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Sugar Import Policy and Domestic Market Stability in India: Implications for Farmers and the Sugar Industry

Shatavisa Nayak[1]*, Pragya Mahobe[2]

[1]Ph.D. scholar, Department of Agronomy, Indira Gandhi Krishi Vishwavidyalaya, Krishak Nagar, Raipur 492012 (C.G)

[2]Ph.D. scholar, Department of Plant Physiology, Agricultural Biochemistry, Medicinal & Aromatic Plants, Indira Gandhi Krishi Vishwavidyalaya, Krishak Nagar, Raipur 492012 (C.G)

Correspondence author: shatavisanayak1998@gmail.com*

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ABSTRACT

India's sugar industry is closely connected with sugarcane farmers, sugar mills, ethanol producers, food processors and consumers. Market stability is influenced by production, stocks, consumption, trade, ethanol use and government policies. In 2026, the Government permitted duty-free imports of 1 million tonnes of raw sugar until 31 October to improve domestic availability and control prices. By 1 September, 797,450 tonnes had been allocated, while dealer stock limits were reduced from 4,000 to 2,000 quintals to discourage hoarding. Sugarcane production increased from 405.399 million tonnes in 2020–21 to 475.614 million tonnes in the first advance estimate for 2025–26, while Fair and Remunerative Price (FRP) rose from ₹285 to ₹365 per quintal. Ethanol blending reached 20% in Ethanol Supply Year (ESY) 2025–26. Temporary imports may stabilize supply and prices, but frequent policy changes can create uncertainty. Long-term stability requires predictable trade policies, higher productivity, efficient water use, timely cane payments and diversified mill operations.

Keywords: Sugarcane, sugar imports, price stability, farmers, sugar industry, ethanol, FRP, trade policy, India

INTRODUCTION

Sugarcane is a major commercial crop supporting sugar mills, ethanol plants, cogeneration units, rural employment and related industries. India's sugar sector is strongly regulated through Fair and Remunerative Price (FRP) and government controls on production, stocks, domestic sales and international trade. The Sugar (Control) Order, 2025 provides the regulatory framework for these interventions. Sugar production is cyclical. High production can create surpluses and lower prices, whereas reduced production or low stocks can increase prices. Therefore, policy must balance farmer returns, mill viability and affordable sugar supply. The 2026 import decision

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illustrates this challenge, as India shifted from export management to duty-free imports and stock restrictions to support domestic market stability.

IMPORTANCE OF SUGARCANE AND THE SUGAR INDUSTRY

Sugarcane provides livelihoods to millions of farm households and supports substantial rural employment. Government data indicate around 5 crore farmers and 5 lakh workers are associated with the sector. Production increased from 405.399 million tonnes in 2020–21 to 454.611 million tonnes in 2024–25, with the first advance estimate reaching 475.614 million tonnes in 2025–26.

Year	Production (million tonnes)	FRP (₹/quintal)
2020–21	405.399	285
2022–23	—	305
2023–24	—	315
2024–25	454.611	340
2025–26*	475.614	355
2026–27	—	365

*First advance estimate for 2025–26.

Source: Government of India, Ministry of Agriculture & Farmers Welfare and PIB.

The growing importance of sugarcane for ethanol has expanded its role from a sugar crop to a food, energy and industrial resource.

EVOLUTION OF SUGAR POLICY

India's sugar policy responds to changes in production, consumption, stocks and global markets. Major measures include FRP, import-export regulation, supply management, stock limits, ethanol support, mill viability measures and monitoring of cane-payment arrears. Sugar exports have fluctuated considerably, reaching about 110 lakh tonnes in 2021–22 but declining to around 9 lakh tonnes in 2024–25. Exports generally support mills during surplus periods, while restrictions or imports may be used when domestic supplies become tight.

RECENT SUGAR IMPORT POLICY, 2026

In 2026, the Government permitted duty-free imports of up to 1 million tonnes of raw sugar until 31 October 2026 to improve domestic availability and moderate price pressures. By 1 September,

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797,450 tonnes had been allocated, leaving 202,550 tonnes.

Indicator	Policy position
Import quota	1 million tonnes
Allocated by 1 Sept. 2026	797,450 tonnes
Remaining quota	202,550 tonnes
Eligible applicants	Sugar millers/refiners
Validity	31 October 2026
Objective	Improve supply and moderate prices

Source: Directorate General of Foreign Trade/Reuters reporting on the September 2026 allocation.

The measure is better viewed as a supply-management intervention during relatively tight market conditions rather than proof of an absolute shortage.

DOMESTIC SUGAR AVAILABILITY AND PRICE STABILITY

Sugar availability depends on production, opening stocks, imports, consumption, exports and ethanol diversion.

Opening stocks + Production + Imports − Consumption − Exports − Ethanol diversion = Closing stocks

Low projected stocks can increase price pressure, whereas excess stocks may reduce prices and weaken mill profitability. Therefore, policy decisions should consider production forecasts, stocks, recovery, consumption, ethanol diversion, trade commitments and domestic and international prices.

SUGAR–ETHANOL LINKAGE

Ethanol has become an important component of India's sugar and energy policies. Petrol blending reached 20% during ESY 2025–26. Ethanol procurement and production capacity have expanded substantially, creating an additional revenue source for sugar mills. Sugar diversion towards ethanol declined from about 12% in 2022–23 to 9% in 2025–26, while grains, particularly maize, supplied a major share of ethanol. Thus, sugar prices are influenced by several factors beyond ethanol diversion, including production, stocks, weather, consumption and trade policy.

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Selected indicators of India's ethanol programme

Indicator	Earlier position	Recent position
Ethanol blending	<1.5% in 2013–14	20% in ESY 2025–26
Ethanol procurement	38 crore litres, 2013–14	>1,200 crore litres projected, 2025–26
Ethanol production capacity	421 crore litres, 2014	~2,000 crore litres, 2026
Sugar-mill ethanol revenue	—	>₹1.29 lakh crore over the past decade

Source: Government of India/PIB.

FAIR AND REMUNERATIVE PRICE (FRP) AND FARMER WELFARE

The FRP for sugarcane increased to ₹365 per quintal for 2026–27 at a basic recovery rate of 10.25%. Although higher FRP provides greater price assurance, farmer welfare also depends on productivity, input costs, recovery and timely payments. Government data indicate that about 99.5% of 2024–25 cane dues had been paid by 20 April 2026, compared with about 88.6% for 2025–26.

Increase in sugarcane FRP

Sugar season	FRP (₹/quintal)
2020–21	285
2022–23	305
2023–24	315
2024–25	340
2025–26	355
2026–27	365

Source: Government of India

EFFECTS OF SUGAR IMPORTS ON FARMERS

Imports can improve supply, reduce excessive price increases and lower shortage risks. Greater market stability may improve mill liquidity and support timely cane payments. However, excessive or poorly timed imports can lower domestic sugar prices and mill realisations, potentially affecting mill profitability and payment capacity.

Imports → Higher supply → Possible lower sugar prices → Lower mill realisation → Possible pressure on cane payments

The actual impact depends on import volume, timing, international prices, demand and mill inventories.

IMPLICATIONS FOR THE SUGAR INDUSTRY

Imports may create short-term competition, lower prices and margin pressure, while also reducing shortage risks and extreme price volatility. Long-term mill viability will increasingly depend on diversification into ethanol, cogeneration, molasses, bagasse, press-mud, bio-CNG and other value-added products.

IMPLICATIONS FOR CONSUMERS

Imports aim to improve availability and moderate price increases. Sugar prices influence households as well as food-processing sectors such as confectionery, bakery, beverages and pharmaceuticals. However, imports do not automatically reduce retail prices because consumer prices also reflect import, refining, transport, wholesale and retail costs.

STOCK LIMITS AND ANTI-HOARDING

From 15 September to 30 November 2026, the sugar dealer stock limit was reduced from 4,000 to 2,000 quintals. The measure aims to discourage hoarding and speculative accumulation during the festive season. Together, imports, stock restrictions and mill inventory management form a broader strategy for maintaining market stability.

SUGAR TRADE: EXPORTS TO IMPORT INTERVENTION

India's sugar trade reflects changing domestic supply conditions. Exports help manage surpluses and improve mill returns, whereas imports can support domestic availability during tighter periods. Exports reached about 110 lakh tonnes in 2021–22 but were around 8 lakh tonnes in 2025–26. The key challenge is to replace frequent reactive decisions with a more predictable, rules-based trade system.

SUGAR MARKET STABILISATION FRAMEWORK

A stable policy framework should link:

Production + Opening stocks → Total availability → Domestic consumption + Ethanol use + Export commitments → Projected closing stocks → Price assessment → Export or Import decision → Market stabilisation

Such a system could improve predictability for farmers, mills, traders and consumers.

MAJOR TRENDS

Three major trends are evident: sugarcane production has increased, FRP has risen substantially, and sugar exports have fluctuated according to domestic availability. Therefore,

future policy should focus not only on production but also on processing, storage, trade, consumption and alternative uses.

MAJOR CHALLENGES

Key challenges include:

- Policy uncertainty
- High water requirements of sugarcane
- Variable productivity and sugar recovery
- Delayed cane payments
- Competition between sugar and ethanol
- International price volatility
- Climate variability

POLICY RECOMMENDATIONS

1. **Introduce predictable import-export triggers** based on stocks, production, consumption, ethanol diversion and prices.
2. **Improve production forecasting** using remote sensing, satellite data, AI and field surveys.
3. **Promote water-efficient cultivation** through drip irrigation, fertigation and suitable varieties.
4. **Ensure timely cane payments** by improving mill liquidity.
5. **Maintain strategic sugar stocks** to manage temporary shortages.
6. **Balance sugar and ethanol utilisation** according to domestic requirements.
7. **Promote mill diversification** into ethanol, cogeneration and bio-based products.
8. **Improve market transparency** through timely information on production, stocks, imports, exports and policy changes.

FUTURE OUTLOOK

India's sugar sector is increasingly shaped by food, energy, climate and trade considerations. Ethanol has expanded the role of sugarcane in national energy security, while population growth and food processing will sustain domestic sugar demand.

Future policy must balance:

Farmer income + Consumer affordability + Mill viability + Ethanol demand + Environmental sustainability + Trade competitiveness

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CONCLUSION

India's 2026 sugar import policy demonstrates the difficulty of balancing farmer interests, consumer prices, mill viability, ethanol demand and trade. The 1 million-tonne duty-free import quota and reduced dealer stock limit were intended to strengthen domestic availability and control price pressures. While temporary imports can stabilize markets, excessive reliance on trade interventions may create uncertainty. A sustainable approach requires a predictable, data-driven import-export mechanism, supported by higher sugarcane productivity, efficient water use, timely farmer payments, mill diversification and coordinated sugar–ethanol policies. India's long-term sugar-sector stability will depend on achieving a balance between affordable sugar for consumers, remunerative farmer returns, financially viable mills and national energy security.