move on the part of the government to limit sugar exports in the interest of domestic availability, instead of imposing blanket ban on exports, said Vijay Kalantri, Chairman, MVIRDC World Trade Center Mumbai - a trade facilitating body.

On May 24, the Centre imposed restrictions on sugar exports from June 1, Directorate General of Foreign Trade (DGFT) said. This is being done for the first time in six years in order to maintain enough domestic supply and prevent rise in prices. After Brazil, India is the world's second-largest sugar producer and exporter.

Step taken to boost ethanol production

To control domestic inflation and steer more sugarcane into ethanol production, the Centre has placed a 10-million-tonne limit on sugar exports this season, despite record overseas sales, said Mohit Nigam, Head - PMS, Hem Securities.

In the midst of a worldwide commodities-price spiral, India's export limits can drive international prices higher. Food export bans have been applied in other nations as well, such as Indonesia, which limited the export of palm oil to assure food availability locally after global food inflation reached record highs following the conflict.

On account of recent market correction followed with this news, most sugar stocks have plummeted 30 percent to 40 percent from 52-week highs, but export restrictions will make more surplus sweetener accessible for domestic ethanol production, which is a primary government aim, Nigam said.

The sugar sector is undergoing a massive transformation and has emerged as a powerful clean energy driver, accelerating India's transition to renewable energy. Increased cane diversion to ethanol will alleviate the problem of excess sugar inventories and minimize company volatility, resulting in improved profitability, lower working capital, and stronger long-term cash flows. To solve the problem of excess sugar, the government is encouraging sugar mills to shift excess sugarcane to ethanol production, he added.

No blanket ban on sugar exports

It is welcome that in the interest of domestic availability, the government has introduced mandatory approval process for export of sugar, instead of imposing blanket ban on exports, said Kalantri of MVRDC World Trade Center Mumbai. Any blanket ban on sugar exports by India would have raised world sugar prices and it would have also hurt India's image as a reliable supplier of agro commodities.

Sugar and sugar products contribute 10 percent to India's agro export earnings and hence the move to regulate sugar export is sensible, instead of imposing blanket ban, Kalantri said.

In recent years, India sharply improved its sugar export performance from being the 10th largest exporter behind Brazil, Germany, USA, Thailand, Netherlands, France etc. in 2017. India has a share of nearly 10 percent in world exports.

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According to the ministry, the decision will ensure that the closing stock of sugar at the end of the sugar season (30 September 2022) remains 60-65 LMT which is 2-3 months' stocks (monthly requirement is around 24 LMT in those months) required for domestic use



Experts have lauded the central government's move to allow the export of sugar up to 100 LMT with a view to maintain the domestic availability and price stability during the sugar season 2021-22.

The central government said that with effect from 1 June 2022 till 31 October 2022, or till further order, the export of the sugar will be allowed with specific permission of the Directorate of Sugar, Department of Food and Public Distribution.

The decision came in the light of record exports of sugar. In sugar seasons 2017-18, 2018-19 and 2019-20, only about 6.2 lakh metric tonne (LMT), 38 LMT and 59.60 LMT of sugar were exported. In the sugar season, 2020-21 against a target of 60 LMT, about 70 LMT have been exported.

The Ministry of Consumer Affairs, Food and Public Distribution said that in the current sugar season 2021-22, contracts for export of about 90 LMT have been signed, about 82 LMT sugar has been dispatched from sugar mills for export and approx. 78 LMT have been exported. Export of sugar in the current sugar season 2021-22 is historically highest.

"The export of sugar is a pragmatic step. This decision of the government is an effort to curb inflation and provide relief to the people of India," said Praveen Khandelwal Secretary General, CAIT.

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Mohit Nigam, Head - PMS, Hem Securities said, "To control domestic inflation and steer more sugarcane into ethanol production, the Centre has placed a 10-million-tonne limit on sugar exports this season, despite record overseas sales. This is the first time India has done so in six years with sugar exports."

After Brazil, India is the world's second-largest sugar producer and exporter. In the midst of a worldwide commodities-price spiral, India's export limits can drive international prices higher, according to experts.

Vijay Kalantri, Chairman, MVIRDC World Trade Center Mumbai said, "It is welcome that in the interest of domestic availability, the government has introduced a mandatory approval process for export of sugar, instead of imposing a blanket ban on exports.

"Any blanket ban on sugar exports by India would have raised world sugar prices and it would have also hurt India's image as a reliable supplier of agro commodities. Today, sugar and sugar products contribute 10 per cent to India's agro-export earnings and hence the move to regulate sugar export is sensible, instead of imposing a blanket ban," Kalantri added.

Nigam added that the sugar sector is undergoing a massive transformation and has emerged as a powerful clean energy driver, accelerating India's transition to renewable energy.

"Food export bans have been applied in other nations as well, such as Indonesia, which limited the export of palm oil to assure food availability locally after global food inflation reached record highs following the conflict. Because of recent market correction followed by this news, most sugar stocks have plummeted 30 to 40 per cent from 52-week highs, but export restrictions will make more surplus sweetener accessible for domestic ethanol production, which is a primary government aim" Nigam said.

Increased cane diversion to ethanol will alleviate the problem of excess sugar inventories and minimize company volatility, resulting in improved profitability, lower working capital, and stronger long-term cash flows. To solve the problem of excess sugar, the government is encouraging sugar mills to shift excess sugarcane to ethanol production, Nigam said.

Balrampur Chini, Dalmia Bharat, other sugar stocks extend fall after govt restricts exports. What experts say



Photo: Bloomberg

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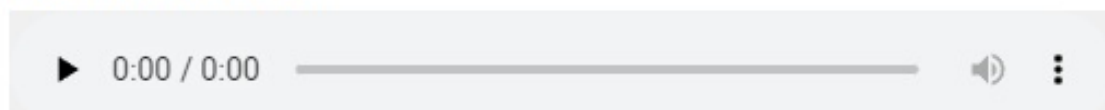
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Sugar stocks extended decline after the government announced restricting its sugar exports. ✕ Close million tons in the current season to help maintain domestic availability and keep prices stable. Shares of Balrampur Chini, Dwarikesh Sugar, Dalmia

stable. Shares of Balrampur Chini, Dwarikesh Sugar, Dalmia Bharat Sugar, Triveni Engineering fell as much as up to 10% in Wednesday's session.

"This is the first time India has done so in six years with sugar exports. Because of recent market correction followed with this news, most [sugar stocks](#) have plummeted 30 to 40% from 52-week highs, but export restrictions will make more surplus sweetener accessible for domestic ethanol production, which is a primary government aim. The sugar sector is undergoing a massive transformation and has emerged as a powerful clean energy driver, accelerating India's transition to renewable energy," said Mohit Nigam, Head - PMS, Hem Securities.

According to the Food Ministry, the decision came in the light of record exports of the sugar. Sugar exports in the 2021-22 marketing year are historically highest. India is the second-largest producer, after Brazil, and biggest consumer of [sugar](#) in the world. The country exported a record 7 million metric tons in the 2021-22 financial year and 5.96 million tonnes in 2019-20.

"The government has introduced mandatory approval process for export of sugar, instead of imposing blanket ban on exports that would have raised world sugar prices and it would have also hurt India's image as a reliable supplier of agro commodities. Today, sugar and sugar products contribute 10% to India's agro export earnings and hence the move to regulate sugar export is sensible, instead of imposing blanket ban," said Vijay Kalantri, Chairman, MVIRDC World Trade Center Mumbai - a trade facilitating body.