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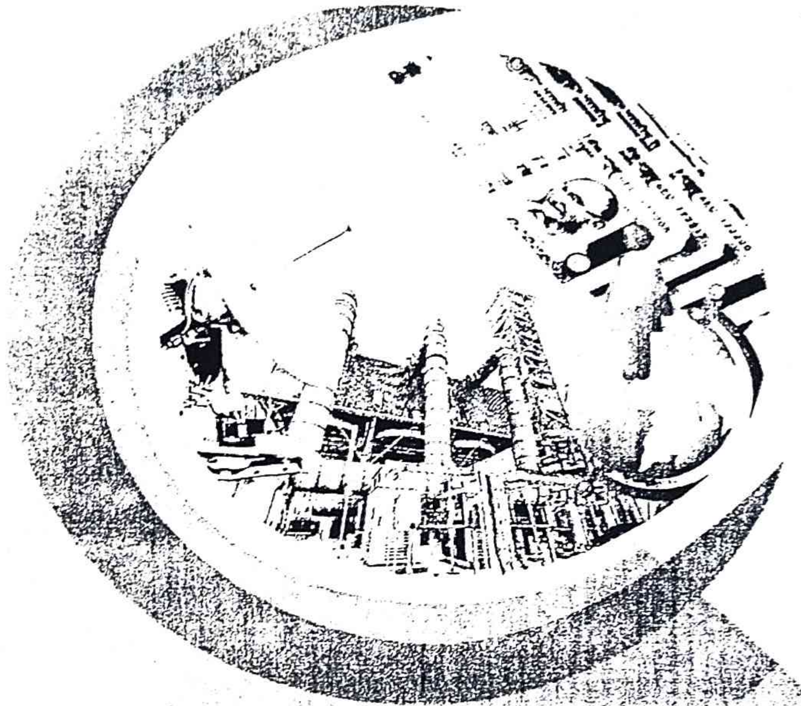

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ROLE OF SUGAR INDUSTRIES IN INTERNATIONAL TRADE

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ABSTRACT

In terms of the macro-economic assumptions underpinning the Outlook, exchange rates are a key factor affecting the sugar market. Over the forecast period, the USD is assumed to strengthen against the majority of currencies, enhancing the competitiveness of major sugar exporters on the world market, especially Brazil. In contrast, a few deficit countries located mainly in Asia (China, Korea, Japan, Malaysia), will benefit from a firming of their exchange rates against the USD, making imports less expensive when denominated in local currencies. International sugar prices fell by more than 30% in 2014. The prospect of a global sugar production deficit has led to a price increase at the start of the current season, but with stocks still at comfortable levels, the price increase is expected to average slightly above 2% in the 2015 marketing year. Indeed, there has been a slowdown in output growth since 2013, and global sugar production is expected to fall by about 5 Mt in 2015. Given steady growth in global consumption, this should put an end to the surplus phase. Increases in sugar production are foreseen in Brazil (the leading producer and exporter), Australia, the Russian Federation and Thailand, but two main producers, India and the European Union, will see a decrease. After four years of replenishing global stocks, the stocks-to-use ratio should begin to decline at the start of the 2016-25 outlook period. The sugar sub-sectors in many developed and developing countries will continue to benefit from domestic policy support measures such as high import tariffs, tariff rate quotas, and minimum price support. These policies will continue to distort markets and contribute to the relatively elevated level of market volatility. However, new policies will liberalise the sugar market to some extent, such as the abolition of sugar quotas in 2017 in the European Union and the deregulation of sales of sugar in the open market in India.

Keywords: *Sugar Industry, International Market, Sugar Production.*

Introduction

The continuation of in place domestic policy measures as well as Brazil's sugarcane production prospects will continue to largely influence the sugar market over the medium-term. World sugar prices, when denominated in US dollars, are not expected to increase much as production prospects should be able to satisfy a growing world demand, notwithstanding WHO recommendations to reduce daily "free" sugar intake to less than 10% of total energy intake.

Objectives of The Study

1. To study the process of sugar industry.

2. To analyze the Growth of sugar industry at global market.
3. To study the productivity of Sugar Industry.
4. To study of top sugar Production country at International Market.

Sources of Data

The study is mainly based on secondary data through various journals, magazines, Books and Newspaper etc.

Scope of The Study

The present study mainly focus on the growth and productivity of sugar industries. In India the growth of the sugar industry plays an important role in achieving its productivity among the world the study is based on production information.

Need of The Study

The Indian sugar industry as green industry its future determines the livelihood of millions of farmers. The growth of these Industries plays a prominent role in the economic development of the nation. The growth of an industry is based on its success and productivity. It is the primary test of the success of an industry. The consumers and the government are directly or indirectly involved in this industry. If the productivity is more, there will be the technological innovations and the economic will be growth high. The productivity and efficiency mainly depend upon the age and region of the industry. Productivity and better efficiency help to set the industry in the pace of its higher growth. The analysis of productivity has necessities to increase certain industries' economic position. So, this study and an attempt was made to focus its measures by growth and productivity of the companies.

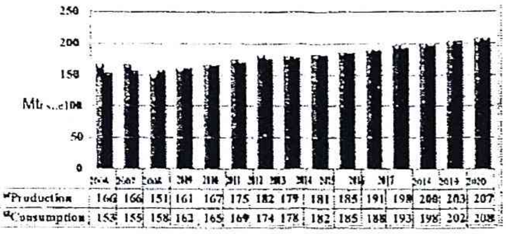
Indian Sugar Industry

Maharashtra is traditionally the leader when it comes to sugar production in India. Before Maharashtra, Uttar Pradesh was the leader. There are several reasons as to why Maharashtra occupies this place in the pantheon of Indian states that produce sugar. The state has a longer crushing period compared to other states and its rate of recovery is also significantly higher. Maharashtra currently has almost 25 percent of the sugar mills operating in India and it accounts for nearly 30 percent of the entire sugar produced in India. In fact, the sugar mills in Maharashtra are supposed to be the biggest in the country. Most of these mills are located at the river valleys in the western stretches of the Maharashtra Plateau. Ahmednagar is among the leading centre of sugar production along with Kolhapur, Pune, Satara, Nashik and Solapur.

World Sugar Market

World Sugar Production and Consumption

Fig: 1. Shows World Sugar Production and Consumption



Source: Organization for Economic Cooperation and Development (OECD) & Food and Agriculture organization (FAO), 2016.

Fig No: 1 shows the Evolution of world sugar production, consumption and stock for the period from 2005-2006 to 2020-2021. It is inferred that the sugar crops in many parts of the world are projected to expand in response to rising demand with relatively high market prices. There is a steady increase in production from the year of period of 2005-2006 to 2020-2021. World sugar production is expected to increase by 50 million tons to reach over 209 million tons in 2020-2021. The bulk of the additional sugar production will come from the developing countries.

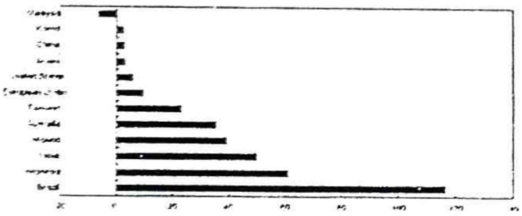
Contribution of Sugar Industry at Global Market

- ✓ Brazil's sugar sector has faced financial problems for several years, but will benefit from the weakness of the Brazilian real. Government policies continue to support ethanol production from sugarcane, but the share of sugarcane devoted to ethanol production should slightly decline over the outlook to 57%. This will displace sugar sales in domestic and export markets. Globally, a higher share of sugarcane production will be devoted to producing ethanol, rising from about 20.7% during the base period to 22.3% in 2025.
- ✓ Global sugar production, despite an expected fall in the coming season in some producing countries, should rise over the course of the decade, sustained by demand growth and a reduction in stocks. Over the ten-year period, the growth in production is foreseen to average 2.1% per annum (p.a.), with production reaching 210 Mt by 2025, an increase of around 39 Mt over the base period (2013-15). Most of the additional production will originate in countries producing sugarcane rather than sugar beet, and the main driver of output growth is area expansion, notably in Brazil, even though yield improvements are foreseen for sugar crops and sugar processing in some other producing countries (India and Thailand).
- ✓ The anticipated growth in world sugar demand for the next decade is steadier with an increase of 2% p.a. resulting in a decrease of the stock-to-use ratio from 45% in the base period to 39% in 2025. However, the growth in demand is mixed with nearly no growth in the matured developed countries and stronger prospects in developing countries, in particular Africa and Asia. In developing countries with high sugar calorie intake, no noticeable changes in consumer habits are foreseen, as sugar is an available, cheap source of energy, which is easy to transport and store.
- ✓ In the face of growing global demand, sugar exports are likely to expand in countries that have modern their sugar sub - sector in recent years (e. g. Australia, European Union, and Thailand). Brazil will remain the world's major producer and exporter, but lose market share at the start of the period, opting for more profitable ethanol production in the short-term. Favorable currency terms should encourage investment.
- ✓ Overall, Brazil's share of world sugar exports is expected to decline at the start of the projection period before recovering to a level close to that achieved during the base period (41%). On the other side, imports will remain diversified, mostly driven by demand from Africa and Asia. Over the medium-term, the interaction between the sugar market and other sectors such as the feed sector, biofuels, and other caloric sweeteners will generate feedback effects.

World Sugar Price

World sugar prices are low at the start of the Outlook period and are projected to stay low in the short term before strengthening moderately in the following years. By 2025, they will be higher than the 2013-2015 base period in nominal terms, but lower when expressed in real terms. The nominal world raw sugar price is projected at USD 342/t (USD 15.5 cts/lb) and at USD 425/t (USD 19.2 cts/lb) for white sugar, in 2025. The white sugar premium, although increasing in the current period due to rising import demand in Myanmar and Sudan, is expected to undergo a squeeze in 2017, as the abolition of the EU sugar quota allows for further lexports of white sugar on the world market. The resultant downward pressure on price will encourage producers to switch to exporting more raw sugar rather than white sugar, which in turn will stabilise the premium towards the end of the period (USD 83/t versus USD 85/t during the base period). Sugar price volatility should diminish over the forecast period, largely due to low production costs and the change in Indian sugar policy, implemented in 2013. India is the world's largest consumer and second largest producer of sugar, but has suffered cyclically from deficits and at these times has relied on imports to meet demand when needed. Today, however, Indian growers receive a "fair and remunerative" level of guaranteed cane price. This helps regulate sugarcane production and maintains a better market balance.

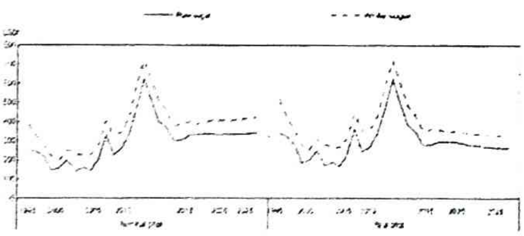
Fig No. 2 Change in world nominal raw sugar prices when denominated in selected national currencies



2025 vs. 2015-16

Source: OECD/FAO (2016), "OECD-FAO Agricultural Outlook", *OECD Agriculture statistics* (database),

Fig No 3. World sugar prices



Source: OECD/FAO (2016), "OECD-FAO Agricultural Outlook", *OECD Agriculture statistics* (database),

Top Sugar Production Country at International Market

After five years of production increases, a production deficit was experienced in 2015. While there are increases in sugar production in Brazil and other smaller producing countries such as the Russia Federation, South Africa and Australia, these are offset by decreases in Europe and some key Asian countries. Over the forecast period, stocks are expected to diminish and remain low for several years.

✓ Brazil, the largest sugar producer and supplier, will continue to play a key role on world markets, but its dual use of sugarcane as a feedstock for ethanol and for sugar production will continue to be affected by relative price competition between the export-oriented market for sugar and the largely domestic ethanol market. It is projected that sugarcane will account for about 86% of sugar output over the next decade.Brazil will maintain its leading position on the sugar market although high levels of debt are expected in the sector for several years at the start of the outlook period due to difficulties linked to unfavourable weather and economic conditions (higher overseas debt denominated in US dollars due to mechanisation, increases in wages, and limited access to credit). Bankruptcy rates have gone up as mills face mounting debts in the face of lower returns. Supported by the Brazilian government, hydrous ethanol production, which allows for a quicker return, has become since 2012 more profitable than sugar. However, although benefiting from a favourable exchange rate, it is foreseen that a lack of renewed plantings and investments in the sugar sector will persist for a couple of seasons. Taking into account the continued fiscal policy for fuels, depreciation of the currency, and assuming no weather shocks, it is foreseen that production will return to its previous high levels after 2021 and reach 42 Mt at the end of the projection period.

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the Russian Federation, Egypt, the Ukraine, and the European Union following the abolition of quotas in 2017. For sugarcane and sugar beet production, most of the increases are projected to come from higher yields and area expansion, and, in the European Union, a lengthening of the beet slicing period. The share of sugarcane allocated to ethanol will continue its upward trend, and 22% of sugarcane in 2025 will be allocated to ethanol production (from 21% during the base period). Conversely, the share of sugar beet allocated to ethanol (5%) will decrease slightly to 3%.

✓ In Asia, India, Thailand and the People's Republic of China (herafter "China") are the top three sugar producers. Sugarcane production in India, the leading producer of the region, is expected to expand, driven by sugar and ethanol policies. The recent sugar policy reform provides greater reliability in terms of prices paid to farmers and abolishes marketing constraints put on sugar mills. The latest supporting policy for ethanol also provides renewed incentives to expand sugarcane production and processing capacities. Indian sugar production is expected to reach 32.8 Mt in 2025, about 23.6% above the level of the base period 2013-15.

ü Thailand has produced large sugarcane crops following the sugar in production in 2010 and since 2014 is the second largest producer of the region, although drought did affect yields in 2015. Assuming normal weather conditions, Thailand is expected to maintain its market position, despite a slower pace of production growth in medium term as opposed to recent years. Indeed, as sugarcane expansion reaches areas less suitable for production, yields becomes more volatile,

Conclusion

The study brings out the fact that production of sugar industries is more effective. It is due to effective utilisation and modernisation of available resource. The northern region has positive growth in terms of output as compare to southern region. The growth of sugar industry plays a prominent role in the economic development of nation.

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