‘Chinimandi Synopsis by Marex MEIR’

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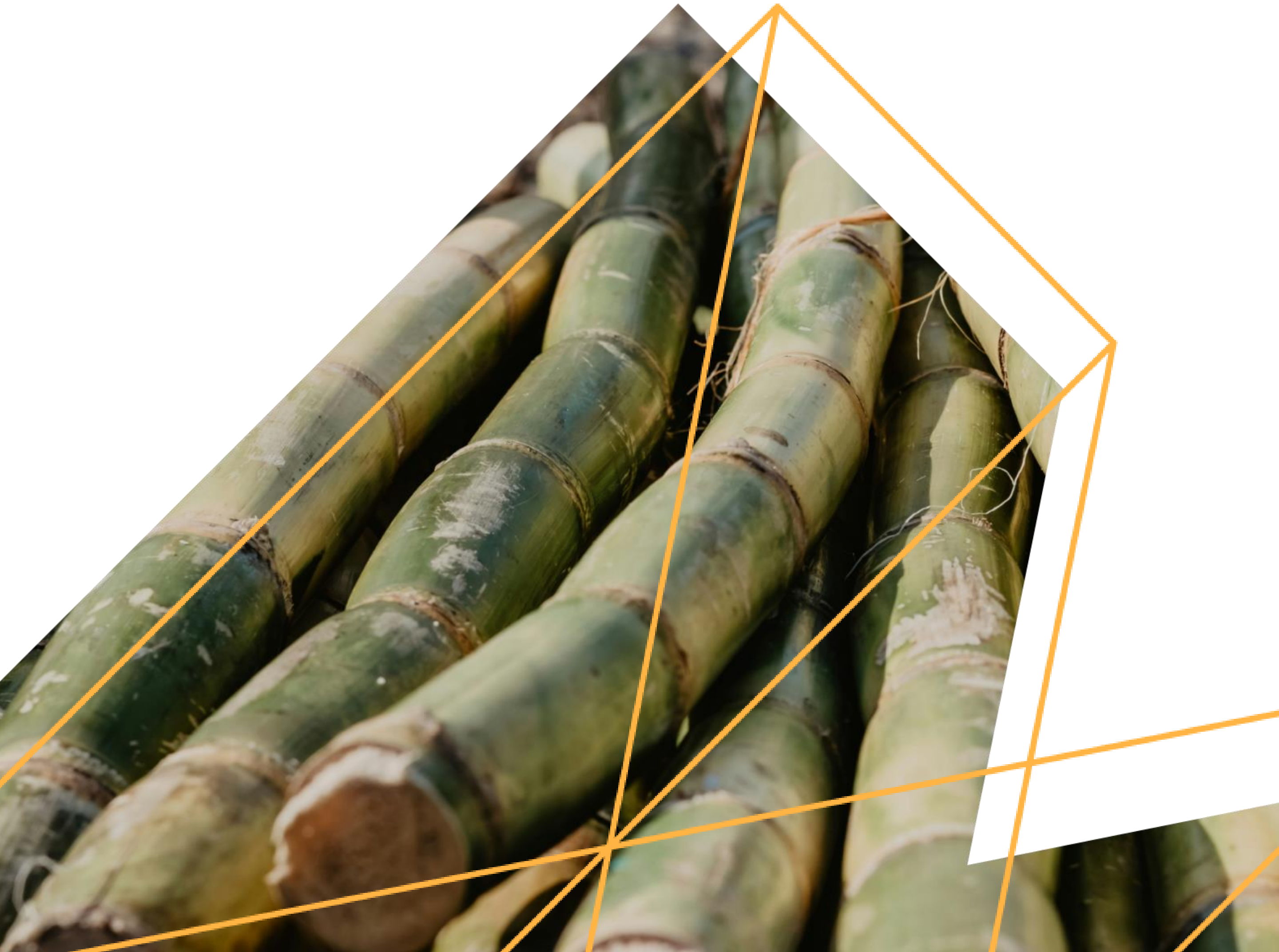

We attended the “Sugar and Ethanol Conference 2025 by Chinimandi ” in Delhi to gain insights into the outlook for sugar production and the ethanol blending program.

Despite lower production estimates from various trade houses and associations, the government remains confident in its decision to export 1 MMT of sugar and divert 4 MMT for the ethanol blending program. Industry participants believe that the export policy and ethanol blending initiative have fundamentally transformed India’s sugar sector—an ongoing trend we have highlighted in our reports. The government is expected to continue supporting both exports and the ethanol program as part of its broader strategy for energy security and optimizing the use of domestic resources. Experts also foresee that raw material diversification and the promotion of flex-fuel vehicles will be key to achieving a 20% ethanol blending target.

Although industry forecasts suggest lower sugar production, the government remains committed to continuing the ethanol blending program and the 1 MMT sugar export target. The government has addressed previous uncertainties regarding opening stocks and sugar diversion for ethanol blending, with full confidence in an 8 MMT opening stock and 4 MMT diversion for ethanol use. The rationale behind the government’s allowance for exports and higher ethanol diversion rests on the strong opening stock, despite the lower production estimates for the 2024/25 season. Additionally, the government is optimistic about the 2025/26 season. Ex-mill prices had been trading lower from October to the first half of January; however, the facilitation of exports has helped stabilize prices, aligning with the government’s objectives. The government has reiterated that ethanol remains a priority after fulfilling domestic consumption needs. As per the Government of India, 6.95 MMT of domestic sugar quota was allocated for Q1 (October-December), with actual dispatches reported at 6.5 MMT by mills.

India Domestic Quota 2024-25		
Month	Quota Allocated	Actual Dispatches
Oct	2.55	2.3
Nov	2.2	1.95
Dec	2.2	2.2
Jan	2.25	?

Sugar production in Maharashtra and Karnataka has been adversely affected by reduced rainfall during the 2024 monsoon season, while Uttar Pradesh's cane fields are facing challenges from red rot and floods. These factors are expected to lower the total sucrose production. A higher ratoon cane percentage, early flowering in Maharashtra and Karnataka, along with red rot in Uttar Pradesh, are significantly impacting agricultural yields.

Unpredictable monsoon patterns are affecting cane yields, particularly in Maharashtra, Uttar Pradesh, and Karnataka—the top three sugar-producing states. Excessive rainfall could cause flooding, damaging cane crops, while drought conditions may reduce sucrose content.

The range of net sugar production for 2024-25 is estimated between 26-28 MMT, with sugar diversion expected between 3.3 to 4 MMT.

India's export potential for 2025-26 is projected to rise significantly, depending on government policy decisions. Despite lower production in 2024-25, sufficient carryover stocks will help stabilize the market and support India's export potential. Key export destinations include Bangladesh, Nepal, Bhutan, Indonesia, and the Middle East, though competition from Brazil and Thailand may affect India's global market share.

With the government's export decisions and the recent hike in ethanol prices, the industry now anticipates increases in the Minimum Selling Price (MSP) for sugar, as well as higher procurement prices for B-heavy molasses and juice ethanol.

India Sugar Balance Sheet 2024-25				
Particulars	**GOI**	**ISMA**	**AISTA**	**NSF**
Opening stock in MMT	8.00	8.00	7.98	8.00
Sucrose Production in MMT	32.1	31.0	30.52	31.0
Diversion for ethanol in MMT	4.0	3.8	4.0	4.0
Net Production in MMT	28.1	27.3	26.52	27
Consumption in MMT	-29.5	-28.0	-29.0	-29.0
Exports in MMT	-1.0	-1.0	-1.0	-1.0
Closing stock in MMT	5.61	6.25	4.5	5.00

Global Outlook

The global sugar market is set for a small surplus in 2024-25 due to lower output from India and Pakistan, but production is expected to rise by 6.2-6.4 MMT in 2025-26, reaching 196-198 MMT. Demand growth remains modest at 0.95% YoY, adding 1.8 MMT. While South America sees higher production, Europe and parts of Asia face deficits, driving import demand. Declining Indonesian and Indian imports of Brazilian sugar are reshaping supply chains, with increased availability from Brazil and Thailand expected in early 2025. Market sentiment is bearish, with net short positions at their highest since 2019, adding price volatility. However, China import parity suggests potential price recovery, with Brazil-China arbitrage at 16.6-17.0 c/lb and Thailand's sugar competitive at 17.3-17.6 c/lb. HiPol sugar cash premiums have weakened, but refined sugar prices show signs of recovery, especially in MENA.

Regional Highlights

Brazil: The world's top sugar producer is set to increase output from 40 MMT in 2024-25 to 42-43 MMT in 2025-26. Rising ethanol demand and government biofuel policies may impact sugar mix decisions, but the 2025-26 mix is expected to rise to 50.5%, adding 865-880 KMT to global supply. Key export markets include China, India, Indonesia, and the Middle East, though currency fluctuations and global prices may affect competitiveness.

Thailand: Cane production is set to grow in 2025-26, rising from 10.7-10.9 MMT in 2024-25 to 11.5-11.6 MMT. Higher sugar prices and government incentives are driving acreage expansion, with expected cane crush at 105.5-106 MMT. Thailand remains a key supplier to Indonesia, China, and South Korea, but rising competition from Brazil and India could impact export volumes.

Short-Term Impact of Lower Cane Production in Maharashtra and Karnataka

Indian farmers continue to expand sugarcane cultivation due to several factors: (1) a steady rise in sugarcane prices, supported by the Fair and Remunerative Price (FRP) mechanism set by the central government; (2) the reliability of sugarcane as a relatively stable crop with minimal risk of failure; and (3) an assured market with prompt harvesting, offtake, and payments by sugar mills, with government data indicating that 99% of cane payments for the 2023-24 season and 72% for the 2024-25 season have been disbursed. These factors have contributed to a surplus sugar scenario for nearly a decade. However, production patterns vary across major sugar-producing states, with Uttar Pradesh demonstrating more stable output, while Maharashtra and Karnataka experience significant fluctuations. Delays in the 2024-25 crushing season in Maharashtra and Karnataka, partly due to the upcoming state assembly elections, have raised concerns about irrigation and water management challenges that could impact long-term production stability in these regions.

- India is projected to produce 28.1 MMT of sugar in 2024-25 after diverting 4 MMT of sugar equivalent for ethanol production.
- As per government data, India began the 2024-25 sugar season with an inventory of 8 MMT, with the closing stock expected to remain comfortable at 5.61 MMT by September 2025.With production estimates revised down from an initial 34 MMT to 31 MMT, industry stakeholders are pushing for an increase in Sugar MSP and ethanol procurement prices.
- Domestic sugar prices surged following the export allocation in January 2025, rising by approximately INR 3,000 per ton.
- Initial projections for the 2025-26 season indicate an increase in sucrose production to 36-37 MMT. With stable opening stocks, higher ethanol diversion and additional export opportunities are anticipated, while domestic sugar consumption is expected to reach 30 MMT in 2025-26.
- So, these are conflicting views mentioned during the conference.

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