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The Sugar Spike: A Crop Failure, an Import Window, and an Argument About Ethanol

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The Sugar Spike: A Crop Failure, an Import Window, and an Argument About Ethanol

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Every fact web-verified against primary sources

> *Retail sugar prices rose sharply through* **August 2026***, prompting the Centre to allow* **duty-free import of up to 1 million tonnes of raw sugar** *and to impose* **stock limits** *on mills and traders. The government has* **rejected the claim that ethanol diversion caused the spike***, attributing it to a production shortfall, festive demand and hoarding.*

> *Business Standard reports the retail price rising from* **Rs 48.18 a kg on July 20 to Rs 55.70 on August 20***, a rise of about* **16 per cent***. Ashok Gulati and Tanmoy Adhikari, writing in the Indian Express, report the* **all-India modal retail price** *climbing from about* **Rs 45 a kg on July 24 to about Rs 65 by August 24***, a rise of about* **44 per cent***. The series differ in what they measure, a simple average against a modal price, and in their reference dates. Quote the one you cite, with its source, and do not average them.*

WHAT ACTUALLY HAPPENED TO THE CROP

The proximate cause is a production shortfall, and it is large.

MEASURE, 2025-26 SEASON	FIGURE
Initial gross production estimate	About **343.5 lakh tonnes**
Revised gross production	About **309.5 lakh tonnes**
Business Standard's net figure	**30.6 million tonnes**, about **11 per cent** below an initial estimate near 34.3 million tonnes
Diverted to ethanol	About **27.5 to 30 lakh tonnes**, on differing estimates

The agronomic causes, by state:

REGION	DAMAGE
Maharashtra and Karnataka	Excessive rain and **waterlogging**
Uttar Pradesh	**Red rot** and **top-borer** infestation

Red rot deserves a line of its own because it is the examinable detail. It is a fungal disease of sugarcane caused by *Colletotrichum falcatum*, historically the single most destructive sugarcane disease in the subtropical Indian belt, and the reason varietal replacement is a standing agenda item in Uttar Pradesh cane policy rather than an emergency measure.

THE GOVERNMENT'S RESPONSE

MEASURE	DETAIL
Duty-free raw sugar import	Up to **1 million tonnes**, window running to **October 31**
Import terms revised	On **August 25, 2026**, giving importers **two months** for refining and sale
Stock limits	Imposed on mills and traders, with monitoring
Exports	**Banned until September 30, 2026**

Why stock limits are legally possible at all. Sugar is a commodity notified under the **Essential Commodities Act, 1955**, which is what allows the Centre to impose stockholding limits on traders and mills to counter hoarding. This is the statutory hook a Prelims question would use.

Prices **eased after the import approval and the tighter bulk stockholding limits** were announced, which is the strongest available evidence that a supply-and-expectations problem, rather than a structural demand shift, was driving the spike.

The global backdrop

The world sugar market is estimated to face a deficit of about **3.3 million tonnes in 2026-27**, and international prices have risen **over 16 per cent since June**. India is therefore importing into a tightening world market, which is why Business Standard cautioned that refining delays and softening domestic prices could limit how much of the 1 million tonne window is actually used.

THE ETHANOL ARGUMENT, PRESENTED FAIRLY

This is where the article has to be careful, because two credible positions disagree.

The government's position, supported by the industry bodies

Ethanol diversion did **not** cause the spike. The **Indian Sugar and Bio-energy Manufacturers Association** and the **All India Distillers' Association** hold that domestic consumption is the first claim on cane, and diversion to ethanol happens only after domestic requirements are considered. On the numbers, gross production **fell** for climatic and pest reasons while ethanol's **share** actually declined.

The critics' position

Writing in the Indian Express, **Ashok Gulati and Tanmoy Adhikari of ICRIER** argue that the surge exposes **structural faults in India's ethanol programme**, in which energy policy now competes directly with food markets, and that **food must remain the higher-order priority**. Their specific recommendation is to cut the **refined sugar import duty, currently 100 per cent, to between 0 and 5 per cent temporarily** in order to rebuild stocks.

> *The critics are not claiming ethanol caused this shortfall; the production data does not support that. They are claiming that a programme which commits a standing quantity of cane sweetener to fuel every year, about 27.5 lakh tonnes in 2025-26 on the ICRIER estimate, removes the buffer that would otherwise absorb a bad crop year. That is an argument about* **resilience***, not about causation, and it survives the government's rebuttal because the two sides are answering different questions. An answer that says "ethanol caused the price rise" is wrong. An answer that says "the ethanol commitment reduced the cushion available when the crop failed" is defensible.*

THE ETHANOL PROGRAMME, IN THE FORM IT GETS TESTED

FEATURE	DETAIL
Programme	Ethanol Blended Petrol Programme
Policy	**National Policy on Biofuels, 2018**, amended in **2022**
E20 target	Originally 2030; advanced to **2025** and **achieved in 2025**
Next steps	Phased movement toward **E25, E27 and E30**
Standards	The **Bureau of Indian Standards** was directed to develop the **E27** standard
Engine studies	**ARAI** tasked by the Ministry of Road Transport and Highways
Next target cycle	Blending targets recommended from **ESY 2026-27**, beginning **November 1, 2026**

The Ethanol Supply Year runs from November to October, not April to March. Confusing it with the financial year is a common and costly error.

THE PRICING ARCHITECTURE BEHIND IT ALL

Cane is one of the most administered crops in India, and the price stack is directly examinable.

INSTRUMENT	WHO FIXES IT	CURRENT VALUE
Fair and Remunerative Price (FRP)	The **Centre**, on the recommendation of the **Commission for Agricultural Costs and Prices**, under the **Sugarcane (Control) Order, 1966**	**Rs 355 per quintal** for 2025-26, from Rs 340
State Advised Price (SAP)	Individual **state governments**, above the FRP	Varies by state
Minimum Selling Price (MSP) of sugar	The **Centre**	**Rs 31 per kg**, unchanged since **February 2019**

> *The FRP has risen to* **Rs 355 a quintal** *while the sugar MSP has stood still at* **Rs 31 a kg since February 2019***. Industry estimates put the cost of producing sugar at the current FRP at roughly* **Rs 40 a kg***. ISMA has asked for an MSP of about* **Rs 41.66 a kg***. Whatever one concludes about the request, the arithmetic explains why mills lean on ethanol: ethanol prices are administered separately and have moved, while the sugar MSP has not.*

Note the terminology trap. The **MSP of sugar** is a **minimum selling price**, a floor below which mills may not sell. It is a completely different instrument from the **Minimum Support Price** for foodgrains, which is a procurement price. The abbreviation is the same. The economics is the opposite direction.

UPSC RELEVANCE

GS Paper 3: Major crops, cropping patterns, issues of buffer stocks and food security; public distribution system; and technology missions. Cane pricing, the Essential Commodities Act and buffer logic sit squarely here.

GS Paper 3: Infrastructure and energy. The biofuels policy, blending targets and the food-versus-fuel trade-off are standing GS3 material.

A Mains question this article prepares you for. “India’s ethanol blending programme has succeeded on its own terms while creating new trade-offs with food markets. Critically examine. (250 words)” Structure: the blending achievement, the feedstock composition, the 2026 sugar episode as a stress test, the resilience argument against the causation argument, and a way forward built on non-cane feedstocks and second-generation ethanol.

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THE 2026 PRICE EPISODE:

Business Standard recorded retail sugar rising from Rs 48.18 a kg on July 20 to Rs 55.70 on August 20, 2026.

Gulati and Adhikari recorded the modal retail price rising from about Rs 45 to about Rs 65 a kg in a month.

Gross sugar production for 2025-26 was revised from about 343.5 lakh tonnes to about 309.5 lakh tonnes.

Between about 27.5 and 30 lakh tonnes of the 2025-26 crop went to ethanol, on differing estimates.

Excessive rain and waterlogging damaged the crop in Maharashtra and Karnataka.

Red rot and top-borer damaged the crop in Uttar Pradesh.

Red rot of sugarcane is caused by the fungus Colletotrichum falcatum.

THE POLICY RESPONSE:

The Centre allowed duty-free import of up to 1 million tonnes of raw sugar, with the window to October 31.

Import terms were revised on August 25, 2026, giving importers two months for refining and sale.

Sugar exports were banned until September 30, 2026.

Stock limits on mills and traders are imposed under the Essential Commodities Act, 1955.

The world sugar market faces an estimated deficit of about 3.3 million tonnes in 2026-27.

THE PRICING ARCHITECTURE:

The Fair and Remunerative Price for cane is Rs 355 per quintal for 2025-26, up from Rs 340.

FRP is fixed by the Centre on CACP advice under the Sugarcane (Control) Order, 1966.

The State Advised Price is fixed by state governments, above the FRP.

The minimum selling price of sugar is Rs 31 per kg, unchanged since February 2019.

ISMA has sought a revision of the sugar minimum selling price to about Rs 41.66 per kg.

THE ETHANOL PROGRAMME:

The National Policy on Biofuels was adopted in 2018 and amended in 2022.

India achieved the E20 blending target in 2025, ahead of the original 2030 deadline.

The Ethanol Supply Year runs from November to October, not April to March.

BIS was directed to develop the E27 fuel standard; ARAI was tasked with engine studies.

Sources: Business Standard, The Indian Express, Outlook Business, PIB

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