



## Impact of Oil Price Crash and Covid-19 on Sugar

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### Why in News

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Recently, the prices of raw sugar for May delivery in New York crashed to 9.75 cents/pound, the lowest since June, 2008.

Earlier, the oil **prices of West Texas Intermediate grade crude fell** to an unprecedented minus \$40.32/ barrel in interday trade in New York (the USA).

### Key Points

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- **Impact of Covid-19 lockdown on Sugar:** Subdued economic activity and lockdowns imposed by many countries to combat the **Covid-19** pandemic has **reduced the demand** of many commodities including sugar.
- **Impact of crude oil prices on production of Sugar:** Usually, when oil prices are high, **mills (especially in Brazil) tend to divert cane for making ethanol** (alcohol of 99%-plus purity) that is used for blending with petrol.  
With recent fall in oil prices, **mills will not find it attractive to divert cane for ethanol**. The juice from crushing sugarcane can be crystallised into sugar or fermented into ethanol.

### Challenges/Issues

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- **Impact of low demand in sugar and low oil prices on India:** Dip in sugar consumption, together with higher Brazilian output, is bad news for both **Indian sugar mills and cane farmers**.  
**Excess stocks** of sugar due to low demand and high dumping from Brazil will add to the woes of both farmers and industries.
- **India is already grappling with high dues to farmers** by the sugar industry.  
**Slow down in exports** and **not much domestic lifting** of sugar by institutional consumers has significantly undermined the ability of mills to make cane payments.
- **Reduced offtake of alcohol:** The lockdown has also **reduced offtake of alcohol**, be it potable liquor or ethanol for blending with petrol.

### Scope of Opportunity

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India can supply sugar to **Indonesia's increased import requirements.**

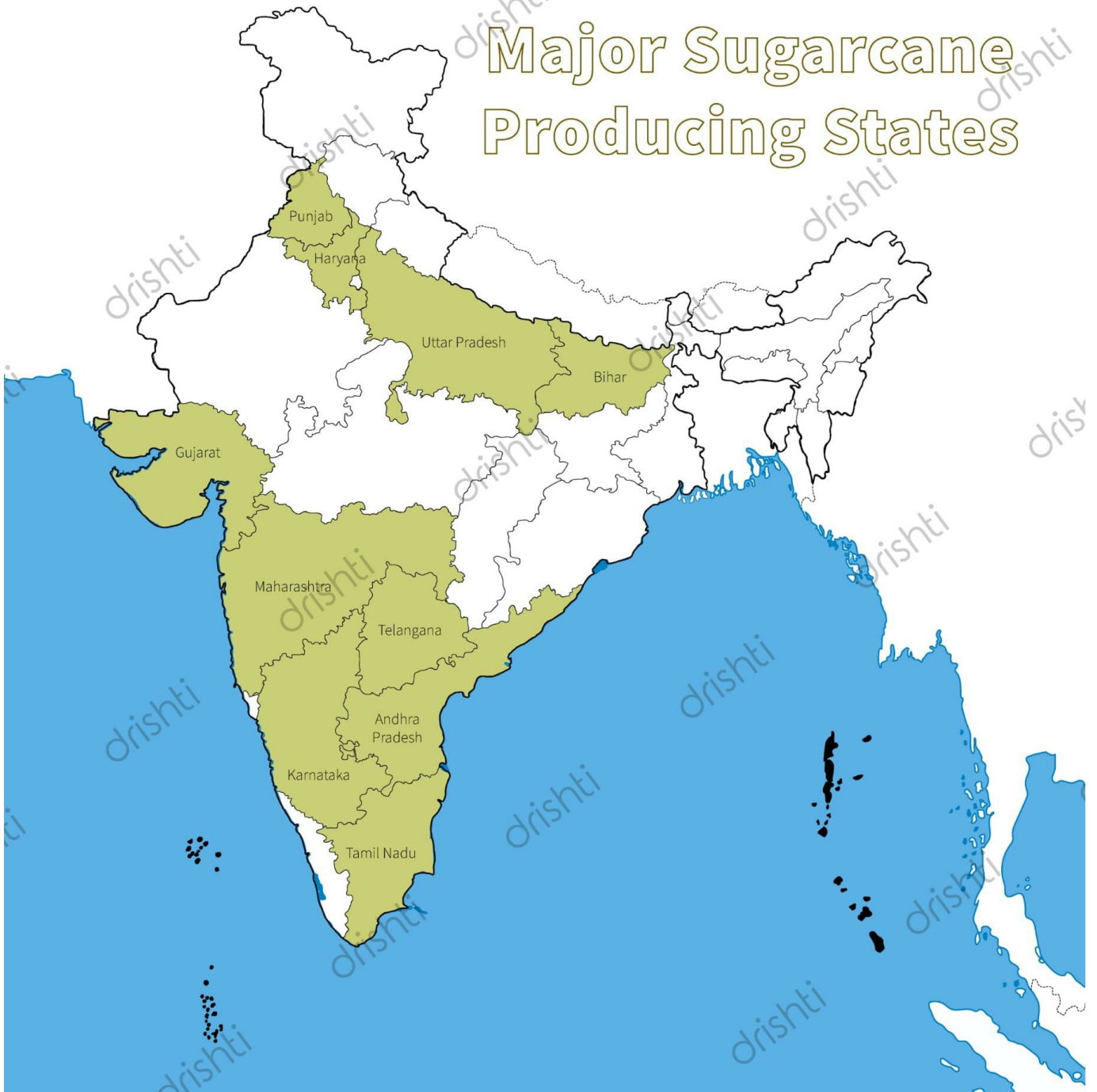
- **Higher Import Projections:** Indonesian refiners are projected to import 3.3 mt of raws this year, up from 2.6 mt in 2019.
- **Absence of Alternatives:** Indonesia buys mostly from Thailand, which is experiencing a bad drought that could lead to its production falling.
- **Reduced Duty:** Indonesia also slashed the duty on Indian raw sugar from 15% to 5% in March.

## Sugarcane

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- **Temperature:** Between 21-27°C with hot and humid climate.
- **Rainfall:** Around 75-100 cm.
- **Soil Type:** Deep rich loamy soil. It can be grown on all varieties of soils ranging from **sandy loam to clay loam** given these soils should be **well drained**.
- **Yield:** The **yield of sugarcane is high in southern states** compared to northern states because of favourable climatic conditions, i.e dry weather with low humidity, bright sunshine hours, cooler nights with wide diurnal variations and very little rainfall during ripening period.
- **Top Sugarcane Producing States: Uttar Pradesh > Maharashtra > Karnataka > Tamil Nadu > Bihar.**
- India is the **second largest producer of sugarcane after Brazil.**
- It needs manual labour from sowing to harvesting.
- It is the main source of **sugar, gur (jaggery), khandsari and molasses.**
- **Scheme for Extending Financial Assistance to Sugar Undertakings (SEFASU)** and **National Policy on Biofuels** are two of the government initiatives to support sugarcane production and the sugar industry.

# Major Sugarcane Producing States



**Source: IE**