

INDIA'S SUGAR PROBLEM: FROM SURPLUS TO SHORTAGE?

A season of wrong estimates,
thin buffers and **tough choices**.



CROP
CHALLENGES



ESTIMATE
MISS



THIN
BUFFER



POLICY
U-TURN



IMPORTS
IN TRANSIT



MARKET
IMPACT

BETTER DATA. **BIGGER BUFFERS.** STRONGER FOOD SECURITY.

Decode the economy.
Understand the **opportunity**.

READING BEYOND THE SURPLUS: THE REAL SUGAR STORY OF 2025-26

India's sugar season has taken an unexpected turn. What looked like abundance is revealing the cracks beneath.



5 FORCES RESHAPING THE SUGAR LANDSCAPE

 SUPPLY SHIFTS Weather, cane availability & yield variations are changing the outlook.	 POLICY TURNING POINTS Export curbs, pricing decisions & subsidy delays are impacting the market.	 GLOBAL CROSSWINDS International prices, trade flows & currency moves are influencing India's position.	 COST PRESSURES Rising input costs are squeezing margins across the value chain.	 UNCERTAIN OUTLOOK With multiple variables in play, visibility remains limited.
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STAKEHOLDERS, DIFFERENT REALITIES

	Mills focus on survival—managing cash flows amid cost and stock pressures.
	Consumers hope for stable prices, but volatility lingers.
	Investors watch margins closely as earnings face headwinds.
	Policymakers walk a tightrope between farmer support and market balance.

WHAT THIS MEANS



- ✓ Margins under pressure
- ✓ Planning more critical than ever
- ✓ Flexibility and efficiency will decide winners
- ✓ Decisions today shape outcomes tomorrow

“ The real challenge isn't the sugar we produce, it's how well we navigate what comes next.



THEN THE PRODUCTION ESTIMATES COLLAPSED

Government estimate fell to:



The USDA also cut its estimate by ~53 LMT.

Why?



Excess rainfall in Maharashtra



Crop disease in UP & Maharashtra



Lower cane quality



Lower sugar recovery



2–3% lower cane availability in UP



Some cane diverted to khandasari units



But imports aren't instantaneous.

Brazil → India can take ~40–45 days, followed by refining + inland transport.



EARLY PRODUCTION NUMBERS WERE MISLEADING

By 15 April 2026:



Sugar production:
275 LMT
→ 8% higher YoY



But mills still
operating:
19
vs 38 last year

By 30 April:



Production:
+7% YoY



But only:
5 mills
vs 19 last year
remained operational



The crop wasn't necessarily bigger —
cane was simply being crushed earlier.

INDIA HAD SUGAR. BUT THE BUFFER WAS THIN.

Industry estimate:

Net sugar
production
~279 LMT

after **~24 LMT**
sugar-equivalent
diverted to ethanol.



Expected opening stock:



~35 LMT

Monthly domestic
consumption:



~22 LMT

That means opening inventory covered only:



~1.6 MONTHS
of consumption



So even without a physical “shortage”,
the available buffer was dangerously thin.

GOVERNMENT SWITCHED FROM EXPORTS TO SUPPLY CONTROL



Physical verification of mill inventories



Weekly stock reporting



Stock limits for traders



Large consumers limited to 15 days' requirement



10 LMT duty-free raw sugar imports

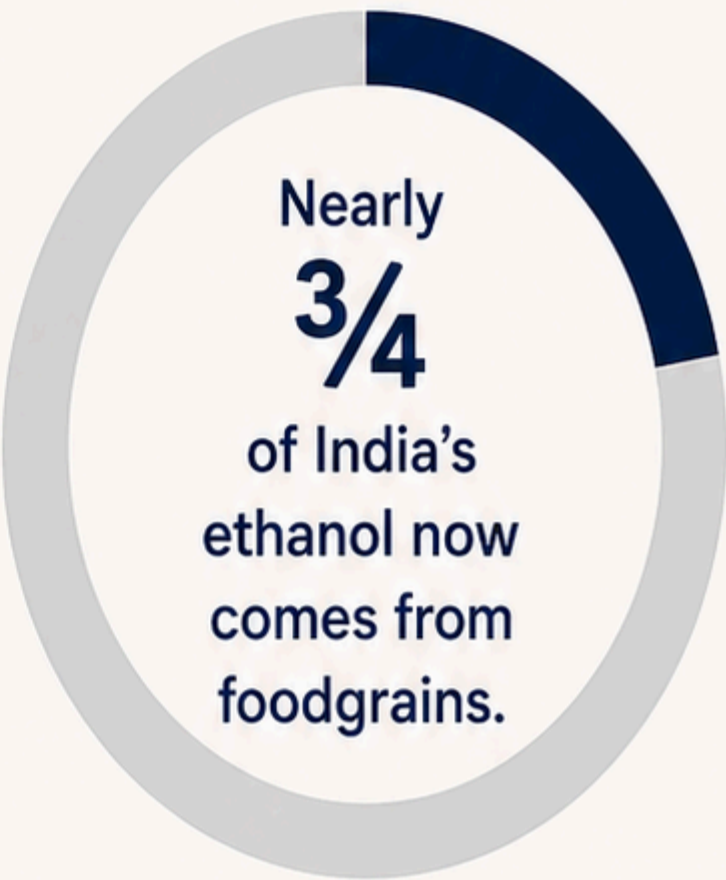


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WAS ETHANOL THE CULPRIT?

Not really.
Sugar diversion to ethanol fell:



So ethanol didn't cause the production miss.
But it reduced the cushion.

The real problem: India committed to ethanol without having a sufficiently large safety margin in sugar.



When the crop estimate was wrong, India had too little safety margin to absorb the surprise.

For sugar, the key number isn't just production. It is how much sugar is actually available when the market needs it.



WHO WINS? WHO LOSES?



SUGAR MILLS WIN

Higher sugar prices improve realisations and support margins.





FOOD COMPANIES LOSE

Higher sugar prices increase input costs and squeeze margins.





CONSUMERS LOSE

Higher sugar prices eventually feed into sweets, beverages, biscuits & confectionery.



BALRAMPUR CHINI SNAPSHOT



45.67 LQ
sugar inventory



Book value
~₹37/kg



June-quarter
realisation
~₹42/kg

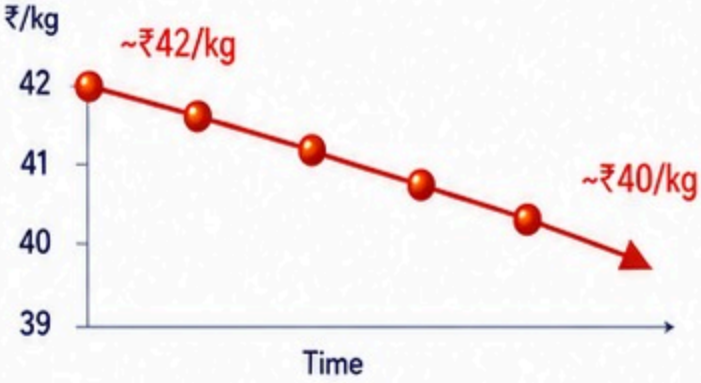




But after duty-free imports were announced, Balrampur Chini, Dhanpur Sugar & Bajaj Hindusthan fell ~5% as investors anticipated lower sugar prices.

THE PRICE IMPACT

Before import news	~₹42/kg
After import news	~₹40/kg
Change	~5%





THE REALITY: INDIA LACKS A SAFETY BUFFER

India's sugar ecosystem is fragmented across multiple moving parts. There is no single view of how much sugar is actually available when the market needs it most.

PRODUCTION



Mill-wise data delays

ETHANOL DIVERSION



Uncertain & changing volumes

STOCKS



Decentralised & inconsistent reporting

EXPORTS



Irregular external demand

SALES & DISPATCHES



Real-time visibility remains weak