

## HIGHLIGHTS FOR JANUARY 2010

### BIRLA SUGAR

#### SNAP SHOTS

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

In the 2009/10 season, lower acreage and poor rains kept India's output at 15.3 million tonnes, falling severely short of domestic consumption of about 23 million tonnes for a second straight year.

The government of UP filed 75 FIRs against sugar mills operating in UP. The government charged the mills with causing revenue losses to the exchequer and the cane societies by procuring cane illegally from farmers, especially at a time when sugar prices are ruling high. As sugarcane production is considerably down this year, there is a scramble in UP amongst sugar mills, gur and khandsari units to reach the farmers first. The sugar mills are already paying between Rs 230-250 per quintal to farmers. UP Chief Minister Mayawati had firmly said her government would not allow the millers to process raw sugar until the crushing season was over. Almost 900,000 tonnes of raw sugar, mainly imported from Brazil, is thus stuck at ports. Meanwhile, some mills had filed petitions in the Lucknow Bench of Allahabad HC challenging the FIRs.

Following which, a delegation of the Indian Sugar Mills Association (ISMA), met the Prime Minister, Dr Manmohan Singh and is understood to have conveyed that about 45 lt of raw as well as white sugar has been contracted so far this season, of which 25 lt have already arrived. Of the balance 20 lt, roughly 7.5 lt have been loaded on to ships and are expected to reach Indian ports in the weeks to come. The delegation also sought the Centre's permission to allow mills to sell the raw sugar imported by them outright. The Centre had recently allowed mills in Uttar Pradesh to get their imported raws processed by mills in other States. This was in view of restrictions imposed by the UP Government on the entry of raw sugar into the State.

January also saw sugar companies posting their Q3 results and most of them did beat the expectations. For example Shree Renuka Sugars Q1 net jumped to Rs260 cr whereas Balrampur Chini net profit rose 49%. On the other hand Simbhaoli Sugars, one of the country's largest sugar refiners, reported net profit of Rs 43.78 cr and also announced plans to set up a greenfield sugar refinery at Kandla port in Gujarat with an investment of Rs 180 crore

## DIRECT NEWS UPPER GANGES & OUDH SUGAR MILLS LIMITED

### Coverage appeared in:

- Financial Express
- Business Standard
- The Hindu Business Line

## OTHER PLAYERS

**Ravalgaon Sugar up 20%** - The stock frozen 20% upper limit of circuit filter to Rs 9,672.50, after the prices of sugar rose sharply. Ex-mill sugar price in Uttar Pradesh is at a record high of Rs 3,700 a quintal. The prices have gone up 7-8% in a month, though crushing season is on.

**Analyst's corner** - Balrampur Chini Mills' ex-factory sugar realizations have increased by around 25% sequentially for the December 2009 quarter to Rs 32 per kg; average realization for December month is higher at Rs 34 per kg. In the first week of January 2010, sugar realizations have spiked further and are currently at around Rs 38 per kg. With the overall sugar scenario likely to remain tight, prices in India and hence the realizations of sugar producers are likely to remain firm.

**Sugar takes its own sweet time to enter the branded space** - Branded sugar has failed to become the household item despite the long presence of some leading sugar producers like Dhampur Sugars, Triveni Engineering, Simbhaoli Sugars and Mawana Sugars in the branded space. Even for the companies, branded sales account for 1 to 2 percent of their total sales. Sanjay Tapriya, director of finance at Simbhaoli which sells sugar under the brand Trust, says branded sale is growing at a rate of over 25% per annum.

**Shree Renuka Sugars Q1 net jumps to Rs260 cr** - Shree Renuka Sugars Ltd said its consolidated net profit jumped 24-fold to Rs260 crore for the quarter ended 31 December over the same period previous fiscal.

***Shree Renuka Sugars*** - Even though the result this quarter has been below expectations, the company would be able to sell 1.6 mt sugar, 122.2 m litres alcohol and 401 m units of power in FY10. With buffer stock of government getting reduced, 3.5 mt for the whole year is still to be imported and the continuing litigation between farmers and UP mills owners which delayed crushing in UP, the tight demand supply condition is expected to continue in FY10 and FY11.

***Balrampur Chini Mills*** - Balrampur Chini Mills will be one of the key beneficiaries of the UP Electricity Regulatory Commission's decision to increase tariff for bagasse-based cogeneration plants. The two-year scenario for sugar companies in India is strong with the domestic and global sugar industries experiencing a deficit.

***Higher volumes and prices Renuka Sugars' profit growth*** - Sugar firms are reaping the benefits of rising sugar prices and low- cost cane stock. Most firms had carry-over stocks of sugar from the previous season, when cane was much cheaper than at present. While the Centre is trying to talk down sugar prices, the underlying supply shortage still remains. In this backdrop, Shree Renuka Sugars Ltd reported a 3.6 times jump in sales to Rs 1,444 crore in the three months ended December.

***Simbhaoli to set up Rs 180-cr sugar refinery at Kandla port*** - Simbhaoli Sugars, one of the country's largest sugar refiners, has decided to set up a greenfield sugar refinery at Kandla port in Gujarat with an investment of Rs 180 crore. The port-based sugar refinery, with a capacity to process and refine raw sugar amounting to 1,000 tonne per day (TPD) would enhance the company's overall sugar refining capacity to 3,000 TPD and will start functioning in 14 months. This is the first instance of a north Indian sugar company setting up a stand-alone refinery at a port.

***High prices sweeten Simbhaoli Sugars net*** - UP-based sugar producer Simbhaoli Sugars Ltd. posted the best ever quarterly net profit in 75 years of existence, at Rs 43.78 crore for the quarter ended December 31, 2009, compared with a loss of Rs 11.87 crore in the corresponding quarter in the previous financial year. Net sales rose to Rs 1,245 crore from Rs 123.99 crore earlier.

***Dharni sugars net soars to Rs. 18.74 cr*** - Dharani Sugars & Chemicals, part of PGP group has reported a record net profit of Rs 18.74 crore in the third quarter ending December 31, 2009 against Rs 2.09 crore in the same period in the previous year. With the company

expanding cane crushing capacity and also importing more raw sugar, net sales spurted to Rs 246.61 crore ( Rs 54.19 crore).

**Balrampur chini net rises 49%** - Balrampur Chini Mills has announced its unaudited results for the first quarter ended December 31, 2009. The scrip is currently trading at Rs 120 per share, up 1.95 points or 1.65% on the BSE.

The stock opened at Rs 117.60 compared to its previous close of Rs 118.05. Intraday, the counter has touched a high and a low of Rs 122.90 and Rs 114, respectively. So far 6, 91, 000 shares of the company were traded on the BSE.

## INDIAN SUGAR INDUSTRY

**Skyrocketing food prices scorch year 2009** - Sugar prices have risen on an average by around 72% since January 1, 2009 from around Rs 21 per kilogram to Rs 36 per kg. A 700,000 tonne shortfall in sugar production in 2008-09 to around 15.5 million tonne, coupled with rising demands and costly imports has pushed up sugar prices sharply this year.

**Sugar prices double in 2009** - Indian spot sugar price rose for a second day on Thursday to a fresh record high, nearly doubling year-on-year, on lower than anticipated sugar quota in January. In Kolhapur, Maharashtra, the price of the most traded S-variety sugar rose 1.15% to Rs 3,540.2 per 100 kg.

**Sugar production in Maharashtra up 3.4%** - As on Wednesday, mills in Maharashtra had produced 20.49 lakh tonnes of sugar for the current season, against 19.81 lt during the corresponding period of 2008-09.

**Rush for UP sugar crushing deal** - Maharashtra and Gujarat are competing to process the 20 lakh tonne raw sugar imported by private sugar mills in Uttar Pradesh. This sugar has been lying at ports in these two states as Uttar Pradesh chief minister Mayawati has banned sugar mills in the state from processing imported raw sugar until they crush all the sugarcane of farmers in the state. However, heating up the competition, mills in Gujarat have offered to give the UP mills 85 kg white sugar for every 100 kg raw sugar. UP's millers have not yet accepted either of these proposals.

***Sugar continues its northward journey*** - Domestic sugar prices shot up sharply over the last week, triggering off apprehensions that retail prices could nudge Rs 50 per kg in the first half of 2010. Given the high landed price for imports, millers in UP, who had earlier offered up to Rs 215 per quintal for cane to farmers, are believed to have upped their price offer to Rs 250 per quintal, way over the Fair & Remunerative price Rs 130+ per quintal fixed recently by the Centre.

***To rein in prices, producers get to export sugar till March '11*** - After a battle of nerves, the government has decided to extend the deadline for sugar producers to meet their export obligations till March 2011, a move that is aimed at reining rising prices of the sweetener and enhance supplies within the country.

***Maha sugar output up 2.8%*** - Millers in the western Maharashtra, country's largest sugar producer, have produced 2.2 million tonne of sugar in the first three months of 2009-10 crushing season, up 2.8% compared to last year. This year, lower acreage and poor rains will keep India's output at 15.3 million tonne, severely short of domestic consumption of about 123 million tonne for a second straight year.

***UP likely to lift restriction on raw sugar import*** - After a prolonged battle with both the Central and state government over fair and remunerative price (FRP) and state advised price (SAP), they seem to be inching nearer to their initial demand of supplying cane at Rs 280 a quintal. The Mayawati government, as well, is toying with the idea of lifting the restriction on the import of raw sugar in the state. Sources said the state government has started collecting data on the quantity of raw sugar that has been contracted by various sugar companies and at what price.

***Weather to buy or sell*** - Sugarcane - Prices are firm on good domestic demand and moderate supply. Import of commodity is likely to add uncertainty in the price movement. Dry weather is suited for crop growth. Weather favors crop harvesting in most parts of Maharashtra, Gujarat, Karnataka and UP where crushing is going on.

***India sugar at fresh record high on supply deficit*** - Indian spot sugar prices extended gains into a fifth straight day on Monday to a fresh record high as thin output estimate and record overseas prices prompted active buying from stockists. In Kolhapur, a key market in top sugar producer Maharashtra, the price of the most traded S-variety sugar rose 1.7

percent to 3,661.5 rupees (\$79) per 100 kg, breaching an earlier peak of 3,600 rupees on Saturday. The price nearly doubled in 2009 on a sharp drop in the 2008/09 output.

***Sugar may hit Rs 50/kg marks soon*** - Sugar wholesale prices rose to record high of Rs 4,250 per quintal in Delhi wholesale market on anticipation of higher demand in the upcoming festival season and lower January sugar release by the government, raising apprehension that retail price could even touch Rs 50 a kg.

***UP sugar output dips 13%*** - Sugar production in Uttar Pradesh declined 13% to 1.57 million tonnes in October 1-December 31 period after a cane-price dispute delayed the start to the 2010-11 season.

***Is sugar Pawar-sensitive?*** - Within two days of Sharad Pawar claiming that sugar prices will be high for the next 3 years, sugar prices started defying gravity and reached Rs 45 per kg on Tuesday. Industry analysts believe prices will touch Rs 50 per kg soon.

***Sugar surges to record high at Rs 4,350 on tight supply*** - Sugar prices surged by Rs 100 to a record Rs 4,350 a quintal in the wholesale market in New Delhi and are expected to inch up further on sustained buying for festivals amid tight stock positions. Widening gap between demand and supply due to reduced output and lower allocation of sugar quota by the government for January pushed up sugar prices to Rs 4,200 to Rs 4,350 in the wholesale market.

***Centre blames UP for surge in sugar price*** - The Centre has blamed the current surge in domestic prices on the UP Government's move to block entry of imported raws into the state. Around 0.9 million tonnes of imported raw sugar is now lying in various ports, the bulk of which was contracted by UP mills. This includes some 0.5 mt by Bajaj Hindusthan alone, with Dhampur Sugar, Balrampur Chini, Simbhaoli sugars, Rana Sugars, Dalmia Sugar and Shakumbari sugar being the other major importers.

***Tough task to keep prices under check*** - The easing of vegetable prices over the past fortnight may not help keep inflation under check as the sudden spurt in sugar prices could be a dampener considering its high weightage in the Wholesale Price Index (WPI). Sugar has a weightage of 3.5 per cent in the wholesale price index – among the highest for any

commodity – in the WPI basket. As a result, even a small rise in sugar prices could have a perceptible impact on overall inflation.

***Sugar prices up by Rs 5/kg in a month*** - Sugar prices are on the boil and the spike is not restricted to one particular market or region, it's almost uniform across the country in all retail markets. A snapshot of major metros and big cities across the country reveals that retail sugar prices have risen by around Rs 4 to Rs 6 per kg in most places in the last one month, with the big push coming since January 1. Sugar prices have skyrocketed in the domestic market due to slump in production in 2008-09 season and projection of shortfall even this season.

***Rally in sugar market continues*** - Sugar prices flared up on the wholesale market on emergence of hectic buying from stockists and retailers. Medium sugar quality (M-30) shot up by Rs 105-125 a quintal to Rs 4,075-4,155. Small sugar quality (S-30) also surged by Rs 90-95 a quintal to Rs 3,980-4,070.

***Raising free sale quota of sugar may check prices*** - A few options may be available to the government for putting a lid on the spiraling price of sugar for which it has come under sharp criticism from the Opposition. One is to increase the amount of non-levy or free sale quota of sugar that it prescribes for release by mills in the market at the beginning of each month. The other is to reduce the restriction period on selling 50% of the FSQ from 15 to 7 days. Thus, it can ensure a greater flow of sugar to the market and a consequent reduction of prices.

***Mechanization of cane cultivation*** - Haryana Cooperation Minister Paramvir Singh said that two mechanized cane harvesters with a harvesting capacity of 10 to 12 acres per day are being introduced for the first time this year in the cooperative sugar mills. He said that a thrust has been given to mechanization of cane cultivation and strengthening of sugarcane seed program to overcome the acute harvesting labour problem being faced by cane growers since the introduction of the NREGS by the Centre.

***Raw sugar sale outside UP likely*** - The Centre may allow Uttar Pradesh millers to sell imported raw sugar, having failed to persuade the Mayawati government to lift ban on the commodity's entry. Thus, the food ministry wishes to improve availability of sugar in the market and prevent price rise through this move.

***Govt may extend white sugar import deadline*** - The government may extend the deadline for the import of duty-free white sugar beyond March 31 to augment domestic supply and curb the rising price of the sweetener, which is inching closer to Rs 50 a kg in Delhi.

***Sugar prices likely to remain firm*** - Sugar prices are expected to remain high in the coming months as lower sugarcane acreage and poor rains will keep sweetener's output at 15.3 million tonnes, falling severely short of domestic consumption of about 23 mt in the 2009-10 season.

***Centre acts tough on sugar price front*** - The Centre on took a twin step of putting a virtual cap on sugar exports and allowed unrestricted steel imports to arrest their spiraling prices.

***Retail sugar prices in Delhi moving closer to Rs 50/kg*** - Retail sugar price in Delhi is inching closer to the Rs 50 per kg mark with rates moving up by nearly Re 1 every day since January 1. Sugar prices have doubled from the Rs 21 level from beginning of the last year, mainly due to lower production.

***Pawar blames UP for spurt*** - Under all round pressure over rising prices of food items, mainly of sugar which has surged by more than Rs 6 per kg in last few days, the Central government sought to blame Uttar Pradesh government for the high sugar, but stopped short of predicting a timeframe when food inflation in general will show a receding trend.

***TN sees spate of sugar mills going on stream this season*** - Empee Sugars and Chemicals Ltd has announced plans to start trial production at its integrated sugar complex in Tamil Nadu. This unit is one among the four major sugar mills that have started production or are to go on stream in Tamil Nadu for the 2009-10 sugar season. Judging by industry standards the mills would have invested a total of over Rs 1,500 crore in these sugar mill capacities. According to information provided by Empee Sugars to the stock exchange, its sugar facility with 5,000 tonnes a day sugar mill, 50 MW cogeneration plant and 100 kilolitre a day distillery is set to start trial production on January 29 with the commercial production of the sugar mill and cogeneration facility in mid-February.

***Sugar prices leave bad taste*** - With sugar prices touching nearly Rs. 50 per kilo in the retail market, Kolkatans are left with a bitter taste in the mouth. But wholesalers apprehend that it might go up further in the next few months before it might come down.

***Rising sugar prices sour Pepsi bottom line*** - Rising sugar prices put pressure on the company's profitability. It suffered a Rs. 18.7 crore loss, compared to a profit a year earlier of Rs. 23.7 crore.

***Low sugar output in Punjab*** - Sugar output in Punjab is all set to touch historic low of 20 lakh quintals- one third of the state's sugar consumption- in the current crushing season, even as millers are aggressively vying to 'poach' cane from farmers by paying more than state-advised prices.

***Centre extends duty-free white sugar imports till Dec*** - In a desperate effort to rein in spiraling prices, the Centre has duty-free import of white sugar without any quantitative cap up to December 31, 2010.

***Sugar import is extended, PM calls food meet*** - Prime Minister Manmohan Singh will convene a meeting of chief ministers here on January 27 to discuss the high prices of food items and will ask them to take stern action against hoarders.

***Sugar prices to fall in a week; PM to meet CMs*** - The government took a slew of measures to increase availability of sugar, pulses and other commodities, while maintaining that the price of a sugar would start falling in a week. The Prime Minister decided to call a meeting of chief ministers in the last week of January to discuss ways to check price rise.

***Maya alone can't take the blame for high sugar prices*** - Uttar Pradesh chief minister Mayawati may not be the sole reason why around 10 lakh tonnes of raw sugar contracted at zero duty by sugar millers in the state are lying unused at the Kandla and Mundra ports for two months now.

***Centre steps in to cool prices, Pawar vows respite in 15 days*** - The Centre on announced a slew of measures to bring down prices, with union food minister Sharad Pawar assuring that prices would start dropping in the next 10 days to a fortnight. The Cabinet

Committee on Prices met and agreed to extend white sugar import to December 31, 2010; amend a key Customs and Excise rule to allow the one million tonnes of raw sugar imported by UP sugar millers and lying for over two months in ports to be processed anywhere in the country; and increase the subsidy, if needed, for schemes to distribute cheaper edible oil and pulses in states. The annual rate of inflation in food articles was 18.22 % for the week ended December 26. The onus of implementing the “war on prices”, however, lay heavier on states.

**Raise farm output** - With food price inflation edging close to 20%, the government has only firefighting measures to offer, and little to address the structural issues that constrain supply. Policy interventions such as duty-free import of raw sugar till the year end, higher open market sales of food grains or more channels to distribute subsidised edible oils and pulses are only temporary palliatives that may or may not work. The government must find permanent solutions to address the shortages in commodities such as pulses whose supplies are limited in the world market. A technology mission on pulses, aggressive procurement to incentivise farmers to raise output and promoting large-scale contract farming overseas would help augment supplies. Sugar production, on the other hand, is cyclical. Farmers grow less cane if mills pay unremunerative prices, leading to a shortfall and surge in retail prices. Ideally, cane farmers should form producer companies like Amul, to produce sugar and share in the profits arising from shortage of sugar. Sugar cooperatives also seek to do this, except that cooperatives in India have been captured by politicians and bureaucrats.

**Govt to convene CMs' meeting on price rise** - Beyond re-emphasising measures already in place and blaming the states for doing precious little, the meeting of the Cabinet Committee on Prices, which took place amid growing popular outrage over the skyrocketing prices of food items, did not yield much. It's clear from the outcome of the meeting that the Centre has only thrown its hands up in dealing with the situation caused by the spiralling prices. “All the measures announced are nothing but a reiteration of old announcements, and are unlikely to lead to any dramatic changes at the ground-level,” said a senior food ministry official. He added: “The only commodity whose prices may be impacted is sugar, but here too, it's unlikely that its prices will breach the floor of Rs 38 per kg.” Sugar is currently selling at Rs 45 per kg in the Capital's retail market.

**UP persists with crackdown on sugar mills** - Continuing with the state-wide crack-down on sugar mills in the state, the Uttar Pradesh government lodged four more FIRs against

sugar companies for flouting reservation orders issued by the cane commissioner and also for indulging in malpractices.

**Sugar Free** - Nobody in government should be surprised that sugar is selling at nearly Rs. 50 a kg, possibly the highest it has reached in history. The supply-side causes have been visible for months. What is shocking, therefore, is how government in India, both at the Central and the state levels, waited till the crisis had actually hit before moving, leisurely, to fix it.

**Nitish lifts VAT from sugar** - In a bid to spread a little sweetness in an election year gloomed by the soaring price of sugar, the Nitish Kumar government of Bihar decided to lift VAT and other taxes from imported sugar in the state and form a ministerial committee to oversee the efforts to bring the prices down.

**Cogen at sugar mills could pose a challenge** - Much as they may deny it, sugar companies know that sugar prices, which have nearly doubled in a year, will fall at some point. It may take a year or more and prices may go up further before it happens. Integrated sugar mills also made alcohol (and now ethanol as well) using molasses and some chemicals as well.

**Bajaj Hindusthan** - Amount of sugar sold in Q1FY10 was 0.185 million tons at an average realisation of Rs 31.5/kg, against 0.2 million ton in Q1FY09 at an average realisation of Rs 17.9/kg.

**Sakthi Sugars** - It is among the top three sugar producers in TN. The Sakthinagar unit has a crushing capacity of 7500 tpd, Sivaganga unit 4,000 tpd and Dhenkanal unit 2,000 tpd. For this reason, India would be net importer of sugar which would keep sugar prices firm.

**KCP Sugars** - Shortage in sugar production this season has led to hardening of sugar prices as well as prices of molasses (a key by-product) and the company is well placed to capitalize on this opportunity.

**Leave sugar to market forces** - Sugar prices in the Delhi wholesale market have gone up from Rs 34 to 42 per kg (23 per cent) since December 15 due to a massive shortfall in production. This is a worldwide phenomenon. International prices in LIFFE (London International Financial Futures and Options Exchange) moved from \$625 to \$725 (16 per

cent) over the same period. Sugar prices are spinning out of control. The question is whether the Government should intervene or not.

***Abolish VAT on imported sugar*** - The Tamil Nadu Food grains Merchants Association has urged the Tamil Nadu Government to abolish the value added tax (VAT) levied on imported sugar, so that the soaring price of the commodity could be curbed. In a memorandum submitted to the Tamil Nadu Chief Minister, Mr. M. Karunanidhi, the association president, Mr. S.P.Jeyaprakasam, drew attention to a recent Cabinet meeting chaired by the Prime Minister, Dr Manmohan Singh, urging the State Governments to reduce VAT levied at 4 per cent on imported sugar. He said that the present rate would necessitate payment of a sum of Rs 200 per bag as tax and if the same was abolished, the soaring price of sugar would certainly come down.

***Wholesale sugar prices dip, retail to follow'*** - Sugar prices in retail markets will start to ease shortly in step with wholesale rates that have dropped after recent government measures to curb prices. Pawar said sugar prices have come down to Rs 3700-3800 a quintal from Rs 4200 per quintal in the wholesale market.

***BJP delegation to meet PM*** - A BJP delegation led by its parliamentary party chairman L.K. Advani will be meeting Prime Minister Manmohan Singh to submit a memorandum on inflation. The BJP leaders will also register their protest against government's "failure" to control prices of sugar and other essential commodities.

***Sugar climbs to two decade high*** - White sugar climbed to the highest price in at least two decades in London on speculation that India, Pakistan and other importers will purchase more of the sweetener as a supply deficit looms.

India, the world's largest consumer, may import 2 million metric tons in the year ending Sept. 30, up from 225,000 tons in the previous 12 months, said R.L. Tamak, business head for sugar at the Indian unit of Olam International Ltd. White, or refined, sugar prices have more than doubled in the past year.

***Sugar prices to ease further*** - Wholesale sugar prices, which are already showing signs of moderation, are likely to decline further over the next few weeks, agriculture minister Sharad Pawar said.

He said the moderation in wholesale rates should now reflect in retail prices, adding that wholesale sugar prices were now Rs400-450 per 100kg lower than the 20-year high of Rs4,200 hit last week, and a similar fall was anticipated over the next few weeks.

***Realisation by UP sugar mills may rise 10%*** - Majority of sugar mills' in Uttar Pradesh (UP) estimate that their realisation from core activities (sugar sales) may rise atleast 10 per cent by the end of the current season due to shortage of cane for crushing. Average sugar mills forecast ex-factory selling price (realisation) to surge to Rs 45 a kg in a month, when most of the mills would announce closure for this season. However, Bajaj Hindusthan (BHL), the market leader, anticipates its realisation to rise to Rs 50 a kg. According to the latest company analysis by Kunal Vora of BNP Paribas, Kushagra Bajaj, Joint Managing Director of BHL, last week had estimated sugar realisation of the company to go up to Rs 50 a kg by the end of the current crushing season (that is March 2010).

***'Restart work in sugar factory'*** - The Bhima Nadhi Neeru Rakshana Samiti president, Panchappa Kalburgi, has asked the State Government to take steps to restart operations at the Shri Bhimashankar Cooperative Sugar Factory in Margur village of Indi taluk to help farmers. Addressing presspersons, he said that instead of launching an agitation to pressure the Government in this regard, the farmers had decided to give the authorities one year's time to act.

***Cane growers give the stick to government*** - Around a thousand farmers marched to the capital demanding an increase in the support price for sugarcane. The farmers who had come from across the state were angry over the fact that even though they had submitted their demands 15 days ago to Chief Minister B S Yeddyurappa, nothing was done. The cane growers are demanding that the government should fix the minimum price for the sugarcane after considering the profits generated by selling the sugar and its by-products in 2009-10.

***Ponni Sugars to set up cogen plant*** - Ponni Sugars (Erode) Ltd. plans to invest Rs 95 crore to set up a 20-MW cogeneration unit at its sugar mill.

***Maya angry at Centre move on sugar: Pawar*** - Under attack from UP Chief Minister Mayawati over the issue of price rise, Union Agriculture and Food Minister Sharad Pawar hit back, suggesting that her comments were guided less by the issue of price rise but were

prompted by the Centre finding a way out of the UP government's restriction on processing raw sugar.

***Sugar-free rice for diabetics*** - After sugar-free pastries and jamoons, here is more sweet news for diabetics: Karnataka may soon start production of 'sugar-free' rice as part of its plans to boost paddy processing and rice production.

***UP mills use trucks to skirt sugar import ban*** - Some sugar companies in Uttar Pradesh have rendered the informal ban on the transport of raw sugar ineffective by transporting the commodity in trucks. In November last year, the state government had banned the entry of raw sugar into the state by advising railways not to carry imported sugar till the end of crushing season.

***Little success in govt price war*** - The government's war on food prices has seen marginal success so far. Retail prices of sugar dipped 6 per cent after the government announced a slew of measures on January 13, while prices of grain and pulses have remained unchanged. Ex-mill sugar prices, however, jumped back by Rs 100 for every quintal in the last four days to Rs 3,900 a quintal, after correcting by Rs 400 since January 13.

***UP acts tough against sugar mills; 75 FIRs lodged*** - The Uttar Pradesh government's drive against alleged malpractices by the state private sugar mills continued unabated with at least 75 FIRs being registered till date in the ongoing crushing season. The government has charged the mills with causing revenue losses to the exchequer and the cane societies by procuring cane illegally from farmers, especially at a time when sugar prices are ruling high.

***Sugar on the boil again: Prices soar by Rs 10 since January 13*** - Ten days after the Centre announced a slew of measures to contain soaring sugar prices, instead of the retail price coming down it have surged by up to Rs 10 a kg across the country, barring in the Delhi and Bhubaneswar markets, show the latest data from the consumer affairs ministry.

***Sugar retail prices unlikely to come down anytime soon*** - A whole week after wholesale sugar prices dipped marginally in reaction to food minister Sharad Pawar's assertion that the government would ensure that prices for the commodity would come down; the consumer is finding little respite. Industry watchers, meanwhile, contend that while prices

may have already peaked at current prices, it was unlikely that they would come down substantially anytime soon.

***Why not consume less sugar for a change?*** - The Government is completely on the defensive over ever-rising sugar prices. Most policy measures, including duty-free import of raw and white sugar, have yielded little in terms of price relief to consumers. Cane growers, sugar mills, consumers, policymakers - no one is happy with the state of affairs in the sector.

***Sugar mixed*** - Small sugar quality (S-30) dropped by Rs 30 a quintal to Rs 3,800-3,900. Medium sugar quality (M-30) was quoted at Rs 3,980-4,000 a quintal.

***11 sugar mills to be modernised, co-generation plants established*** - A Rs.1,015-crore project to modernise 11 sugar mills in the State and establish co-generation plants is all set to take off. The Tamil Nadu Electricity Board has identified a Pune-based company and is expected to sign the agreements shortly, according to a Board official. The company will be given 18 months to execute the project. Originally, 17 sugar mills – 15 in the cooperative sector and two in the public sector – were proposed to be covered. Now, the authorities have decided to implement it in 11 mills, including two public sector mills. The purpose of the project is to make the mills economically viable.

***Cane farmers blame Pawar for sugar crisis*** - The Federation of Sugarcane Growers Associations has held Mr Sharad Pawar, Union Minister for Food and Agriculture, responsible for the unprecedented sugar crisis in the country. Asking the United Progressive Alliance Government at the Centre to review its sugar policy, the association said the Centre's illogical policies in the last few years have affected the sugar farmers. Listing out the “flawed” policies of the Centre, he said these moves had led to sharp increase in the sugar prices in the open market. The prices ranged from Rs 42 to Rs 50 in different States.

***Govt may allow inter-selling of imported raw sugar*** - The Centre is reported to have decided to allow selling of imported raw sugar lying at ports by one mill to another. This step will quicken the processing of the sweetener and augment domestic supply. The decision was taken at a meeting today called by Prime Minister Manmohan Singh and attended by Food and Agriculture Minister Sharad Pawar and representatives from the

industry, a source close to the development said. Nearly 900,000 tonnes of raw sugar imported by millers are lying idle at ports after the Uttar Pradesh government banned processing till the end of crushing season (March) in response to farmers' protest over cane pricing

***Sugar price parity needed*** - The sugar industry demanded parity between domestic and global prices and said unless the retail rates go up to Rs 46 a kg, fresh imports cannot be economical. The demand comes amid the hue and cry over high sugar prices which have doubled in the past one year to Rs 42-43 a kg in the retail markets. Industry representatives today met Prime Minister Manmohan Singh and apprised him of the current price situation and demand-supply position. Deputy Director General of Indian Sugar Mills Association (ISMA) M N Rao told reporters that the industry told the Prime Minister on the need for "import price parity" as global prices are higher than local rates. When asked what should be the sugar price in Indian market that would facilitate import, he said "it should be Rs 46 a kg." "There is a need to import 16 lakh tonnes of sugar by September 2010. Contracts have been signed for 45 lakh tonne till now," Rao said.

***Raw sugar piles up at ports*** - Nearly 750,000 tonnes of imported sugar are stuck at the Kandla and Mundra ports even as prices skyrocket in the domestic market. That's because the sugar importing mills in Uttar Pradesh have still not been able to arrive at an agreement on processing imported raw sugar by millers in Maharashtra and Gujarat.

***Maha to study UP sugar mill sell-offs*** - For a change, Uttar Pradesh is going to teach industry-friendly Maharashtra, a lesson in disinvestment. The Maharashtra government has been trying to liquidate 31 cooperative sugar factories and has framed a lease policy for the sick units.

***Sugar output below 15 mt*** - India's sugar output is expected to be less than 15 million tonne in the current season to September; about 1 million tonne lower than trade and government forecasts, the chief executive of a leading producer said.

***Sugar, grain, eggs driving inflation*** - The current phase of inflation is driven by rising prices of a few commodities, such as sugar, oil cakes, food grain, eggs, meat, fish and medicines, the Reserve Bank said in its third-quarter review of the macroeconomic and monetary developments.

**India releases 1.6 mln T non-levy sugar for Feb** - India has released 1.597 million tonnes of non-levy sugar for February and made it mandatory for millers to sell half of the quota within a fortnight, the government said in a statement. Non-levy, or free-sale sugar, is sold by millers in the open market, but the quantity each mill can sell is fixed by the federal government on a monthly basis.

**More non-levy sugar to meet festive demand** - To tide over increased demand for sugar during the coming festival months and marriage season, the central government has released a higher non-levy (free-sale) sugar quota for next month. In a surprise move it also converted 360,000 tonne of unsold, undispached and unreported non-levy (free-sale) sugar from 282 sugar mills into levy sugar (sugar sold through the PDS at low prices). As per the official statement, the government ensured that around 17.91 lakh tonne of sugar is made available in February, almost 9.5% more than the previous month. In India, the Center has fixes the quantum of sugar that each mill can sell every month.

**Sugar productivity must rise to shed importer tags** - Sugar prices have more than doubled over the last one year as India grapples with a record fall in production. GSC Rao, president of the Sugar Technologists Association of India (STAI), took time off during a recent visit to Bangalore to speak to ET about key issues impacting the sugar industry. Excerpts: With low availability of cane, Indian mills should start processing raw sugar. Technology is not the issue as India has the best technology for sugar production, co-generation or alcohol processing. Your consumption level is 23-24 million tonnes with a supply shortage of 5-6 million tonnes. At STAI, we are organising seminars in Bangalore and Puducherry to discuss this issue and help sugar mills in the South also look at raw sugar processing.

## INTERNATIONAL SUGAR INDUSTRY

**Sugar tops \$700 in London, record price in Mumbai** - White sugar rose to its highest in at least two decades in London as flooding in Brazil, the world's biggest grower, increased concerns about threats to the crop. White sugar for March delivery advanced as much as \$7.90, or 1.1 percent, to \$718.10 a tonne on the Liffe exchange, the highest price since at least January 1989.

***Sugar continues to seek new highs*** - White sugar rose for a fifth day in London to the highest level in at least two decades on speculation a global supply shortfall will buoy demand and sustain prices.

***Australia - Surge in sugar prices-*** The sugar industry looks set to further benefit from surging sugar prices, which are at near 30-year highs as demand continues to outstrip supply. But it's not all upside for cane farmers, who are grappling with a stronger currency and are likely to see input costs increase in 2010. The Australian Financial Review reports tight export availability and continued demand in the first quarter of 2010 are keeping pressure on the sugar price.

***Egypt to import 1 mn tonnes H2 raw sugar-*** Egypt will import 1 million tonnes of raw sugar to meet demand in the second half of 2010, the trade ministry said in a statement. The current sugar reserves and the expected production of the sugar companies is enough for the country's needs until the second half of 2010 with the presence of a strategic reserve. The 1 million tonnes will be enough to guarantee the stability of prices in the domestic market throughout 2010.

***Major sugar factory to be set up in Bahrain*** - A major factory producing 585,000 tonnes of sugar a year is to be set up in Bahrain. The factory will be set up within the Bahrain Industrial Investment Park and designed with European technology to produce the highest quality 'Icumsa 45' sugar.

***Bloomberg reports*** - Sugar rose for the fourth straight day in New York, extending a rally to the highest price since January 1981. Raw sugar futures for March delivery climbed to 0-9% to 28.67 cents a pound at 9:07 am on ICE Futures US. Liffe March white sugar hit a record high of \$742.90 a tonne and later pulled slightly to stand at \$739.90.

***Sugar's Advance May Cause 'Demand Destruction,' Al Khaleej Says*** - A global sugar deficit for a second year and the biggest annual gain in prices in more than three decades will lead to "forced demand destruction," according to an executive at Al Khaleej Sugar Co., the biggest refiner. India, importing sugar for a second year, may need to buy at least 7 million tons this season.

***Consumers bitter at sugar shortage*** - The deficit in sugar supply coupled with the all pervasive hoarding has caused an artificial shortage of the commodity, while traders make a killing at the local market. The reason for the sugar prices going to a record high amid the artificial shortage is simple – the yawning gap between demand and supply. The price of the sweet crystalline has surged to nearly a double, leading to consumer unrest amid the wintry chill. The ostensible shortage and poor handling of the situation by the government has led to a public uproar.

***State Bets on Local Sugar Supply as Imports Dry Up*** - The government is banking on improved local production to satisfy consumer demand as sugar supplies from the Common Market for Eastern and Southern Africa (Comesa) come under increased pressure, nearly five months after traders were handed rights to import the commodity from the market.

***CSR Bond Risk Drops After Bright Food Offers to Buy Sugar Unit*** - The cost of protecting debt sold by CSR Ltd. dropped after Bright Food Group Co., Shanghai's biggest food company, offered as much as A\$1.5 billion (\$1.4 billion) cash for its sugar division.

***Bright Food eyes Australian sugar deal*** - The State-owned company, with businesses spanning from yogurt and ice cream to meats, would gain mills that account for about 4 percent of the global raw sugar trade. CSR, Australia's second-largest maker of building materials has been seeking to sell the unit to take advantage of a surge in sugar prices prompted by a global production shortfall.

***CSR Rejects Bright Food Sugar Offer, Prefers Demerger*** - Australia's biggest raw sugar miller, will proceed with a spinoff of the business from its building material and aluminum units after rejecting a A\$1.5 billion (\$1.4 billion) offer from China's Bright Food Group Co. The demerger is the "preferred option" and is in the best interests of shareholders.

***CCP notice to sugar mills body suspend*** - The Sindh High Court suspended the operation of a show-cause notice issued to the Pakistan Sugar Mills Association (PSMA) by the Competition Commission of Pakistan on a prima facie case of cartelisation.

***Sugar cane farmers want bigger stake in factories*** - Sugar cane farmers in western Kenya have accused Agriculture Minister William Ruto of ignoring the law in the intended

sale of five factories. Announcing the privatisation plan for the factories Ruto said farmers would retain a 30 per cent stake, with 51 per cent going to strategic investors.

***Sugar rises on expectation of increased demand*** - White sugar rose for the first time in three days in London on speculation buyers will seek to add to stockpiles because of expectations for a supply shortfall.

***Sugar Extends gain on demand*** - White sugar rose for a second day in London on speculation that countries such as Indonesia and India will seek to boost stockpiles because of expectations of supply deficit.

***Crushing ended in Lautoka*** - The mill management has confirmed to FBC News that all rail trucks and lorries were unloaded before the crush ended this morning. The last batch of sugar is expected to be produced by this afternoon before the FSC will provide the final statistics of the crushing season.

***El Nino May Hurt Sugar Production in the Philippines*** - El Nino, which reduces rainfall in Asia, may curb sugar production in the Philippines, squeezing supply in Southeast Asia's second-largest exporter if it lasts for five months, a government official said. Raw sugar rose. Lower output may make the Philippines an importer for a second year. Indonesia, Iraq, Egypt, Pakistan and Tanzania are seeking sugar to cool prices, straining global supplies forecast by Czarnikow Group Ltd. to fall short of demand by 13.5 million metric tons in the 2009-2010 season. El Nino can affect agricultural production across parts of Asia and curb rice production in Thailand, the world's biggest exporter.

***All taxes on sugar sale to be abolished*** - The government has decided to abolish all taxes on imported sugar and sale of sugar in the local market, aimed at ensuring that its procurement cost does not exceed Rs 51 per kg and sale price does not higher than Rs 55 per kg, sources close to Secretary, Industries told *Business Recorder*. They said that the issue of sugar was discussed by the Economic Co-ordination Committee (ECC) of the Cabinet in its meeting on January 12, 2010. It also decided that Trading Corporation of Pakistan (TCP) shall import 0.5 million tons of white sugar by the end of March 2010.

***Sugar 'fastest-growing industry': report*** - A new business forecasting report shows sugar manufacturing is set to be the top growth industry in Australia this year, generating more

than \$3 billion in revenue. The IbisWorld report predicts the sugar industry will grow faster than the farming, oil and gas and construction industries.

Senior analyst Naren Sivasailam says a combination of rising sugar prices and renewable energy options will see a 15 per cent rise in revenue.

***Arakaki group to revive sugar production at Alcoeste plant*** - After selling its half of the Ouroeste plant (São Paulo) to Bunge, the Arakaki group, based in sugarcane plantations in the region of Fernandópolis (SP), wants to revive an old project for producing sugar.

***DA to recommend 'reasonable' sugar prices*** - Faced with a chain reaction that can affect even the smallest of consumers, the Department of Agriculture will make a recommendation next week on what the "reasonable" price for sugar should be, given the current supply-and-demand situation.

***Sugar advances on fears of shortfall*** - White sugar advanced in London on speculation that India, Indonesia and other importers will buy more because of expectations for a supply shortfall.

***Government to shut down stores of sugar profiteers*** - The Department of Agriculture (DA) vowed to padlock stores of profiteers caught selling sugar above the suggested retail price of P52 per kilo. Agriculture Secretary Arthur Yap said an initial check showed major supermarkets had been toeing the line, and many of the profiteers were in wet markets. Yap said they had started mobilizing price monitoring teams to coordinate with the Department of Trade and Industry in checking sugar prices.

***Australia CSR rejects \$1.4 bln Chinese sugar offer*** - Australian conglomerate CSR Ltd (CSR.AX) rejected a \$1.4 billion offer from China's Bright Food Group for its 150 year-old sugar business, and said it would go ahead with a planned demerger of the business, to be called Sucrogen. Analysts said the Chinese firm would need to raise its offer by up to 20 percent to win over the CSR board, and would need to move quickly as CSR shareholders vote next week on the demerger.

***EU sugar trade boost condemned as 'short-sighted'*** - Brazil's cane industry has condemned as "short-sighted" a European Union plan to raise sugar exports 500,000 tonnes above quota limits in response to a market squeeze which has sent prices soaring.

***Brussels to lift sugar exports amid shortfall*** - The European Commission plans to allow European farmers to export an additional 500,000 tonnes of sugar before the end of July to ease a worldwide supply shortage that has driven prices to their highest levels for almost 30 years.

**Federal Court examines CSR sugar demerger plan** - A plan by building and materials company CSR to spin off its sugar division is in the Federal Court today. The company wants to separate its sugar assets from its building products arm. But before shareholders can vote on the demerger, the company needs to satisfy corporate watchdog, ASIC, that enough money has been set aside for asbestos-related litigation against CSR's building products division.

#### Ethanol

***Govt may blacklist ethanol makers on failure to supply to OMCs*** - The central government, which has stepped up efforts for the blending of ethanol in a 5% proportion with petrol, has threatened to blacklist ethanol manufacturers if they fail to supply the commodity to oil marketing companies (OMCs). The government's warning comes at a time when a large number of ethanol manufacturers, especially cooperative sugar mills, are reluctant for supply on the grounds that it would incur loss in the first year at the proposed procurement price of Rs 27 per litre. Instead, they are eager to sell molasses, currently priced at Rs 5,500 per tonne.

***Ethanol price may be set at Rs 26-27 per litre*** - The Cabinet is likely to finalize the price of ethanol at Rs 26-27 a litre by January. This assumes significance as state-owned oil companies will buy ethanol from sugar mill producers at the price to blend with petrol.

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