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Post: New Delhi

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Report Highlights:

India sugar production for marketing year 2026/27 is forecast to drop as erratic rainfall, waterlogging, and pest infestation reduce cane yields and recovery rates, widening the gap between domestic consumption and production. Sharp price increases—the steepest in 25 years—have prompted duty-free raw sugar imports, inventory caps on bulk buyers, and an export ban to protect domestic supply. Ending stocks for 2026/27 are forecast to decline sharply, reflecting weaker production, a thinner opening balance, and the continued suspension of imports, even as current-year stocks rise on the strength of expanded import allowances.

Sugarcane

Table 1. India: Sugarcane, Centrifugal, Area in Thousand Hectares and Others, TMT

Sugar Cane for Centrifugal Market Year Begins	2024/2025		2025/2026		2026/2027	
	Oct 2024		Oct 2025		Oct 2026	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Area Planted (1000 HA)	5400	5369	0	5850	0	5900
Area Harvested (1000 HA)	5400	5369	0	5850	0	5900
Production (1000 MT)	418000	435000	0	455000	0	434000
Total Supply (1000 MT)	418000	435000	0	455000	0	434000
Utilization for Sugar (1000 MT)	341500	341500	0	360000	0	341000
Utilizatn for Alcohol (1000 MT)	76500	93500	0	95000	0	93000
Total Utilization (1000 MT)	418000	435000	0	455000	0	434000
(1000 HA) ,(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

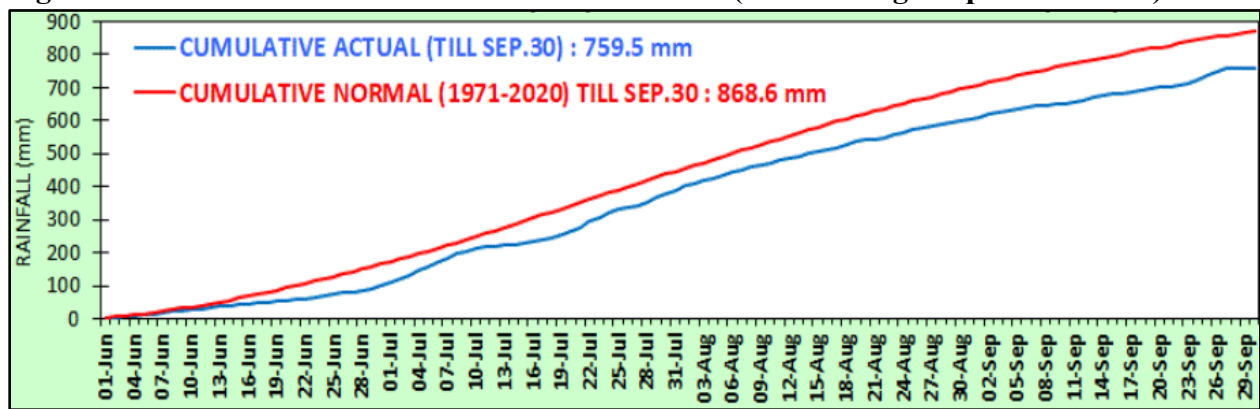
Source: FAS New Delhi historical data series. Forecast for 2026/27; 2025/26 and 2024/25 are estimates.

Note: Virtually no cane is utilized directly for alcohol production. “Utilization for alcohol” in the table includes cane used for gur, seed, feed, and waste. “Utilization for sugar” data includes cane used to produce mill sugar and khandsari sugar.

FAS New Delhi lowered its MY 2026/27 sugarcane planted area estimate by less than 1 percent, to 5.9 million hectares (HA) from the initial projection of 5.95 million HA. Planted area may continue to shrink slightly as a small number of farmers shift toward more profitable cash crops, such as arecanut, garlic, and onion, though this shift remains limited for now. While the current crop appears healthy, erratic rainfall added stress, reducing the production forecast to 434 million metric tons (MMT) — 6 percent below the earlier annual forecast ([India: Sugar Annual](#)). Post crop surveys conducted in Maharashtra, Karnataka, and Uttar Pradesh confirm a 1 percent downward revision to the harvesting estimate compared with the previous forecast, driven by concerns over erratic, El Niño-linked weather.

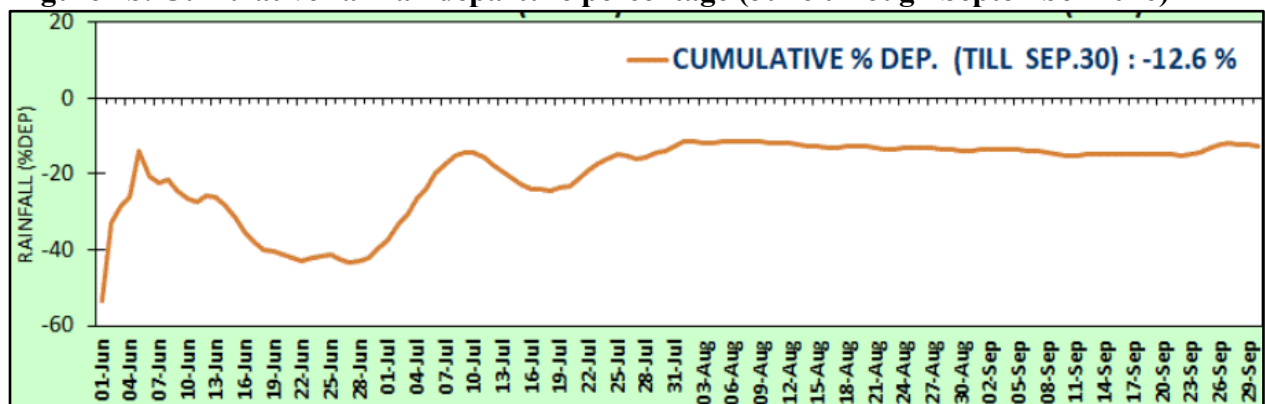
Field surveys conducted between March and September 2026 across these states' sugarcane belts confirmed strong crop establishment and healthy vegetative growth, supported by two consecutive years of above-normal rainfall that restored irrigation capacity depleted during the 2023 El Niño event. However, a severe rainfall deficit in 2026 is expected to reduce sucrose content in the cane, lowering effective harvesting area and overall cane production (Figure 1a and 1b). A growing water shortage poses a significant risk to sugar mill operations, as drought-like conditions are expected to complicate milling in early 2027, compounding the pressure from reduced cane tonnage and sucrose content. According to the [World Meteorological Organization](#), the El Niño weather pattern is strengthening and is likely to intensify further in late 2026 and early 2027, raising additional concerns over sugarcane production.

Figure 1a. Cumulative rainfall - Southwest Monsoon (June through September 2026)



Source: [India Meteorological Department](#)

Figure 1b. Cumulative rainfall departure percentage (June through September 2026)



Source: [India Meteorological Department](#)

Sugar

Table 2. India: Centrifugal Sugar (Raw Value Basis) (Thousand Metric Tons [TMT])

Sugar, Centrifugal Market Year Begins India	2024/2025		2025/2026		2026/2027	
	Oct 2024		Oct 2025		Oct 2026	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	8400	8400	6046	6046	5076	6000
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	28000	28000	30000	30000	33600	29500
Total Sugar Production (1000 MT)	28000	28000	30000	30000	33600	29500
Raw Imports (1000 MT)	2575	2576	2600	3324	2400	2400
Refined Imp.(Raw Val) (1000 MT)	24	24	30	30	30	30
Total Imports (1000 MT)	2599	2600	2630	3354	2430	2430
Total Supply (1000 MT)	38999	39000	38676	39400	41106	37930
Raw Exports (1000 MT)	933	933	1100	900	1200	800
Refined Exp.(Raw Val) (1000 MT)	2898	2898	2400	2400	2400	2300
Total Exports (1000 MT)	3831	3831	3500	3300	3600	3100
Human Dom. Consumption (1000 MT)	29122	29123	30100	30100	31000	30830
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	29122	29123	30100	30100	31000	30830
Ending Stocks (1000 MT)	6046	6046	5076	6000	6506	4000
Total Distribution (1000 MT)	38999	39000	38676	39400	41106	37930
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Source: FAS New Delhi historical data series. Forecast for 2026/27; 2025/26 and 2024/25 are estimates.

Note: Stocks include only milled sugar, as all khandsari sugar produced is consumed within the marketing year. Virtually no centrifugal sugar is utilized for alcohol, feed, or other non-human consumption. All figures are of raw value. To convert raw value to refined/crystal white sugar, divide by a factor of 1.07.

Area and production

Post forecasts MY 2026/27 sugar production to decline 14 percent to 29.5 MMT on a raw-value basis from the annual projection of 33.6 MMT, comprising 27.6 MMT of crystal sugar and 62,000 MT of khandsari, consistent with crop survey observations. Sugar production will likely remain among the lowest levels in recent years (Figure 2). To meet domestic demand, the Government of India approved duty-free imports of 1 MMT of raw sugar under a Tariff Rate Quota (TRQ) scheme through October 31, 2026.

Significant rainfall deficits and extended dry spells during critical growth periods stunted crop development across leading sugarcane belts, reducing both the physical weight of harvested cane and overall yield per hectare in major producing states (Figure 1b). These conditions also constrained water availability for sugarcane cultivation, contributing to lower sucrose content and reduced recovery rates in affected regions. Reduced moisture availability, combined with pressure to begin crushing earlier in the season, is expected to further lower the share of sugar extracted from crushed cane. Additionally, untimely rainfall in Maharashtra caused waterlogging in cane fields, further reducing yields. Post also observed red borer infestation in parts of Uttar Pradesh, linked to repeated use of the same cane variety over multiple years. As a result, the sugar recovery rate is projected to be 8.6 percent, with crushing operations set to begin in October 2026. Production of non-centrifugal sugar products, such as khandsari and jaggery, remains unchanged from earlier estimates. These products, used primarily for domestic consumption, continue to play a smaller but significant role in India's sugar sector, with production methods relying on the concentration of sugarcane juice through evaporation.

Consumption

Post's MY 2026/27 centrifugal sugar consumption forecast changed marginally, to approximately 31 MMT (raw value), equivalent to 29 MMT on a crystal-value basis. Sugar consumption is forecast to exceed production by about 1.3 MMT, the widest gap in three years. Anticipating tighter supply, the market drove the steepest sugar price increase in 25 years. To curb record sugar prices, the Government of India capped inventory holding periods in August 2026 for bulk consumers using more than 10 MT per month at 15 days, effective September 1 through November 30. In response to tightening supply, the Government of India also approved duty-free imports of 1 MMT of raw sugar through October 31, 2026 — the country's first duty free sugar import allowance in nearly a decade. The sugar market is shifting toward commercial buyers, income-based consumption, and evolving packaging.

Per capita use plateaued at approximately 0.18 quintals per year, with growth driven mainly by commercial and institutional demand. Commercial use accounts for nearly 70 percent of consumption (soft drinks, baked goods, sweets, dairy) and continues to rise. Catering — key to festivals and celebrations — remains a major, largely informal demand driver, alongside growing urban use of processed foods and beverages. Household use (30 percent) is declining, particularly among affluent urban consumers shifting to jaggery, khandsari, and zero-sugar options; middle-class households sustain stable demand driven by cost and accessibility; and lower-income consumers maintain steady, price-driven consumption. Despite steady interest in alternative sweeteners such as gur and khandsari among urban consumers, these products retain a small market share, reflecting diversifying, but not declining overall demand. Demand typically rises from August through November, driven by major Indian festivals, as bulk consumers such as sweet and confectionery makers build inventories. The broader festival season, spanning mid-September through January, keeps sugar demand elevated across food, beverage, and sweets categories.

Price

Fair and Remunerative Prices: India's [Cabinet Committee on Economic Affairs](#) increased the Fair and Remunerative Price (FRP) for sugarcane to \$38.83 per MT (INR 3,650 per MT) for the 2026/27 season, a 3 percent rise from MY 2025/26. The new rate takes effect October 1, 2026. To safeguard farmer income, the Government of India will waive price deductions for mills recording sugar recovery rates under 9.5 percent, ensuring these farmers still receive INR 3,383 per MT. Beyond this threshold, payments will rise or fall by INR 34.6 per MT for every 0.1 percent shift in recovery above or below the 10.25 percent benchmark. Separately, the Government of India also sets a Minimum Support Price (MSP) for sugar. Unlike the FRP, however, the MSP remains unchanged since 2019 at \$330 per MT (INR 31,000 per MT).

Exchange rate used throughout this report: 94 INR = 1 USD.

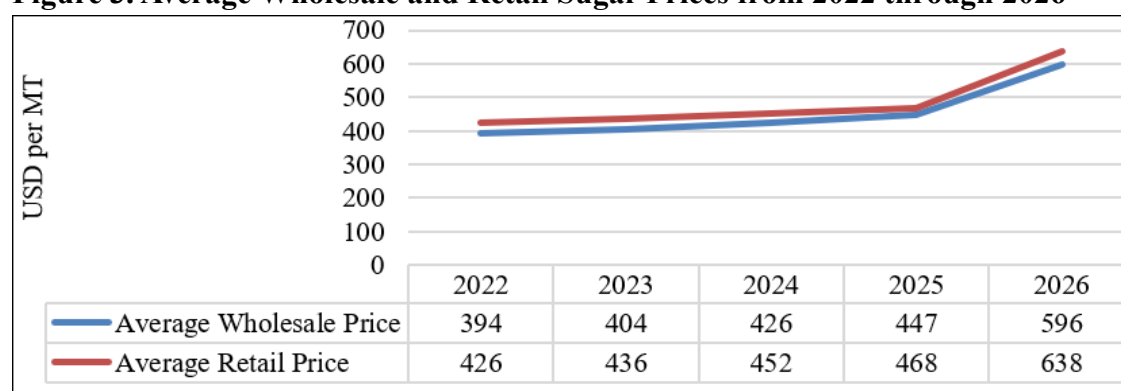
State Advised Pricing: While most states follow the FRP framework, Uttar Pradesh, Uttarakhand, Haryana, and Punjab instead apply a State Advised Price (SAP) system. Unlike the FRP, SAP is not linked to sugar recovery rates and is generally set higher than the FRP. SAP rates for Punjab, Haryana, Uttar Pradesh, and Uttarakhand stand at \$44.26, \$43.50, \$42, and \$43 per MT, respectively.

Cane Arrears: In the current 2025/26 sugar season, sugar mills owed sugarcane growers a combined INR 1,12,740 crore (\$12 billion). [By August 20, 2026, mills had cleared 97 percent of these dues](#), disbursing roughly \$11.63 billion to farmers and leaving approximately \$0.36 billion still pending. Metrics such as sugar recovery rates, the number of functioning mills, and unpaid cane balances continue to show wide variation from state to state.

Domestic Price: Domestic sugar prices climbed sharply over the past month, rising from \$515 per MT on July 20, to \$596 per MT by August 20, 2026 — an increase of nearly 16 percent. This sudden spike contrasts sharply with the market's longer-term stability; between August 2024 and July 2026, prices grew approximately 3.5 percent annually. The recent surge, therefore, appears to stem from short-term disruptions rather than a fundamental shift in pricing trends, as domestic sugar output falls short of expectations. Additionally, demand is climbing as the festive season approaches.

Consumers are feeling this price pressure directly. The all-India average retail price reached \$685 per MT — up 1.77 percent from \$673 per MT the previous week, 30 percent higher than a month earlier, and nearly 39 percent above year-ago levels. Prices vary considerably by city and region, ranging from a low of \$428 per MT to a high of \$789 per MT. Wholesale prices followed a similar trajectory, climbing to \$637 per MT from \$625 per MT over the same period — a 31 percent increase for the month and nearly 39 percent above year-ago levels. Notably, this retail and wholesale climb persists even though ex-mill prices fell nearly 20 percent following the Government of India's move to permit duty-free imports of 1 MMT of raw sugar — suggesting a disconnect between mill-level pricing and prices reaching consumers (Figure 3).

Figure 3. Average Wholesale and Retail Sugar Prices from 2022 through 2026



Source: FAS New Delhi Research

International Market Price: Sugar prices on international markets are tightening in parallel, climbing from \$475 per MT on June 30, 2026, to \$554 per MT by the third week of August — nearly a 17 percent surge in less than two months. A projected worldwide shortfall of approximately 3.5 MMT for the 2026/27 season is driving this escalation, alongside weather-driven crop losses across Europe and Asia, shrinking production in Brazil, and India's pivot toward tariff-free raw sugar imports. Forecasts of reduced EU sugar beet harvests add further pressure to an already strained global supply picture.

Trade

Post holds its total sugar import projection for MY 2026/27 steady at 2.43 MMT, comprising 2.4 MMT of raw sugar and 30,000 MT of refined sugar. To protect domestic growers, the Government of India imposes a 100 percent tariff on raw sugar imports.¹ Therefore, most raw sugar shipments enter the country through the Advance Authorization Scheme (AAS), with a small share moving through regular commercial trade. AAS rules require that imported raw sugar be processed at coastal refineries within India before re-export; roughly 2.3 MMT of refined sugar is projected to leave the country under this arrangement.

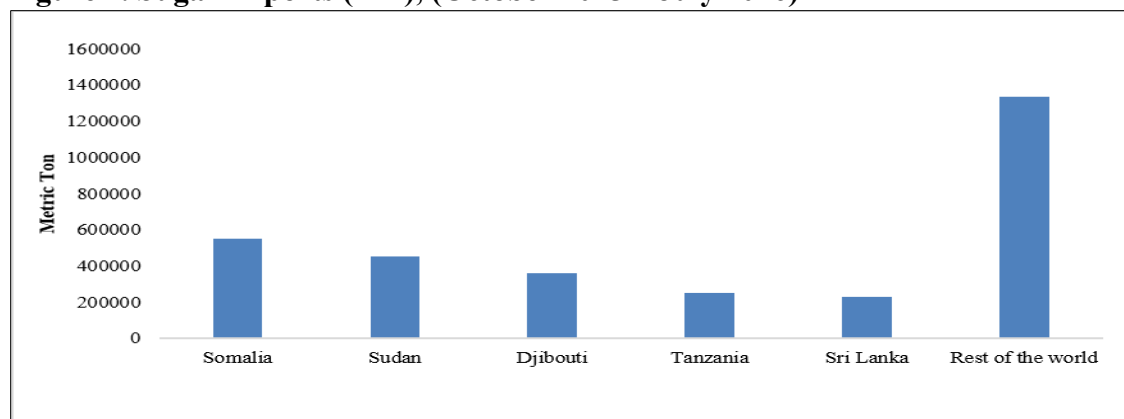
Total exports are projected at 3.1 MMT, split between 800,000 MT of raw sugar and 2.3 MMT of refined sugar moving through AAS. The raw sugar export figure assumes quota-based shipments to the United States and European Union under TRQ arrangements. Separately, in May 2026, the Government of India imposed a ban on raw sugar exports through September 30, 2026, aimed at boosting domestic supply and keeping prices in check.

For the current MY 2025/26 cycle, the Government of India revised its raw sugar import rules to permit 1 MMT of duty-free imports under a TRQ, effective through October 31, 2026. The policy shift followed price increases driven by concerns over a weaker production year, with the TRQ introduced specifically to stabilize prices. As a result, Post raised its raw sugar import

¹ As a short-term relief measure in MY 2025/26, the Government of India opened a duty-free TRQ for 1 MMT of raw sugar, which remains in effect until October 31, 2026.

estimate significantly, from an initial 2.4 MMT to 3.35 MMT which includes 3.3 MMT of raw sugar plus 30,000 MT of refined sugar. Between October 2025 through July 2026, India's main export destinations included Somalia, Sudan, Djibouti, Tanzania, and Sri Lanka (Figure 7).

Figure 4. Sugar Exports (MT), (October 2025 – July 2026)



Source: Trade Data Monitor

Note: HS codes include raw sugar; 170111, 170112, 170113, 170114; and refined sugar HS codes 170191 and 170199.

Stocks

Post cut its MY 2026/27 ending stock forecast from 6.5 MMT to 4 MMT, a reduction of approximately 38.5 percent. This substantial downgrade reflects several converging factors:

- A weaker production year, which limits the volume of sugar entering the supply chain during the marketing year.
- As the opening stock continues to shrink, meaning the country starts the year with less carryover stock than previously anticipated, leaving a smaller cushion to draw from.
- Post assumes MY 2026/27 raw sugar imports will enter only under AAS for re-export, because the duty-free TRQ expires October 31, 2026, and the government has not authorized further allowances. Without this import relief, weaker production pulls reserve down. This assumption limits stock inflows, reinforcing the overall drop in ending stock, as constrained production, a thin opening balance, and the absence of import relief pull reserves down simultaneously.

By contrast, Post raised its MY 2025/26 ending stock estimate from 5 MMT to 6 MMT, a 20 percent increase. This upward adjustment is directly tied to a policy shift permitting the import of 1 MMT of raw sugar under TRQ, effective through October 31, 2026. As expected, additional imports boosted available supply, contributing to the higher ending stock estimate. This aligns with the revised import volume of 3.3 MMT of raw sugar, which is likely to offset domestic production shortfalls, resulting in a net higher carryover than initially projected.

Policy

National Biofuel Policy and Ethanol Blended Petrol Program (EBP): The Government of India rolled out its National Biofuel Policy in 2018 to strengthen energy security and environmental sustainability. India achieved its 20 percent ethanol-blending goal (E-20) during ESY 2025/26 (November–October). The policy's Ethanol Blending Program (EBP) supports ethanol production from feedstocks such as sugarcane, broken rice, damaged grains, and corn. In 2025/26, an estimated 3 MMT of the 33 MMT total raw-value sugar output will be redirected toward ethanol, leaving 30 MMT for net sugar production, with the diverted volume accounting for 9 percent of total ethanol output this ESY.

To incentivize corn-based ethanol, the Government of India raised the incentive rate to INR 71.86 per liter for ESY 2024/25 and held it steady through ESY 2025/26, alongside increased rice procurement prices (Table 3). The Government of India also allocated 5.2 MMT of rice from the Food Corporation of India (FCI) exclusively for ethanol distilleries. Beginning November 1, 2025, officials approved the use of all cane-based inputs — juice, syrup, and B- and C-heavy molasses — for ethanol production through October 2026. However, tight sugar supplies are expected to constrain how much molasses are diverted toward ethanol output.

Table 3: Ethanol Price by Feedstock (INR per Liter)

Feedstock	ESY 2022/23	ESY 2023/24	ESY 2024/25	ESY 2025/26
Sugarcane Juice/Sugar Syrup/Sugar	65.61	65.61	65.61	65.61
B-Heavy Molasses	60.73	60.73	60.73	60.73
C-Heavy Molasses	49.41	56.28	57.97	57.97
Damaged Food Grains	55.54	64	64	64
Corn	-	66	71.86	71.86
Surplus Rice (from Food Corporation of India)	58.50	58.50	58.50	60.32

Source: [Ministry of Petroleum and Natural Gas](#)

Attachments:

No Attachments