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Industry body raises sugar output forecast by 7-10%

REUTERS
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India is likely to produce 18.0-18.5 million tonnes (mt) of sugar this year, a leading industry body said, raising the forecast by 7-10 per cent but analysts said the country still needs 2-3 mt of imports.

Higher output in India, the world's top consumer and the second-biggest producer, will put further downward pressure on benchmark New York prices that have fallen 41 per cent from a 29-year-high of 30.40 cents a lb on February 1 on expectations for bigger production in Brazil and India. "Yield has improved, particularly in Maharashtra," Vinay Kumar, managing director of the National Cooperative Federation of Sugar Factories, told reporters after meeting Farm Minister Sharad Pawar. Maharashtra is the country's biggest sugar producer.

Analysts said despite higher output estimates the country needed to import another 2-3 mt, although expectations of fresh purchases by India would not lead to further spike in global prices.

"We still need to import at least 2-3 mt," said Amol Tilak, a senior analyst at Kotak Commodities in Mumbai.

Indian mills imported more than 5 mt of sugar in the year to September 2009 to overcome a shortage after 2008-09 output fell 44 per cent to 14.7 mt due to lower cane availability. An acute



shortage helped domestic prices double last year, encouraging higher cane plantation.

Earlier this month, Pawar said the country would produce more than 17 mt of sugar in 2009-10, higher than industry estimates of 16.8 mt. Kumar said output since the beginning of the season in October had reached 16.7 mt so far from 13.2 mt at this time a year ago.

Sugar output in Maharashtra might reach 6.5 mt in 2009-10 from 4.6 mt in the previous year.

Government officials say output in Uttar Pradesh, the second-biggest producing state, is expected at 5 mt in the current season, up from 4.6 mt in 2008-09.

Supplies had improved, said Narendra Murkumbi, managing director of Shee Renuka Sugars, India's largest refiner.