

Sugar Price Surge in India

Mains: *GS III – General Economy | Agriculture*

Why in News?

Recently, Sugar prices jumped from Rs.45/kg in July to Rs.65/kg in August 2026 ahead of the festive season, sparking concerns over availability and ethanol diversion.

What is the current status of India's sugar production?

- **Gross sugar production (2025-26)** - It is projected at approximately 309 lakh tonnes (lt), compared to the earlier estimate of 343.5 lt.
- Approximately 30 lt of sugar is expected to be diverted for ethanol production.



SUGAR OUTLOOK 2025-26

KEY HIGHLIGHTS



GROSS PRODUCTION

- 2025-26 output projected at **309 lt** (vs. earlier 343.5 lt).



ETHANOL DIVERSION

- About **30 lt** of sugar expected to be diverted for ethanol.



NET PRODUCTION

- Net sugar output estimated at **279 lt**, ~30.5 lt lower than industry projection.



OPENING STOCKS & DEMAND

- Opening stocks ~**50 lt** (alt. estimate ~**48 lt**).
- Domestic consumption ~**280 lt**.
- Exports ~**8 lt**.



CLOSING STOCKS

- Projected closing stocks ~**41 lt**, among lowest in recent years.
- If opening stocks are ~48 lt → closing stocks may fall to ~**39 lt**, lowest since **2008-09**.



lt = Lakh Tonnes

What are the reasons for the sugar price hike?

- **Sugar production lower** - Excess rainfall during September and October 2025 adversely impacted sugarcane crops in the primary producing states.
- Waterlogging and diminished sunlight resulted in negative effects on the following aspects:
 - Growth of sugarcane.
 - Accumulation of sucrose in the crop.
 - Sugar recovery rates achieved by processing mills.
- **Production Shortfall in Major States** - Sugar production in Maharashtra, Karnataka, and Uttar Pradesh fell short of initial estimates, reflecting lower-than-expected output.
- This shortfall highlights regional production challenges that may affect overall supply and stock levels.
- **Pest and disease-related losses** - Uttar Pradesh has experienced significant outbreaks of red rot disease and top shoot borer infestation.
- The widely cultivated Co-0238 sugarcane variety has demonstrated increasing vulnerability to these biotic stresses.
- **Declining Sugar Stock Levels** - Closing sugar stocks are projected to decrease to approximately 41 lakh tonnes, which may lead to concerns regarding supply.
- Additionally, certain mills may possess lower actual physical stocks than those officially reported.
- **Market Hoarding and Stocking Behaviour** - Certain mills reportedly sold sugar in excess of their monthly government-mandated quotas.
- Traders, stockists, and bulk consumers hoarded sugar anticipating price hikes, while certain mills withheld sales expecting higher festive-season prices.
- **Weather Disruptions** - A rainfall deficiency in **June 2026**, especially in Maharashtra and Karnataka, has raised concerns about the forthcoming sugarcane crop.

- Anticipation of another weak production season has prompted advance stocking activities.

 SHANKAR IAS PARLIAMENT		KEY STATE-WISE ISSUES AFFECTING SUGAR PRODUCTION IN 2025-26	
State		Key issue in 2025-26	
	Maharashtra		Excess rainfall and lower cane/sugar recovery
	Uttar Pradesh		Red rot and top shoot borer; vulnerability of Co-0238 variety
	Karnataka		Excess rainfall and lower production
	Gujarat		Excess rainfall affected cane growth

How much is ethanol diversion responsible?

- Although ethanol diversion contributes to the issue, it does not represent the primary cause.
- **Ethanol Diversion** - Approximately 30 lakh tonnes of sugar were diverted for ethanol production.
- However, total sugar production was 34.5 lakh tonnes below the initial projection.
- Consequently, the unanticipated production shortfall exceeds the amount of sugar diverted for ethanol.
- **Ethanol Supply Composition** - Furthermore, of the 810.67 crore litres of ethanol supplied to oil marketing companies between November 2025 and July 2026:
 - Sugarcane-based feedstock accounted for 259.24 crore litres, representing 32 percent of the total.
 - Grain-based feedstock contributed 551.43 crore litres, comprising 68 percent of

the total ethanol supplied.

What steps has the government taken to mitigate the sugar price hike?

- **Export Restrictions** - The government has prohibited sugar exports until September 30, 2026, to prioritize domestic supply.
- **Duty-Free Raw Sugar Imports** - The government will allow duty-free imports of up to 1 million tonnes of raw sugar until October 31, 2026.
- This measure aims to address the supply gap before domestic cane crushing begins.
- **Stock Limits** - Effective July 28, sugar dealers are limited to holding a maximum of 400 tonnes.
- Dealers are prohibited from retaining sugar for more than 30 days after receipt of stock.
- **Monitoring of Bulk Consumers** - Sugar mills must report details of bulk consumers purchasing 500 tonnes or more annually.
- This enhances oversight of large-scale sugar movement and potential hoarding.
- **Market intervention** - Export restrictions, import facilitation, and stock monitoring collectively aim to increase domestic sugar availability and stabilize market prices.

What more needs to be done?



KEY POLICY RECOMMENDATIONS

For Sugar Sector

SHORT-TERM



Enforce
stock limits



Track
digitally



Release quotas
on time



Calibrate
imports



Monitor festive
demand

MEDIUM-TERM



Boost cane
productivity



Adopt resistant
varieties



Improve irrigation
and drainage



Strengthen
forecasting



Farmer support
& extension

ETHANOL POLICY



Assured & stable
policy framework



Timely payments
to mills



Expand distillery
capacity



Flexibility in
diversion



Balance food,
fuel & farmer interest

What lies ahead?

- The recent surge in sugar prices in India is primarily driven by supply-side factors such as lower production, reduced stocks, adverse weather conditions, crop disease, and precautionary hoarding.
- Ethanol diversion contributes to a lesser extent. Addressing these challenges requires a balanced sugar-ethanol policy, resilient cultivation practices, improved stock management, and carefully regulated trade.

Reference

[Indian Express | Sugar Price Surge in India](#)



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