

Voluntary Report – Voluntary - Public Distribution

Date: April 27,2020

Report Number: IN2020-0023

Report Name: Covid-19 Impact on the Indian Sugar Industry

Country: India

Post: New Delhi

Report Category: Agriculture in the News, Agricultural Situation, Sugar

Prepared By: Ankit Chandra

Approved By: Mark Wallace

Report Highlights:

In its battle against the Corona virus pandemic, the Indian government has extended the March 25th national lockdown till May 3rd. Even though sugar was declared an essential commodity and is exempt from the restrictions of the lockdown, a plunge in institutional use, a shortage of labor for distribution, and limited port operations all will force drops in domestic production, sales and exports.

Background:

The economic uncertainty and partial paralysis caused by the COVID-19 crisis in India has impacted supply chains for a number of agricultural products and industries, including the Indian sugar industry. In a recent directive from the government of Uttar Pradesh, India's largest sugar-producing state, some 15 odd towns have been sealed off completely¹ as COVID-19 hotspots, including the prominent cane growing districts of Shamli, Meerut, Saharanpur and Bulandshahr. This likely will cause a labour shortage for needed services during harvest and transport of cane for processing.

Supply

The national lockdown on March 25th caused a sudden spike in demand for hand sanitizers. In response, the Ministry of Consumer Affairs, Department of Food & Public Distribution² permitted sugar mills across the country to begin producing hand sanitizers. The GOI also included hand sanitizers in their March list of essential commodities³ which are exempt from movement restrictions stipulated in the government lockdown. Along with that, in a move to curtail hoarding, the GOI capped the price of sanitizer at Rs. 100 (\$1.31) for a 200 ml bottle⁴ till June 30th. A few sugar mills produce and market hand sanitizer themselves, but most supply ethanol, extra neutral alcohol (ENA), or ethyl alcohol to external sanitiser plants. Presently, 24 sugar mills in UP⁵ and 19 sugar mills in Maharashtra⁶ are producing hand sanitizers amidst the ongoing cane crushing season.

The key production issues observed in the aftermath of Covid-19 are transportation, availability of inputs, and availability of labor. On April 12, the Ministry of Home Affairs⁷ issued a notice to ensure free movement of inter-state and intra-state trucking. And on March 26th the Ministry of Consumer Affairs, Food & Public Distribution issued a notice to ensure availability of key inputs for sugar manufacturing plants, including sulphur, lime, phosphoric acid, and packaging bags⁸. Nevertheless, until now the labor shortage has not been solved. Initially workers in March were not permitted freedom of movement to report to duty, so without a source of income many returned to their home villages. For many sugar mills, the quantity of labor now is insufficient to supply adequate quantities of sugarcane.

Demand

The most visible impact of the COVID-19 crisis is on demand. Institutional consumption in India normally constitutes 65 percent of total domestic sugar sales, which are estimated at 27 million tons annually. The pandemic could impact the overall domestic sugar consumption by 1-1.5 million

¹ [UP in complete lockdown](#)

² [MoHFW enhancing production of hand sanitizers](#)

³ [Govt brings hand sanitizers and masks to essential commodities act](#)

⁴ [Government fixes prices of sanitisers, face masks](#)

⁵ [24 sugar mills producing sanitizers in UP](#)

⁶ [Daily production of 3.10 lakh tons of hand sanitisers begins in Maharashtra](#)

⁷ [Guidelines to be implemented about movement of persons and vehicles-MHA](#)

⁸ [Availability of key inputs](#)

tons. This plunge is attributed to the fact that most FMCG (Fast Moving Consumer Goods) companies are operating at reduced capacities, and have reduced sugar offtake in March and April. Most affected are sugar supplies to the aerated and non-aerated beverages manufacturers, who have suspended operations in bottling plants. Summer months normally bring peak demand for such beverages, but this year may be different: when the lockdown was extended through April, most retail stores were already closed so consumers could not stock up and a month of national consumption of such beverages is likely lost.

The Hotel, Retail, and Catering market segment (HORECA), which is one of the largest consumers of sugar, is among the industries most severely impacted by the national lockdown: all hotels, restaurants, bars and other miscellaneous food establishments have been closed, although takeout service is available from limited restaurants. Also, March-April is normally India's peak wedding season for caterers, but this year the number of weddings that have been cancelled or postponed due to the pandemic represent an irreversible loss of revenue to caterers.

Exports

India has already exported close to 2.86 million tons of sugar against its Maximum Admissible Export Quantity (MAEQ)⁹ quota of 6 million tons¹⁰. The top export destinations were Iran, Somalia, Malaysia and Sri Lanka. As on April 8th, the COVID-19 crisis has resulted in a slowdown of port operations owing to low container traffic, limited labour availability, no courier services, no public transport and the customs operating at 5-10 percent capacity. In addition, the ports of Krishnapatnam, Mundra, Gangavaram, Karaikal, Gopalpur, Dhamra and Tuna have declared force majeure, that has led to no new deals being reported in the period of the lockdown primarily owing to logistical challenges and lack of labor.

Attachments:

No Attachments.

⁹ [Review of Export Performance of sugar mills against MAEQ](#)

¹⁰ [India sugar exports](#)