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India’s Sugar Export Ban

A Deep Dive into Policy, Production, and Global Ripples

Introduction

On 13 May 2026, India's Directorate General of Foreign Trade (DGFT) reclassified the export policy for sugar (raw, white, and refined) from "Restricted" to "Prohibited," effective until at least 30 September 2026. The move, aimed at curbing domestic prices and securing local supplies, marks a dramatic reversal from earlier approvals that allowed mills to export 1.59 million metric tonnes (MMT) for the current year. While the immediate trigger is a projected production shortfall, the decision sits within a broader policy landscape shaped by persistent food inflation, weather uncertainty, and India's strategic pivot toward self-sufficiency. This article goes beyond the surface to examine the multifaceted dimensions of the ban—from production data and monsoon risks to global market repercussions and investor implications—using the latest available data and projections.

The Policy Shift: From Restricted to Prohibited

The DGFT notification of 13 May 2026 applied to ITC (HS) codes 1701 14 90 and 1701 99 90, covering most commercially traded sugar categories. Under the earlier “Restricted” regime, mills could export with a permit; now exports are outright prohibited except for specific exemptions:

- Shipments under CXL and TRQ quotas to the EU and US
- Exports under the Advance Authorisation Scheme (for imported raw sugar refined and re-exported)
- Shipments made on food security requests from foreign governments
- Cargoes already in the pipeline: where loading had started, shipping bills had been filed, and vessels had berthed

These carve-outs are narrow, covering less than 15% of the approved export volume. The government’s firmness signals that domestic price stability is non-negotiable, even at the cost of straining bilateral trade relations.

Sugar Production Estimates and Consumption Gap

India's sugar production for the 2025–26 season (October–September) was initially estimated at around 33.5 MMT by the Indian Sugar Mills Association (ISMA). However, by early 2026, production projections were revised downward to approximately 31.2–31.8 MMT, largely due to lower sugarcane yields in Maharashtra, Karnataka, and Uttar Pradesh—the three largest producing states which together account for over 80% of national output.

- **Maharashtra** reported a yield decline of 8–10% compared to the previous season, attributed to uneven rainfall and a mild drought in Marathwada.
- **Karnataka** faced a 6% drop in acreage as farmers shifted to oilseeds and pulses in response to higher minimum support prices.
- **Uttar Pradesh** saw a marginal decline, but sugar recovery rates fell by 0.3–0.5 percentage points.

Domestic consumption, meanwhile, continues to rise at an annual rate of 2–2.5%, driven by population growth, increased processed food demand, and rising per capita sweetener use. In 2025–26, consumption is estimated at 29.5–30 MMT. Adding ethanol diversion (roughly 4.0 MMT of sugar equivalent allocated for ethanol blending in 2025–26), the effective sugar required for domestic use and blending exceeds 33–34 MMT on a sugar equivalent basis.

Thus, for the second consecutive year, India faces a structural deficit where total sugar supply (from cane + carryover stocks) may not fully meet combined domestic demand and ethanol requirements. The export ban reduces the pressure on stocks, ensuring that mills prioritise local sales and ethanol commitments.

Global Market Impact: Supply Tightens, Prices Surge

Immediate Price Reaction

Within 24 hours of the announcement:

- **New York raw sugar futures** (ICE July 2026 contract) jumped +2.3% to trade at 9.85 cents per pound.
- **London white sugar futures** (August 2026) rose +3.1% to $545 per tonne.
- **India's premium** over Brazilian raw sugar widened from $10–15 per tonne to $30– 40 per tonne, reflecting the sudden scarcity.

Analysts at commodity research firms have revised their global surplus estimates downward. The International Sugar Organization (ISO) had earlier projected a global deficit of 1.5 MMT for 2025–26. India's ban, which removes roughly 0.8–1.0 MMT from the exportable surplus, deepens the deficit to 2.3–2.5 MMT, the largest in five years.

Shifts in Trade Flows

India typically exports 5–7 MMT annually, supplying nearly 10% of global trade. Without Indian sugar, importers in:

- **Asia:** Bangladesh, Indonesia, Malaysia, Sri Lanka, and the Middle East – countries that normally buy Indian raw because of freight advantage (10–15 days from India vs. 30–40 from Brazil) – will redirect demand to Brazil and Thailand.
- **Africa:** Kenya, Somalia, and Djibouti, which often buy small, time-sensitive parcels, may struggle with supply logistics.

Brazil, the world's largest producer and exporter, stands to benefit the most. Its CentreSouth crop for 2026–27 is expected to reach 42–44 MMT (sugar equivalent), assuming normal rainfall. With Indian supply absent, Brazilian mills may increase the sugar-mix ratio (the proportion of cane used for sugar vs. ethanol) from the current 49% to 52–53%, adding 2–3 MMT to global trade. However, this would require sacrificing ethanol output, potentially raising Brazil's domestic fuel prices—a political consideration.

Thailand, the second-largest exporter, is recovering from drought; its 2025–26 output is estimated at 10.2 MMT, up from 8.8 MMT the year before, but still below the 12+ MMT peak. Thailand has contracted most of its inventory forward, so it cannot quickly fill the gap.

Implications for Stakeholders

Sugar Mills and Exporters

- **Revenue Impact:** Export realisations typically exceed domestic prices by $80–120 per tonne. For the ~600,000 tonnes already shipped, revenues are booked; for the contracted but undelivered 200,000 tonnes, mills may face losses if contracts are nullified.
- **Domestic prices:** Since the ban, Indian ex-mill sugar prices have risen from ₹36/kg to ₹39/kg (May 21, 2026), partly due to reduced supply expectations. If this trend continues, mills can offset lost export revenue with higher domestic margins.
- **Ethanol Diversion:** Mills are under pressure to meet ethanol blending targets (20% by 2025–26). The ban may accelerate the release of B-heavy molasses and sugarcane juice for ethanol, potentially reducing sugar output further but improving cash flows.

Farmers and Sugarcane Pricing

The Fair and Remunerative Price (FRP) for sugarcane in 2025–26 was set at ₹340/quintal. With domestic prices likely to stay firm, mills can pay FRP comfortably. However, if production remains below expectations, arrears (delayed payments to farmers) may actually decline, benefiting rural cash flows. Over the longer term, the ban signals to farmers that sugar demand is secure, which may encourage acreage stability—but only if monsoon cooperates.

Long-Term Outlook: Sustainability and Policy Trajectory

Duration of the Ban

The restriction expires on 30 September 2026, coinciding with the end of the sugar season. Whether it is extended depends on:

- **Final production estimates** (due August 2026) from ISMA and the Directorate of Sugar.
- **Monsoon performance** in June–August. A deficit of >10% would likely trigger an extension.
- **Stock-to-use ratio:** If sugar stocks (excluding buffer) fall below 5 MMT (roughly 2 months' supply), the government is expected to maintain the ban.

Structural Reforms Needed

The repeated reliance on export bans (similar actions occurred in 2023–24 and 2025–26) highlights deeper structural issues:

- **Low yield per hectare:** India's average sugarcane yield is ~75 tonnes/hectare, compared to Brazil's 85 t/ha and Australia's 100 t/ha. Investment in droughtresistant varieties and irrigation could reduce volatility.
- **Ethanol policy trade-off:** The ambitious 20% ethanol blending target diverts 4–5 MMT of sugar annually, exacerbating deficits in lean years. A flexible ethanol blending mandate that adjusts based on sugar availability could stabilise both markets.
- **Stockholding discipline:** Imposing a minimum stockholding requirement on mills would reduce the need for sudden export restrictions. Current buffer stock norms (4 MMT) are often insufficient.

Global Policy Implications

India’s ban may prompt other countries (e.g., Indonesia, Malaysia) to build strategic sugar reserves or negotiate long-term procurement agreements with Brazil and Thailand. The WTO may receive complaints, but India can argue the ban is justified under general exceptions for essential food security. However, such actions weaken India’s image as a reliable exporter and may lead to preferential tariff treatment for other suppliers.

Conclusion

India's sugar export ban of May 2026 is not an isolated measure but a reflection of an agricultural system operating at the edge of its productive capacity under climate stress. By prioritising domestic price stability and food security, the government accepts shortterm trade-offs: higher global prices, strained exporter margins, and geopolitical friction with trade partners. Yet, the decision also underscores the need for long-term structural fixes—improved irrigation, yield science, and a more flexible ethanol programme.

Over the next four months, all eyes will be on the monsoon. If rains are kind, India may lift the ban by October 2026, restoring supply to global markets. If not, the world will face a tighter sugar market through 2027, with Brazil and Thailand as the primary beneficiaries. For India, the real challenge lies not in managing exports but in building a resilient sugar ecosystem that can withstand the vagaries of weather without resorting to emergency curbs.

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