

HIGHLIGHTS FOR JULY' 2008

BIRLA SUGAR

SNAP SHOTS

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

Sugar prices are likely to see a turnaround this year. It may rise by 20-25 per cent on the back of low output estimates and high exports demand.

The government has fixed a lower sugar sale quota of 3 million tonne for the July-September quarter as against 4.4 million tonne during the previous quarter.

Sugar prices rose 0.50 per cent to Rs 1,476 a quintal on the futures market in early trade on the back of firm global trends. Most active July contract rose by 0.50 per cent to Rs 1,476 a quintal, recording a business volume of 795 tonnes on NC.

The country is likely to face a severe shortage of sugar and pulses by 2021, with supply falling by over half the demand, according to a study by economic think tank ICRIER. Plans by domestic alcohol-based chemical manufacturers to import ethanol had run into rough weather following a recent spike in global prices.

THE UNIDO centre for South-South Industrial Cooperation, New Delhi has identified cashew apple as an alternative to food crops that are currently used for ethanol. LFFE white sugar futures gap lower, in line with weak commodity markets. Further selling may trigger more fund liquidation. A falling commodity board will also have a negative impact.

COMPETITION

Bajaj, Dalmia bids for UP sugar mills rejected- The Uttar Pradesh government rejected all the five bids for the ailing Uttar Pradesh State Sugar Corporation mills. The government has set new terms and conditions for the bids and invited fresh expressions of interest (EoIs) by July 17. The five bidding companies included Bajaj Hindustan, Dalmia, Magna, Ponty Chaddha and the Diamond Group. The bids were opened on June 30. The bids were cancelled since the recovery certificates had been issued against some of the bidding companies, besides other anomalies were also detected.

Shree Renuka Sugars hogs limelight- Shree Renuka Sugars added 17 lakh shares or 26 per cent in open interest positions among individual stock counters and ended at Rs 113.8 against the spot close of Rs 113.20. Cost of carry also remained positive, indicating positive bias for the counter.

Shree Renuka Sugars: buy- The domestic sugar cycle was set to enter a favorable phase for producers, with output expected to decline sharply over the next 2 years, lending support to sugar prices. Investors; looking to capitalize on this trend could consider buying the stock of Shree Renuka Sugars. They seemed well placed amongst large listed players.

INDIAN SUGAR INDUSTRY

SC denies more time to UP sugar mills- The Supreme Court refused to grant time extension to Uttar Pradesh sugar mills for payment of their balance cane dues to the farmers for the current crushing season. On May 15, the Supreme Court had asked the UP sugar mills to pay sugarcane prices for the 2007-08 season at the rate of Rs 110 a quintal within three weeks.

Sugar may reverse trend to rise 20-25%- Sugar prices are likely to see a turnaround this year. It may rise by 20-25 per cent on the back of low output estimates and high exports demand. A huge surplus of the commodity and flat consumer demand have

resulted in the prices of the sugar M-30 grade going down by 10 per cent in the last one-and-a-half years even as prices of other agriculture commodities moved up sharply.

Sugar sale quota set at 3m tonne- The government has fixed a lower sugar sale quota of 3 million tonne for the July-September quarter as against 4.4 million tonne during the previous quarter. The government fixed a sugar sale quota of 1.2 million tonne for July, while the quota for the months of August and September will be 1.8 million tonne respectively.

Govt set to decontrol sugar industry from October 1- The Centre had decided to initiate decontrol of the sugar industry from the new crushing season, beginning October 1. The Union Cabinet is expected to soon clear the Food Ministry's proposal recommending dismantling of the 10 per cent levy currently imposed on mills along with the monthly release mechanism regulating the balance 90 per cent free sale quota.

UP sugar mills still owe Rs 740 crore to farmers- Even as the Supreme Court declined to extend the deadline for UP sugar mills to clear their sugarcane arrears for the current marketing year that ends September, both private and state run mills in the state still owe about Rs 739.05 crore as sugarcane dues to the farmers. State private sugar mills numbering a maximum of around 90, owe just about Rs 158.47 crore out of the total dues payable of Rs 6,999 crore at the start of the marketing year till date. State-run sugarcane corporations and co-operatives owe about Rs 580.58 crore, out of the total dues of Rs 637.88 crore.

Sugar futures up at NCDEX- Sugar prices rose further in early trade on Wednesday on the futures market after the government announced lower free-sale quota for September quarter. On the National Commodities Derivatives Exchange (NCDEX), sugar prices for July delivery contract moved up by 0.50% to Rs 1,471 per quintal. August contract also gained 0.40% to Rs 1,527 per quintal with a business volume of 5,010 tonne, while September delivery contract rose 0.50% to Rs 1,574 per quintal after moving between Rs 1570 and Rs 1582 per quintal.

Sugar supply- The country is likely to face a severe shortage of sugar and pulses by 2021, with supply falling by over half the demand, according to a study by economic think tank ICRIER.

Sugar futures rise at NCDEX- Sugar prices rose 0.50 per cent in early trade on the futures market supported by announcement of comparatively low free sale quota for September quarter by the government. Sugar prices for most active July contracts moved up by 0.05 per cent to Rs 1,471 a quintal on the National Commodity and Derivates Exchange.

Sugar mills may cough up 60% more to keep plants well oiled- After being hit by a record production and abysmally low sugar prices, sugar mills are now facing a steep rise in the off season maintenance and repair cost. This cost has gone up to 40-60 per cent for different sugar mills owing to a spurt in steel and iron prices.

Sugar prices up in futures trading- Sugar prices edged up in the futures market in early trade on heavy buying by traders. Sugar for July contract rose by Rs 6 to Rs 1471 a quintal in the NCDEX. Similarly, August contract rose by Rs 2 to Rs 1538 a quintal and September contract by Rs 4 to Rs 1595 a quintal. The central government has fixed the domestic sugar sale quota for the July-September quarter at 30, 00, 000 metric tonne.

Sugar crop may fall 26% as farmers shift to maize, wheat- India's sugar production in the next crop year that starts in October could fall by as much as 26% to around 200 lakh tonne because of low sowing by farmers and shift in acreage to maize and wheat in northern parts of the country.

Sugar rises- Small sugar quality (S-30) rose by Rs 4-10 a quintal to Rs 1,494-1,525 from Rs 1,490-1,515. Medium sugar quality (M-30) also moved up by Rs 5 a quintal to Rs 1,514-1,620 from Rs 1,514-1,615.

Maharashtra sugar mills to see private sector revamp- Maharashtra, the bastion of cooperative sugar mills, was set to see a slew of big investments from the private sector in the run-up to total decontrol of the industry proposed by the government from the coming crushing season. The country's biggest sugar producing state is

nursing around 80 new proposals from the private sector to set up sugar mills in the state.

Sugar futures up on global cues- Sugar prices rose 0.50 per cent to Rs 1,476 a quintal on the futures market in early trade on the back of firm global trends. Most active July contract rose by 0.50 per cent to Rs 1,476 a quintal, recording a business volume of 795 tonnes on NCDEX. Prices of far-month August delivery also gained 0.55 per cent to Rs 1547 a quintal with a business volume of 1980 tonnes; while September contract moved up by 0.50 per cent to Rs 1598 a quintal.

Sugar futures firm on NCDEX- Sugar prices were trading firm on the futures market on speculations that there might be a rise in retail demand in the coming days. July contract for sugar was up 0.47 per cent on NCDEX to Rs 1491 a quintal, while the August contract was up 0.30 per cent to Rs 1559 a quintal. According to traders, speculation that retail demand would grow as the government quota in the July-September period was lower at 3 million tonnes, compared to 3.6 million tonnes in year-ago period led to firm movement of the prices.

UP sugar mills may challenge price ruling- A day after the Lucknow bench of the Allahabad High Court restored the Rs 125-130 state advised price (SAP) for 2007-08 season (October-September) in its final judgment, Uttar Pradesh-based sugar mills have got into consultation with legal experts to chalk out further course of action. Industry sources indicated that they would together challenge the judgment in the Supreme Court through a special leave petition.

Shares of sugar firms down- Shares of sugar firms fell on concerns they would report losses in 2007-08 after the Allahabad High Court raised the minimum price the millers have to pay to sugarcane farmers by 13.6%.

Sugar crop area may decline- After two consecutive years of bumper production, sugarcane farmers in the country might plant the crop in a lesser area this year because of poor returns from the crop. Planting of sugarcane is lower this year and might remain so and that low area won't impact production by much as yield could improve in the coming months.

Small sugar firm- Small sugar quality (S-30) had shot up by Rs 5-15 a quintal to Rs 1500-1555. Medium sugar quality (M-30) was quoted at Rs 1535-1625 a quintal against Rs 1530-1630.

Sugar may rise on less supply from India, EU- Sugar may extend gains on expectations that farmers in India and the European Union may switch to other crops, paring global supply and helping narrow a surplus which depressed prices for the past two years. India may cut output by up to 4 million metric tonnes to 22 million tonne next season. The European Union may reduce output by about 2 million next year.

Sugar prices climb on brisk buying- Wholesale sugar prices remained firm in the firm grips for the third straight day and registered handsome gains up to Rs 50 a quintal in the national capital largely due to heavy buying by stockist amid restricted supply from mills. Sugar ready medium and second grade prices climbed up further to wind up at Rs 1640-1730 and Rs 1630-1710 a quintal respectively.

Medium sugar eases- Prices of medium sugar eased on the Vashi wholesale market on Thursday in the absence of demand from retailers. Small sugar quality (S-30) showed a mixed pattern of trading on uneven demand and supply transactions. Medium sugar quality (M-30) fell by Rs 1-5 a quintal to Rs 1534-1620 from Rs 1535-1625. Small sugar quality (S-30) was quoted at Rs 1505-1545 a quintal against Rs 1500-1555.

Sugar mixed- Medium sugar quality (M-30) moved up by Rs 1-5 a quintal to Rs 1535-1625 from Rs 1534-1620. Small sugar quality (S-30) fell by Rs 5 a quintal to Rs 1505-1540 from Rs 1505-1545.

Sugar marginally up in early trade- Sugar prices were a shade higher in opening trade in the futures market on speculative buying largely on the back lower production estimates. Most active July contract was trading up by 0.50 per cent at Rs 1491 a quintal in NCDEX. The contract recorded business volume of 170 tonnes.

Poll politics may spell trouble for sugar manufacturers- The looming elections have left the country's sugar makers a worried lot. The sugar industry fears that its profit

will be hit if the government lowers the prices of the sweetener or pitches for a higher price for farmers.

Sugarcane losing out to rice, pulses - Highly remunerative crops such as rice, pulses and oilseeds had recorded an upsurge in kharif sowing for the week ended July 11 despite Maharashtra and Andhra Pradesh declaring a drought like situation in some parts of the states. Sowing area under rice has jumped 5.45 percent so far this year. No inter cropping option for sugarcane and sugar prices diving 10 percent in the last year have resulted in sugar acreage being diverted to rice and other remunerative crops.

Sugar futures move up by 3% - New Delhi: Sugar futures which had slipped significantly in the last 3 months had shot up by 3% on NCDEX counter on apprehensions that output may fall by 12% this season on lower acreage.

Sugar may taste bitter next year as output likely to decline - India's sugar output, the second biggest in the world, may fall as much as 25% next year. Lower output may support raw sugar prices that have risen 26% this year as record oil costs boost demand for bio fuels including ethanol made from cane. Sugar prices will rise further as India's production falls and demand rises during the festive season.

Sugar rises 0.75% - Sugar futures rose by 0.75% in early trade in the futures market on reports that sugar output might fall this season on low acreage. At 1100 hrs, most-active July contract of sugar was trading 0.75% higher to Rs 1,554 per quintal with a business volume of 510 tonnes.

Sugar futures drop on fund sales - Benchmark raw sugar futures tumbled more than 5 % on fund selling o Thursday as sell stops were triggered in the 13.30s and 13.20s cents per lb, dealers said. Sugar has been making lower and lower highs in the last few days.

Sugar prices firm on demand - Prices of medium sugar firmed up further on the wholesale market on Thursday on persistent demand from retailers and poor supply from mills. Medium sugar quality rose by Rs 15-20 a quintal and small sugar quality fell by Rs 10 a quintal.

Wipro launches sugar substitute - Wipro Sweet 'n' healthy, a low calorie sugar substitute has been introduced in Kerala market by Wipro Consume Care and Lighting [WCCLG]. The product promises to deliver the taste of sugar without the extra calories. The other brands in the WCCLG wellness portfolio include Glucovita glucose powder, Wipro Sanjeevani Sat Isabgol and Wipro Sanjeevani Hone.

Sugar may firm up - The sugar futures may not cool down this week, thanks to the inadequate rains in major producing regions and the resultant decline in production. The production of sugar has declined to 23 million tonnes this year against last season's production of 28 million tonnes.ing [WCCLG]. The product promises to deliver the taste of sugar without the extra calories. The other brands in the WCCLG wellness portfolio include Glucovita glucose powder, Wipro Sanjeevani Sat Isabgol and Wipro Sanjeevani Honey.

Sugar release order may change - The government might mobilize the release order mechanism of sugar or make it either quarterly, half-yearly or yearly as part of its proposed move de-regulate the sugar industry. Currently the government has fixed the amount of sugar that each mill can sell in the open market every month. Once the bill is passed the mills will become more independent to sell their produce.

Sugar futures down - Profit booking by traders at prevailing higher levels, pulled sugar futures down in opening trade on the domestic futures market. Most-active August contract for sugar was trading down by 0.60% to Rs 1,637 a quintal after moving between Rs 1,628 and Rs 1,651 a quintal on the National Commodity and Derivatives exchange 1130 hrs.

Area norms for sugarcane sales may be scrapped - In a move that could help millions of farmers and bore a hole in the pockets of sugar producers; the Union food ministry has started work on a plan to do away with reservation of sugarcane area of mills.

Sugar Export - Country's sugar exports have almost doubled to a record 3.5 million tons in till the middle of June against the whole of the previous season, with experts hoping the shipments may even cross 4 million tons by September.

Maha cooperative sugar mills venture into futures trade - Alarmed by the likely fall in sugar production in the 2008-09 and 2009-10 crop marketing seasons, the politically influential sugar cooperatives of Maharashtra, had started taking positioning in leading commodity futures exchanges. Out 150, 6 cooperatives have already begun futures trading for six months at the Multi Commodity Exchange [MCX] and National Commodity and Derivatives Exchange [NCDEX].

Sugar futures continue to fall - Sugar futures continued its fall on NCDEX counter today, affected by parliamentary panel's suggestion to discourage futures trade in agri-commodities. Futures prices are under pressure as the domestic availability of sweetener is slightly higher for July-September quarter.

Centre begins nationwide release of 30-lakh t sugar buffer - As part of efforts aimed at tackling the spiraling inflation rate and also to bail out the sugar lobby from high cost overruns, the Union government has begun a nationwide release of sugar buffer amounting to 30 lakh tones. This also means infusing Rs 780 crore into the sugar industry in the form of sops to sugar factories. Factories are allowed to sell 25% in domestic market in 2 months of its dismantling from Aug 1 - Sep 30 the remaining 75% can be sold during 2008-09 sugar season, commencing October 1.

Maharashtra cane areas face heat of monsoon failure - The impact on sugar from Maharashtra's worst ever draught since 1972 will really be felt in 2009-10 season .The state which produced a 3rd of the country's sugar will now face heat due to monsoon failure as there could be drying of sucrose content which will lead to lower sugar recoveries.

Sugar production to exceed demand in 2008 - Sugar production will outstrip demand in 2008 despite shortage of rainfall in Maharashtra-denting the acreage under sugarcane. The consumption is between 180-190 lakh tonne and for the past 2 years production has exceeded demand.

Govt supply cut decision sweetens sugar cos palates - The government has decided to hold back supply that hassled to a double digit push up to retail prices. However for

consumers things may get worst in these inflationary times. NCDEX futures prices show mills are betting the government will continue to allow prices to rise another 15% by year-end.

ETHANOL

Ethanol import plans run into rough weather- Plans by domestic alcohol-based chemical manufacturers to import ethanol had run into rough weather following a recent spike in global prices. Over the last two months, prices of both hydrous as well as anhydrous ethanol have shot up by \$100 a cubic meter, with the latter currently ruling at \$600 a cubic meter.

Lean, green and not mean- The US may drop a tariff on Brazilian ethanol. But the industry is still the victim of much misplaced criticism. The demand for ethanol was fast growing in Brazil because 90% of new cars have flex-fuel engines that can run on any mixture of petrol and ethanol. Even so, ethanol remains cheap. This was because producers had invested in expanding capacity, partly because they hopped for export markets, but mainly because they reckon they must sell at a 30% discount to petrol to keep the custom of Brazilians. The price of petrol has not risen for three years because the government has opted to hold it down.

Oil companies waiting for notification on 10% ethanol-blended petrol- With less than 3 months to go for the 10 per cent mandatory ethanol blending in petrol to take effect, the Centre was yet to issue the formal notification directing the oil marketing companies to tie-up supplies for meeting the target. Currently, only five per cent blending of ethanol in petrol is allowed. In the absence of a notification, any sale of E-10, i.e., 10 per cent ethanol-doped petrol, would technically constitute adulteration.

Cashew apple seen as viable source to produce ethanol - UN body asks institutions to develop clean technology - THE UNIDO centre for South-South Industrial Cooperation, New Delhi has identified cashew apple as an alternative to food crops that are currently used for ethanol production, it can be used as renewable feedstock

for the production of ethanol. The objective is to develop a clean and viable sustainable industrial process for production of ethanol fuel.

Sugar mills demand higher price for ethanol - Sugar mills in Maharashtra are demanding a higher price from oil marketing companies for ethanol, which is used for petrol blending. They are demanding Rs 30 a litre compared to the earlier quoted price of Rs 21.50 a litre for ethanol.

INTERNATIONAL NEWS

World sugar output expected to be 170 mn tn- World sugar output in 2007-08 is expected to stand at 170 million tonnes, up from 166.6 million in 2006-07. On January 25, 2008, the global sugar production was forecast at 169.1 million tonne.

Global sugar surplus seen ending next year- The global sugar glut is likely to end by the next marketing year ending October 2009 on strong ethanol demand and a fall in sugar output, an economist with the International Sugar Organization said. Global sugar output is expected to be around 165 million tonnes (mt) in the 2008-09 marketing year, compared with 169 mt in the current marketing year to October 2008.

Power from sugarcane in Brazil- Brazil's state run energy group Petrobras was looking to produce electricity from sugarcane by 2012. The bio-energy will initially be generated in a 60-MW plant in Britaruma but eventually the goal is to produce between 1000 and 1500 MW from sugarcane pulp.

Global sugar output down- Higher sugar prices are unlikely to trigger a response in world sugar production in 2008-09, with sugar output expected to fall, said the International Sugar Association. It still remains to be seen whether these anticipated decreases in output will be enough to put the global supply and demand back into balance in 2008-09.

Sugar declines as crude oil dips- Sugar fell in London on expectations that a decline in crude-oil prices will weaken demand for alternative fuels, including ethanol derived

from cane. Sugar has risen 22% this year, buoyed by speculation that ethanol would accelerate. Refined sugar production will probably exceed demand by 2 million metric tonne in the 12 months through March 2009.

Sweet start for sugar refiner - Sugar refiner and sweetener maker Tate and Lyle said it had made a satisfactory start to its financial year and was on track to make progress for the year as a whole. In a trading update ahead of its AGM the company said pre-tax profit in the first quarter was broadly in line with the equivalent period last year.

"The general deterioration in global economic conditions, particularly in the USA and specifically in raw materials and energy, makes any statement about the outlook more difficult than usual," the company said in the statement.

"Nevertheless, with three months of the financial year behind us and with three of the four divisions having started the year in line with our expectations, we are on track to make progress for the year as a whole."

Sugar mills told to pay dues to farmers - Islamabad, July 22: Prime Minister Syed Yousuf Raza Gilani on Tuesday asked sugar mills to pay last year's crop dues to farmers on a priority basis. A delegation of Pakistan Sugar Mills Association (PSMA), led by its chairman, Shunaid Qureshi, met the prime minister, and assured him that growers dues outstanding against them would be paid by the end of the current month," said an official announcement issued after the meeting. The agriculture ministry in a meeting with Pakistan Sugar Mills Association (PSMA) early last month had asked for clearance of outstanding dues by end of June, which has not yet materialized. The PSMA and the ministry of food, agriculture and livestock (Minfal) have differences over payment of around Rs40 billion to sugarcane growers. This withholding of the amount has badly affected growers' financial positions to cope with the rising input prices.

An official said the millers have conditionally agreed to start payment to farmers for last year's crop, if government procures at least 150,000 tons of sugar from mills through the Trading Corporation of Pakistan (TCP) on higher than market rate. The growers are facing problems due to inability of the mills to pay for their crop. Minfal

has already asked the cane commissioners to monitor the situation of payment to farmers in provinces on a daily basis and keep a record of the violating mills.

Global, Indian sugar prices set to surge - After a tepid performance last 2 years, the global sugar market is showing promising signs to bounce back in prices, thanks to developments in key producing and consuming markets. India is likely to play a key role in lending strength to international prices. Deteriorating prospects for sugar crops in 2 of the world's largest producer Indian and Brazil combined with the world's largest importer Russia re-entering the market have meant that the price weakness will soon become a thing of the past.

Pakistan bans export of sugar - Pakistan has banned export of sugar on the 26th of July and removed import duty for private sector amid rising domestic sugar demand and prices.
