


AGRICULTURE

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Maharashtra's sugar production to nearly halve in 2019-20

We met senior officials of the Maharashtra State Co-Operative Sugar Factories Federation (MSCSFF) which has 190 co-operative sugar mills operating in the state as members. Key takeaways:

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- MSCSFF estimates that sugar production in Maharashtra for the upcoming Oct'19-Sep'20 season will plummet to 5.5-6mn tonnes (mt) vs. ~10.7mt in the last marketing season (SS18-19).
- The lower production forecast for Maharashtra is primarily due to a ~30% drop in cane cropping area expected this year, at 770,000-780,000ha, owing to the below normal monsoons last year.
- Sugar output is projected to recover in SS20-21 to ~8.5mt provided the monsoons are normal during Jun-Oct'20. High reservoir water availability in the current year should bolster cane sowing.
- Sugar recovery in Maharashtra stood at 11.26% of cane crushed during SS18-19 and is expected to be at 11.1-11.2% in the upcoming season.
- Crushing operations in the state are expected to begin with a delay, in mid-November vs. the third week of Oct'18, due to lower sugarcane availability.
- Prices of the sweetener in Maharashtra are currently at Rs 31-31.5/kg (S-grade) and have stayed around these levels for the last few months.
- India can export ~4.5mt in SS19-20 (vs ~3.8mt in SS18-19) which will enable it to reduce excess inventory.
- Maharashtra's export quota for the upcoming season is ~1.8mt (vs. 1.55mt in SS18-19) and should be fully met, as was the case last season.
- Sugarcane is one of the most profitable crops for farmers that has assured offtake and payment cycles; hence, it will continue to be a preferred crop.
- Cane arrears due from millers to farmers in the state total ~Rs 3.3bn.
- Capex toward ethanol capacity addition looks difficult in the near term due to the stretched balance sheets of co-operatives in Maharashtra.
- Maharashtra has requested the Central government to increase the MSP (minimum selling price) of sugar from the current Rs 31/kg so that the profitability of companies can improve.



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