Sugar Price Surge in India

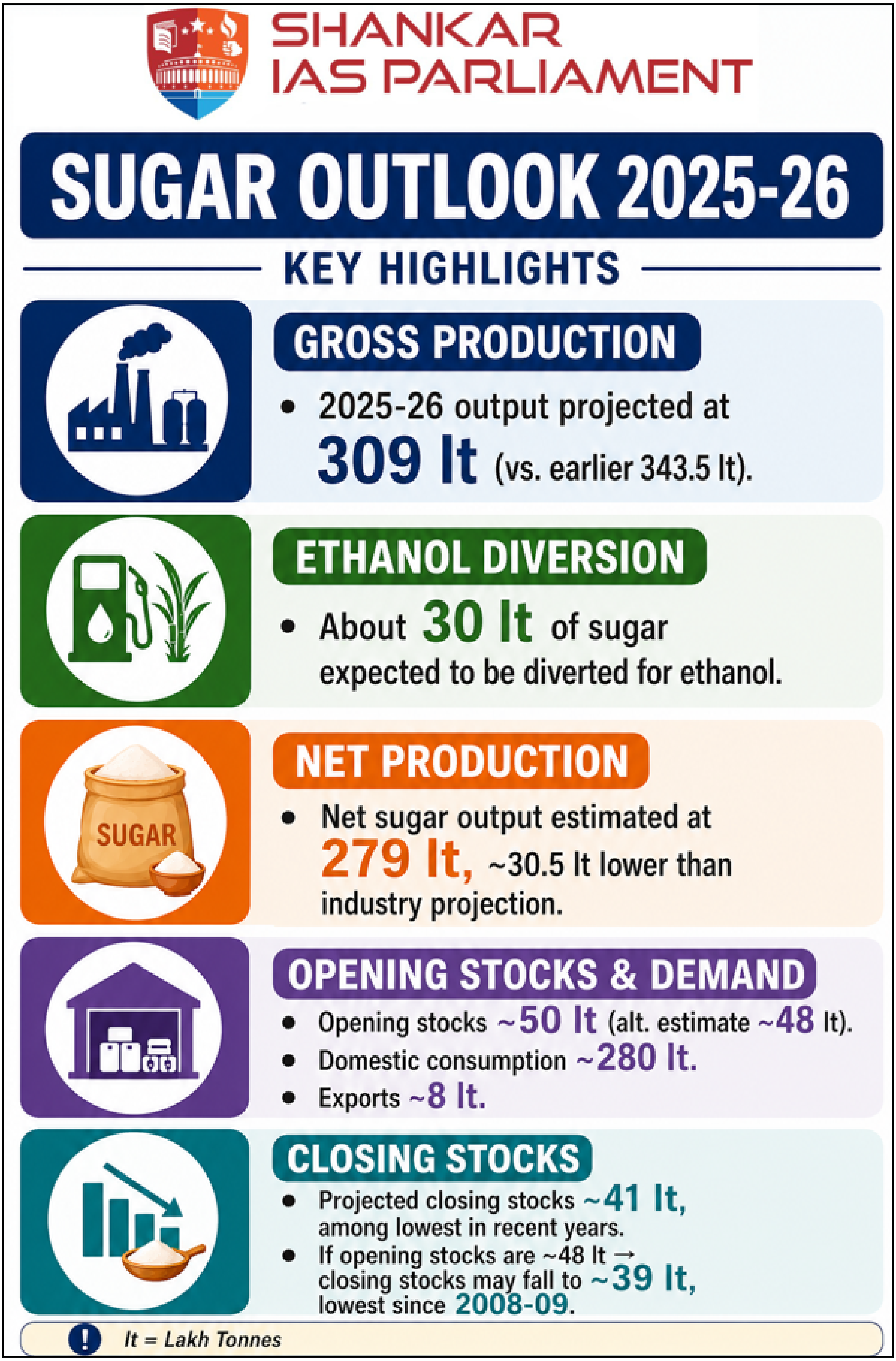
Mains: *GS III – General Economy | Agriculture*

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?

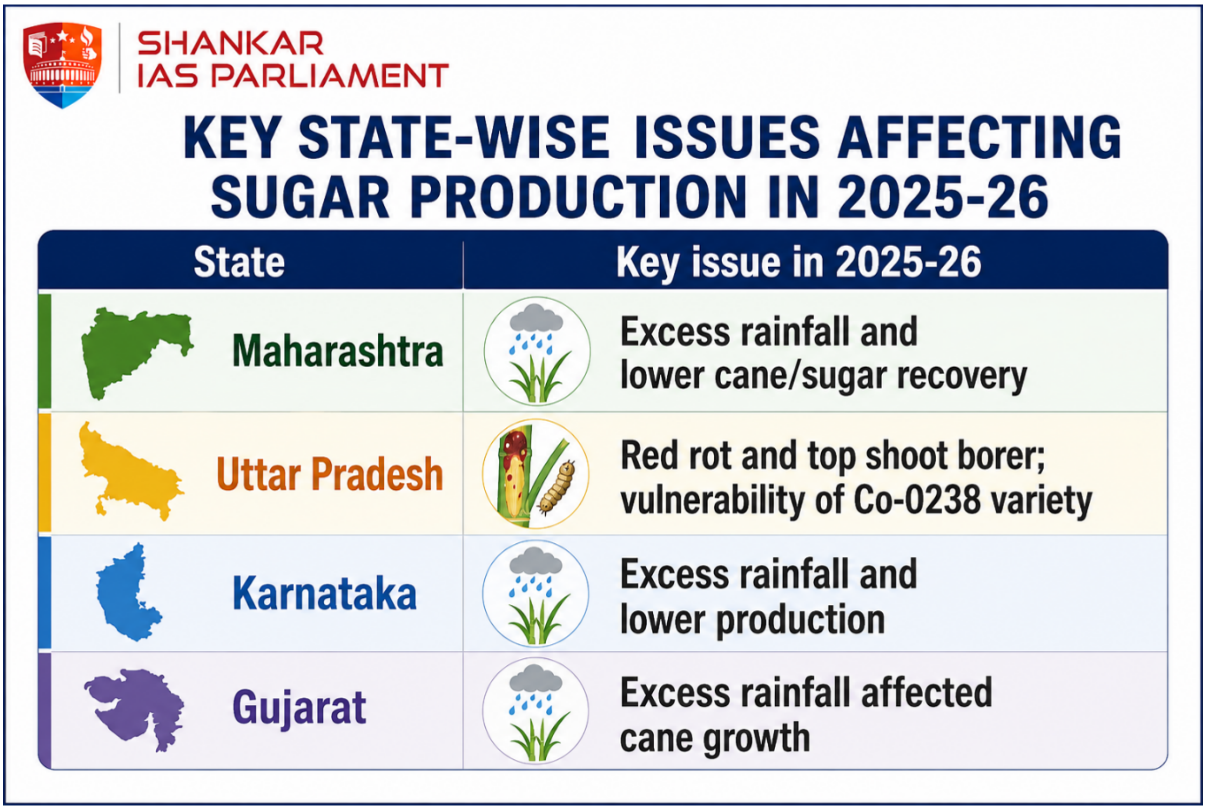
- **Gross sugar production (2025-26) -** It is projected at approximately 309 lakh tonnes (lt), compared to the earlier estimate of 343.5 lt.
- Approximately 30 lt of sugar is expected to be diverted for ethanol production.



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.



How much is ethanol diversion responsible?

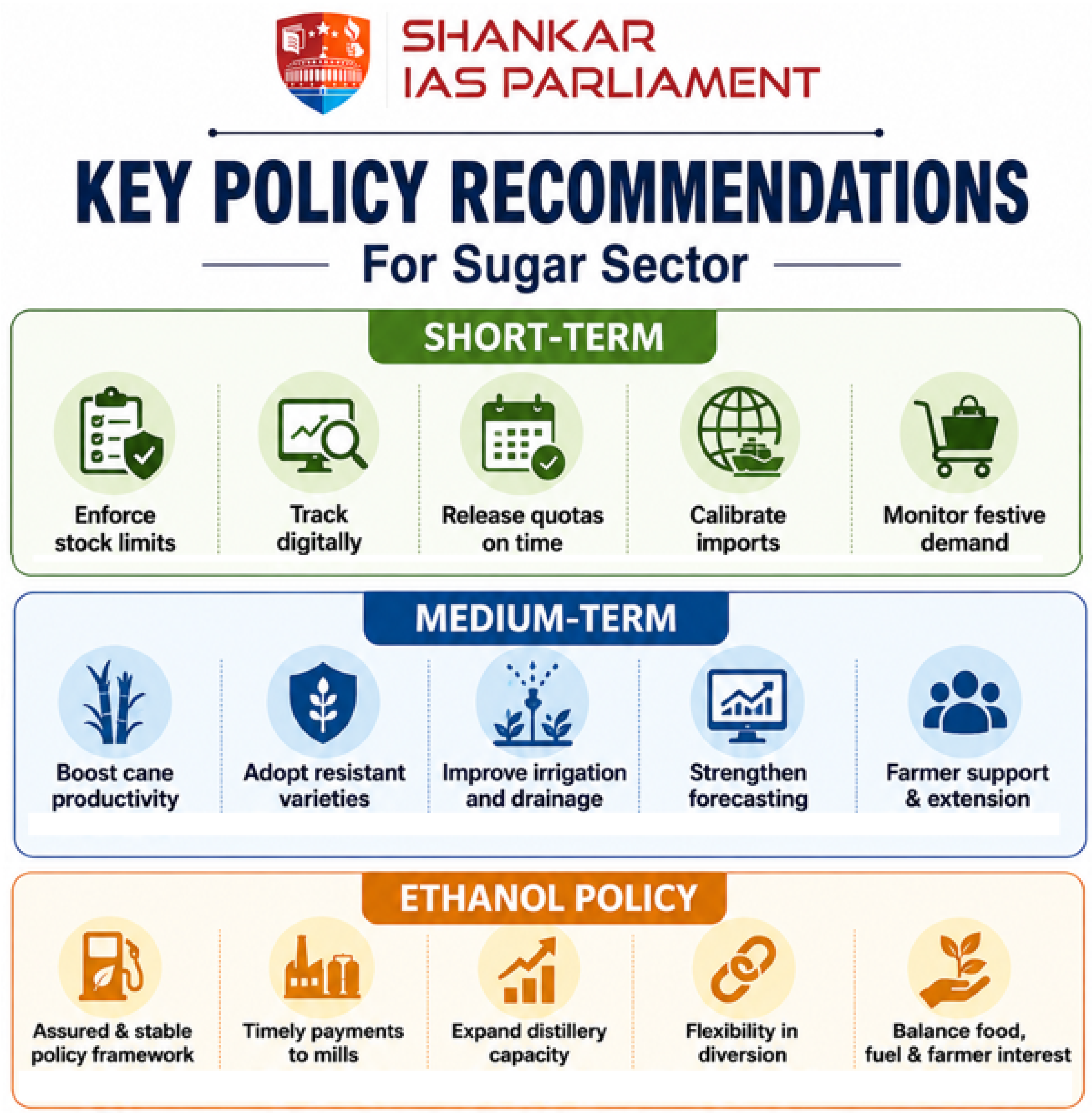
- Although ethanol diversion contributes to the issue, it does not represent the primary cause.
- **Ethanol Diversion –** Approximately 30 lakh tonnes of sugar were diverted for ethanol production.
- However, total sugar production was 34.5 lakh tonnes below the initial projection.
- Consequently, the 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?



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]