

Bitter-sweet fare

Pandemic cuts industrial demand for sugar, exports save the blushes

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Flat-lining offtake on the menu

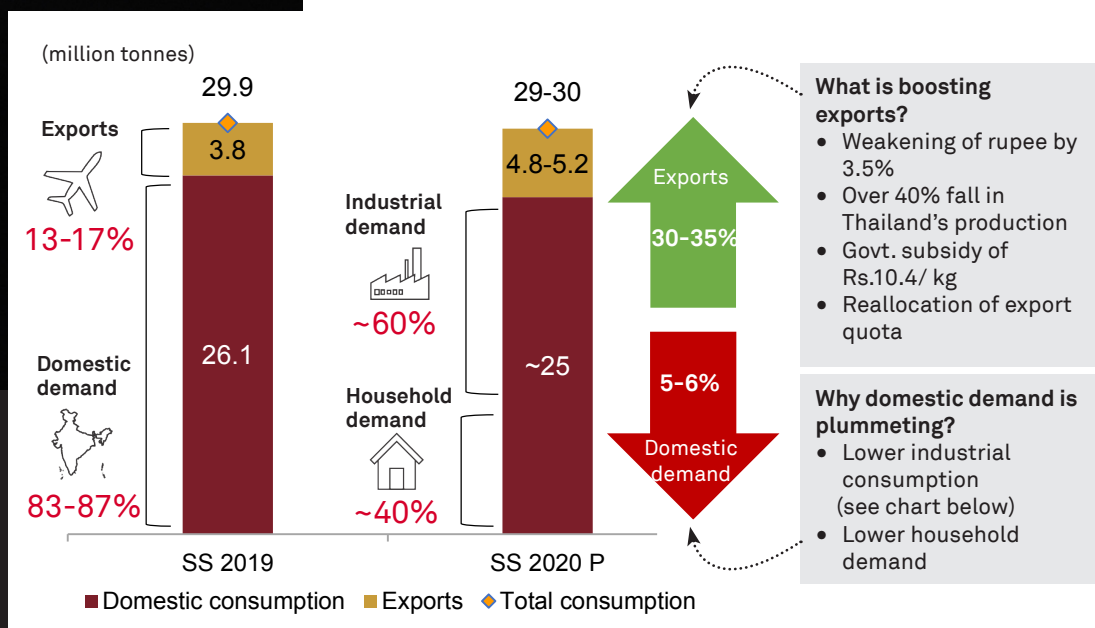
Sugar offtake in the current sugar season (SS 2020; October 2019–September 2020) is expected to remain more or less at last season levels despite the Covid-19 pandemic as buoyant exports make up for a visible shortfall in domestic consumption.

Industrial demand for sugar, which accounts for ~60% of total domestic consumption, is expected to fall 8–9% in SS 2020 due to hotels, restaurants and cafes remaining shut and people avoiding crowded places.

Household consumption, which accounts for the remaining 40% or so, however, is expected to slip just 2–3%. Prolonged confinement at home has seen a surge in appetite for biscuits and bakery products. Also, consumers are likely to prefer packaged sweet products, such as chocolates and cookies over loose sweets in the upcoming festive season for fear of contamination.

The shortfall in overall domestic demand, however, will be more than made up by exports, which are expected to spurt more than 30% to ~5 million tonne in SS 2020. This is mainly because of lower production in Thailand, which has turned its key importers – Indonesia, Kenya, Bangladesh, Afghanistan and Iran – towards India.

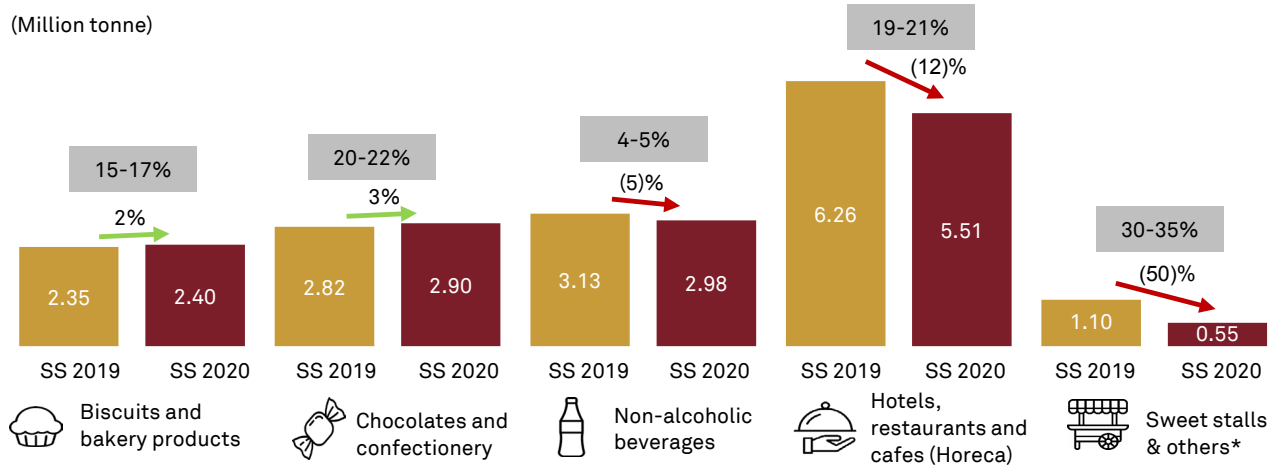
Sharp fall in domestic consumption to be offset by higher exports in SS 2020



Source: Industry, CRISIL Research

Blow to hotels, restaurants, cafes, sweet stalls and catering services floors domestic demand

(Million tonne)



Share in industrial consumption

Distribution of biscuits by NGOs and stocking up by consumers led to a surge in sales in the first quarter of fiscal 2021. Extended lockdown and lower street food consumption are expected to keep demand robust in the subsequent quarters

Chocolate sales remained stable in the first quarter of fiscal 2021 and are expected to rise second quarter onwards, as consumers switch to chocolates in the festive season with most sweet stalls still closed

Non-alcoholic beverages saw a ~12% decline in sales volume in the first quarter of fiscal 2021, due to supply chain disruptions. With cinema halls, bars and restaurants still closed, soft drinks sales will remain low

Hotels, restaurants and cafes are expected to see a sharp fall in sales as they operate at minimal capacity and only service take-away orders

Hygiene consciousness is expected to dry the appetite for loose products. Fall in weddings and social gatherings will affect catering services

*Catering services

Note: SS - October-September

Source: Industry, CRISIL Research



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