

Media Statement

10 August 2021

Sugar producing countries concerned at potential for more contentious Indian sugar subsidies

The Australian Sugar Milling Council (ASMC) says there is widespread concern amongst the world's major sugar producing countries that the Indian Government might be contemplating further contentious export subsidies that will negatively impact world sugar prices.

On top of the unrelenting climate and pandemic challenges already facing sugar producing countries, they fear that the estimated USD\$10 billion damage already caused to the industry globally by India's overproduction of sugar will continue to grow.

ASMC's Director of Policy, Economics and Trade, David Rynne, says the World Trade Organisation is currently hearing a dispute on India's sugar export and (sugar cane) market price support subsidies with Australia one of the complainants.

"India is the world's second largest sugar producer. It has opted for sugar export subsidies and regulated high domestic cane prices rather than accept expert advice¹ to implement industry reform that would address chronic overproduction of sugar cane and sugar", Mr Rynne said.

"ASMC recently commissioned a report² from Green Pool Commodity Specialists who estimated that India's overproduction between 2017/18 and 2020/21 had a AUD\$1 billion (USD\$731 million) revenue impact on the Australian sugar industry".

"Green Pool found that the subsidies and global oversupply had forced down the price of sugar on global markets by an average two cents a pound over the four years".

"By applying a two cents a pound price reduction to US Department of Agriculture (USDA) sugar production figures we can see the extent of the damage caused globally to large and small producing nations which totals USD\$10 billion including USD\$6.16 billion for Brazil, USD\$1.47 billion for Thailand, and USD\$327 million for Guatemala", he said.

Mr Rynne expressed concern that recent media reports indicated that the Indian Government is currently considering further export subsidies for the 2021/22 season which commences 1 October.

¹ Most notably the Niti Aayog Taskforce report, Sugarcane and the Sugar Industry, March 2020 at <http://www.niti.gov.in/sites/default/files/2020-08/SugarReport.pdf>

² The Green Pool report can be found at <https://asmc.com.au/crushed-queensland-sugar-industrys-1b-hit-from-indian-subsidies-revealed-15-july-2021/>



“This would further damage the global market and impact cane growers, millers and exporters in numerous countries at a time when we are all facing the challenges of COVID-19 and many national crops are affected by extreme and extraordinary climate”.

Mr Rynne said that the Indian Government has regulated the price of sugar cane well above global levels for years, and through payments to cane farmers and sugar mills directly had subsidised the export of up to six million tonnes of sugar per year.

“As the 2020 Niti Aayog Taskforce Report found (page 16):

Serious policy distortions in sugar sector are continuing to result into excess sugar production over domestic demand

The fiscal and natural resource cost interventions in sugarcane and the sugar industry are enormous

There is a need for complete restructuring of sugar industry in a phased manner”.

“There is no denying that the Indian sugar sector needs significant reform and we call on the Indian government to not introduce export subsidies for their 2021/22 season”, Mr Rynne said.

-ENDS-

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Background

Australia, Brazil and Guatemala have asked the WTO to take action on the Indian subsidies. A dispute panel is expected to hand down a finding in 2021. Information on the WTO action against India is available on the Department of Foreign Affairs and Trade website. Canada, China, Colombia, Costa Rica, El Salvador, the European Union, Honduras, Indonesia, Japan, Panama, the Russian Federation, Thailand and the United States are third parties to this dispute.

ASMC is the peak body representing the interests of raw sugar manufacturers and marketers. ASMC represents five sugar manufacturing companies which collectively produce 90 percent of Australia’s raw sugar at their 16 sugar mills in Queensland.