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Sugar Price Hike in India in 2026: Causes and Consequences

*Sanjay V C[1], Keerthana R S[2] and Madhavi Pargi[1]
[1]Department of Agricultural Extension & Communication, Navsari Agricultural University, Navsari, Gujarat-396450, India
[2]Department of Microbiology, Navsari Agricultural University, Navsari, Gujarat-396450, India
*Corresponding Author's email: sanjayvcappu@gmail.com

For decades, India has been known as a sugar-surplus country and one of the world's largest sugar producers. In recent years, India has also become a regular sugar exporter. So, the sharp rise in sugar prices in August 2026 came as a surprise to consumers. Retail prices reached record levels, and the government began preparing to import sugar for the first time in several years. Wholesale prices in Kolhapur, one of India's major sugar trading centres, rose by nearly 20 per cent within a few weeks, while the average retail price across the country crossed ₹55 per kg. The timing was particularly difficult as the festival season, when demand for sweets and processed foods increases, was approaching. The sudden rise in prices also brought back an important question: Is ethanol blending responsible for the sugar price increase? With more sugarcane being diverted towards ethanol production, many have blamed the policy for reducing sugar availability. But the reality may be more complicated. A closer look suggests that several factors, rather than ethanol alone, may have contributed to the situation.

A Season That Didn't Go as Planned

India's sugarcane production in 2025–26 was, on paper, a record one. Provisional estimates put it at around 500 million tonnes, about 43.5 per cent higher than a decade ago. But more cane does not always mean more sugar. A key factor is the "recovery rate", which tells us how much sugar can actually be extracted from each tonne of cane. This season, the recovery rate fell sharply, from around 9.7 per cent to below 9 per cent at the national level. Red Rot, a fungal disease that attacks sugarcane from within, and Top Borer, a pest that damages the growing stem, were among the major problems. Unseasonal rainfall and cloudy weather during crop maturity in Maharashtra also affected sucrose content. In Uttar Pradesh, lower yields from ratoon crops added to the problem. As a result, sugar production is now estimated at around 306 lakh tonnes, much lower than the initial estimate of 343 lakh tonnes. This shortfall of nearly 37 lakh tonnes is one of the major reasons behind the current rise in sugar prices.

Exports Opened, Then Shut

The problem was made worse by the timing of government policy decisions. Based on the early and optimistic estimates of sugar production, the government allowed sugar exports of up to 15 lakh tonnes in November 2025, which was later increased to 20 lakh tonnes. About 8 lakh tonnes were exported before the government changed its decision in May 2026, first restricting exports and later stopping them completely as the production shortfall became clearer. The issue, therefore, was not simply that sugar was exported, but when it was exported. The export decision was taken before reliable information on crop diseases, recovery rates and available stocks was known. By the time restrictions were introduced, a significant quantity of sugar had already left the country. Months later, the government had to change direction again and allow duty-free imports of raw sugar to meet the shortage.

The Ethanol Question

No discussion of sugar prices in India today is complete without talking about ethanol. India's ethanol blending programme aims to blend up to 20 per cent ethanol with petrol. Under this programme, sugar mills can divert sugarcane juice and molasses for ethanol production instead of making sugar. Because of this, ethanol has often been blamed for the recent rise in sugar prices. However, the government's own data tells a different story. The share of sugar diverted for ethanol has actually declined, from about 12 per cent in 2022–23 to around 9 per cent in 2025–26. Also, nearly three-fourths of India's ethanol now comes from grains, mainly maize, rather than sugarcane. The industry also points out that ethanol allocation is decided at the beginning of the season after ensuring enough sugar is available for domestic consumption. In this sense, the quantity diverted to ethanol is largely the surplus that might otherwise have remained unsold in warehouses. Still, ethanol diversion cannot be completely ignored. Most assessments, including a recent government backgrounder, consider it a **"secondary stress multiplier"** rather than the main cause of the crisis. By reducing the surplus stock available as a safety cushion, it left the sugar market with less room to absorb the impact of a poor production year.

Table 1: Myth v/s Fact of Rising Sugar Prices

MYTH	FACT
Ethanol diversion caused the sugar price rise.	Sugar diverted to ethanol production fell from 12% in 2022–23 to around 9% in 2025–26.
Ethanol is taking away sugar from consumers.	Nearly three-fourths of India's ethanol now comes from grains, particularly maize.
India is facing a sugar shortage.	Adequate stocks are available to meet domestic demand until the new crushing season begins.
Global sugar prices have remained stable.	International prices rose from $474 to $552 per tonne, increasing over 16% in less than two months.
India's sugar production has collapsed.	Current production is estimated at 306 LMT, below the initial estimate of 343 LMT.
Sugar prices have been continuously rising sharply.	Long-term prices increased by only around 3% annually between August 2024 and July 2026. Current hike price is short-term.

Festive Demand, Global Prices, and Hoarding

Three more pressures added to an already tight sugar market. First is seasonal demand. Sugar consumption usually increases sharply between August and November because of festivals such as Ganesh Chaturthi, Dussehra and Diwali. Sweet makers, beverage companies and other food manufacturers also build up their stocks during this period. Second, the global sugar market was also becoming tighter. The world sugar deficit for 2026–27 is estimated at around 33 lakh tonnes. International sugar prices increased from about $474 per tonne in June 2026 to $552 per tonne in August, a rise of more than 16 per cent in less than two months. This made it difficult for India to depend on cheaper imports to cover its own shortage. Third, and perhaps more importantly, speculation and hoarding by some mills and traders also added to the problem. When traders expect prices to rise further, they may hold back their stocks instead of releasing them into the market. This can create a cycle in which the fear of shortage itself pushes prices even higher.

The Government's Response

Faced with growing public pressure, the Centre took several steps to control the situation. A stock limit of 400 tonnes was imposed on sugar dealers from August 1 to November 30, 2026, to discourage hoarding. From September 1, bulk consumers were also restricted from keeping more than 15 days' worth of sugar stocks. Central and state officials began checking stocks at sugar mills to identify any hidden or undeclared stocks. The government also allowed duty-free imports of up to 10 lakh tonnes of raw sugar until October 31, 2026. At the same time, mills were advised to start the new crushing season early, from October 15, so that fresh sugar could reach the market before the festive season. Despite the price rise, officials have pointed out that India's sugar sector remains relatively healthy in several respects. By August 2026, about 97 per cent of the sugarcane dues for the season had already been paid to farmers. The government has also not provided any subsidy to the sugar industry since 2021–22. These developments indicate that the industry's financial position has improved compared with a decade ago.

Conclusion

The 2026 sugar price rise cannot be blamed on one single reason. Several factors came together at the same time crop disease and weak weather conditions reduced sugar recovery, exports were allowed based on overly optimistic production estimates, opening stocks were lower than usual, festival demand increased, global sugar supplies tightened, and some traders and mills held back stocks. Ethanol diversion also added some pressure, but the available data suggests that it was a contributing factor rather than the main cause. For a country where the sugar industry is closely linked with the livelihoods of nearly five crore farming households, this episode offers an important lesson. A wrong estimate at the beginning of the season can create problems several months later. Better and timely monitoring of crop health and sugar recovery, more careful decisions on exports, and adequate buffer stocks can help India deal with future shocks whether caused by disease, weather or changes in the global market before they reach the consumer's kitchen.

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