

HIGHLIGHTS FOR FEBRUARY 2009

BIRLA SUGAR

SNAP SHOTS

Important developments that has taken place in the Sugar Industry and in the business of the other players

With dwindling supplies of sugarcane leading to premature closure of many mills, the centre is under growing pressure to announce a significant jump in the statutory minimum price(SMP) of the crop to be crushed in the 2009-10 sugar season (October- September). For the ensuing season, the commission for agricultural cost and prices (CACP) has recommended a price of Rs 125 a quintal linked to a 9 percent base recovery. This is yet to be accepted by the centre. The food ministry has proposed a price of Rs. 107 a quintal which is linked to a higher basic recovery of 9.5 percent. The government has approved changes in norms for import of raw sugar under the advanced licence scheme to keep local prices under check as production falls.

DIRECT NEWS

25,000 t raw sugar shipment to arrive next week: The first ever raw sugar consignment following the recent relaxation in import rules by the Centre is scheduled to arrive in the country within next 5-6 days. According to sources a vessel of 25,000 tonnes booked by the K.K Birla Group is expected to dock at Kandla port next week. The raw sugar of Brazil origin has been contracted at 4 250-255 a tonne, cost and freight, with the supplier being the Geneva based trader, Vitol Sugar SA.

COMPETITION

Balrampur Chini hauled up for fudging accounts: the ministry of corporate affairs has begun prosecuting directors of Kolkata- based Balrampur Chini Mills, India' second largest sugar company, for not complying with accounting standards and schedule vi(section 211)

Balrampur Chini output to go down 38%- Balrampur Chini Mills Ltd expects its sugar output fall 38% in the year to September 2009 on lower cane availability, which is likely to boost prices of the sweetener in the period.

Simbhaoli launches vodka: Simbhaoli Sugars (SSL), a leading specialized sugar producer, launched new vodka brand 'Xing' under white spirit category, initially with an introductory 1,500 cases in Uttar Pradesh.

UP Mills offer 'Rs 15' sweetener to cane farmers: With dwindling cane supplies leading to low capacity utilization and premature shutdown of plants, sugar mills in UP are now offering farmers an extra Rs 15 a quintal to induce them to plant more area under the crop. 'Simbhaoli sugars' 'cane development subsidy' move all major sugar combines in the state decide to offer the extra sop. Following Simbhaoli's move, all other major sugar combines in the state- including Bajaj Hindusthan, Balrampur Chini and Triveni Engineering have decided to offer the extra sop.

INDIAN SUGAR INDUSTRY

Centre changes raw sugar import norms: The government has approved changes in norms for import of raw sugar under the advanced licence scheme to keep local prices under check as production falls. The decision was taken at the meeting of the Cabinet committee on economic affairs. In the last 3 months, sugar prices have shot up on the back of speculation following indications from the government that a quick decision would be taken on the issue of boosting domestic supplies through imports with a view to check prices.

New raw sugar import policy nails defaulters: Even as sugar mills across the country await a formal announcement from the government on easing raw sugar import norms,

sources said that under the new rules, millers who default on fulfilling their re-export obligation will now have to pay a 60% import duty instead of the current practice of a extension with penalty. Any sugar mill which imports raw sugar mill which imports raw sugar under the advanced licence obligation for re-export in processed form on a grain-to-grain basis, within 24 months.

Duty-free imports fail to cool sugar prices: Sugar prices may hold despite the government's recent move to allow duty free import of raw sugar with an obligation to export a similar quantity of processed sugar after 24 months. With elections around the corner, and prices rising significantly, the government has allowed unlimited imports up to the end of September 2009.

Zero duty raw sugar imports cleared: The centre has permitted duty-free imports The Financial Express raw sugar against advance licenses(AL) on a 'tonne-to-tonne' basis. The centre is also planning next to announce an extra free sale (FSQ) release of 4.25 lakh tonnes(lt) for the current quarter.

Centre could have resorted to white sugar imports- Domestic sugar prices have been on steady rise for several months now, buoyed by a known 20% decline in overall acreage and over 55 million tonnes decline in aggregate cane output for 2008-09. And now as expected, the prices have moved from around Rs 1500 a quintal 4-5 months ago to the current level of a little over Rs 2000 a quintal, with clear prospect of a further upside.

Sugar industry wants Centre to raise support prices: In a share show of support for sugarcane farmers, the sugar industry in the private and cooperative sectors, has come together to press upon the government to announce high support process for the commodity. This comes at a time when shortage of sugar has paved the way for raw sugar imports and domestic mills are pre-closing their crushing seasons.

Factories plan to double sugarcane production: Alarmed by a steep drop in sugarcane production in Maharashtra in the ongoing crushing season, the state government and cooperative sugar factories have joined hands to double the

productivity. The state has designed a holistic scheme for growth in sugarcane productivity aimed at increasing the yield by 50 tonnes per hectare in next 18 months.

Sugar output may dip 35% on low acreage: A dramatic decline in cane acreage coupled with heightened tension between farmers and mills over the genesis of state advised price of Sugarcane(SAP) resulted in 35% lower sugar output estimates this sugar year.(Oct- Sept). The latest Fitch ratings reports said that with sugar being an essential commodity and regulated by the government, prices are expected to remain range-bound.

Centre in a quandary over Sugarcane SMP, Pawar worried over impact of CACP move on Maharashtra mills: With dwindling supplies of sugarcane leading to premature closure of many mills, the centre is under growing pressure to announce a significant jump in the statutory minimum price(SMP) of the crop to be crushed in the 2009-10 sugar season (October- September). For the ensuing season, the commission for agricultural cost and prices (CACP) has recommended a price of Rs 125 a quintal linked to a 9 percent base recovery. This is yet to be accepted by the centre. The food ministry has proposed a price of Rs. 107 a quintal which is linked to a higher basic recovery of 9.5 percent.

Govt rules out slapping limit on sugar stocks: The Government ruled out imposing limit on stocks of sugar a trader can keep, amid speculations that such curbs might be slapped to check possible hoarding and contain price rise. Sugar prices in India has risen dramatically this season, starting October, due to a projected 32 % decline in the output to 18 million tonnes, prompting the government to allow millers to import duty free sugar and sell in the domestic market.

69 mills in Maha close for want of sugarcane: An inadequate sugarcane availability has forced as many as 69 of the total 145 sugar mills in Maharashtra to close down halfway in the current season. As of now, 369.95 lakh tonne of sugar with a recovery of 11.41% compared to 457.78 lakh tonne with an output of 53.05 lakh tonne at 11.59% recovery in the corresponding period last year.

India buys 2 Lakh tonne sugar: India has estimated to have bought 2,00,000 tonne of raw sugar from Brazil after the south Asian nation eased import rules following a production drop, said by regional dealers.

Govt to issue export release order for sugar ‘judiciously’: The centre today announced that it would judiciously issue export release order for sugar as the production of the commodity is likely to be less than the estimated consumption for 2009. The need to obtain release orders (ROs) for export of sugar would enable the government to judiciously issue ‘ROs whether under open general license or under advance authorization scheme.

Sugar Price rise to hurt cola majors, biscuit cos: The cola majors Pepsi and Coca-cola India stand to lose Rs 300 crore or more annually from the recent hardening of sugar prices. The increase of Rs 4.50 to Rs 5 a kg since October could prove a bitter pill for confectionary and biscuit makers as britannia, ITC and Nestle as well.

Mills contract 15 lakh tonnes raw sugar to meet shortfall, most consignments likely from Brazil, Guatemala: At least 15 Lakh tonnes of raw sugar have been contracted for imports into the country to meet the anticipated shortage arising out of lower production estimates of the commodity. Mills in south India have contracted at least five Lt, while those in the north three Lt. besides, Renuka Sugars has also contracted at least eight Lt.

More cane planting next season: The centre on Friday said sugarcane acreage in the 2009-10 seasons is expected to rise as farmers are getting good remunerative returns for their produce. India has witnessed nearly 17% dip in cane production to 290.45 million tonnes during the 2008-09 crop year (July- June).

INTERNATIONAL NEWS

Dubai refinery shifts to cheaper Brazilian sugar: The world’s largest sugar refinery, the 1.5-million-tonne-a-year Al Khaleej plant in Dubai, is shifting to imports of raw

sugar from Brazil taking advantage of falling freight rates, and is likely to shun Indian imports in 2009, Al Khaleej general manager Cyrus Raja told Reuters.

Sakthi sugars' overseas subsidiaries file for bankruptcy:

In view of the economic meltdown in the US and Europe and consequent liquidity crisis caused by sharp reduction in getting orders, the subsidiaries of Sakthi Sugars in Germany and Sweden have filed for bankruptcy.

Global Situation- For the year 2008-09, global sugar output is estimated to be down by at least 10 million tonnes or 161.5 million tonnes. Asia accounts for a significant part of decline with India leading the way, followed by China and Thailand.

There is a demand-supply mismatch, while stocks are adequate, but falling. Brazil the largest producer will play critical role in impacting world sugar prices. They have the ability to switch effortlessly between sugar and ethanol production

No rush for imports: Sugar prices in the International markets have already started rising on the prospects of large imports by India. Faced with a huge gap between demand and supply, the country is expected to import about 6.50 lakh tonnes by early march, while the total imports may cross 1.5mt by the sugar season ending September.

Ethanol

In Search of new efficiencies- Brazil's single-minded stress on energy diversification has paid off. Spaceship Earth requires all those on board to lower, or at least streamline, their patterns of energy consumption. The biggest share of Brazil's energy comes from oil(40% ethanol included)

Govt launches ethanol blending on pilot basis: The government has initiated ten % ethanol blending programme on a pilot basis in two districts- Belgaum in Karnataka and Bareilly in Uttar Pradesh- despite a sharp decline in crude oil prices. The

programme will continue till June 2009 and the purpose is to study the impact of 10% blending on two-wheelers before introducing it commercially.

Ethanol companies run into trouble, but experts say the industry will survive: Not so long ago, the biofuel ethanol was a political and policy darling as gas prices soared and the world focused on reducing emissions. But the companies that produce the colourless liquid appear to be running into trouble as the global economy tanks. Canadian producers are shelving plans to build or expand plants and U.S. companies are idling their facilities. There is also a drop in demand because of the slumping economy.

Ethanol blending runs on empty as supplies dry up:

A shortfall in production has thrown out of gear the government's plans to blend Ethanol with petrol. The government made it mandatory to blend petrol with 5 percent ethanol 16 months ago but the plan never stabilized and the October-2008 deadline to raise it to 10 per cent has been missed. The lack of success of the blending programme is linked to a crisis of sorts in the sugar Industry, as a result of which the sugar mills that produce ethanol as a by-product have been operating at a fraction of their capacity.