

HIGHLIGHTS FOR JULY 2009

BIRLA SUGAR

SNAP SHOTS

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

The expectation of a steep drop in sugar output following a decline in cane production due to deficit rains has resulted in a surge in sugar prices in the open market. With cane prices ruling high many mills are not able to utilize their crushing capacity sufficiently. Against this backdrop, the industry is looking for certain incentives like; the industry has sought permanent withdrawal of tax on self generated electricity to encourage power generation, they have also requested the Government to allow duty free import of sugarcane and several others

OTHER PLAYERS

Shakti Sugar plans to import 2, 25, 000 tonne - Shakti Sugar plans to import 2, 25, 000 tonne of raw sugar in the year to September

Renuka sugars may pick up stake in NCDEX - Goldman Sachs Investment, the arm of the New York based investment bank, and Atlanta based Intercontinental Exchange Inc have approached commodity market regulator, to partially offload their holding in NCDEX. Meanwhile, Shree Renuka Sugars has reportedly evinced interest in picking up the stake sold by the foreign investors.

Renuka Sugars Q1 profit trebles - Shree Renuka Sugars has reported 165% jump in net profit at Rs 61 cr in the first quarter ended June 30, against Rs 23 cr in the

corresponding period last year. Total income increased 19% to Rs 725 cr in the quarter under review

Vessel carrying Simbhaoli sugar cargo sinks - A vessel carrying around 22, 500 metric tonne of Brazilian raw sugar in bulk being imported by Simbhaoli Sugars limited sunk near the West Coast of South Africa on July 24

INDIAN SUGAR INDUSTRY

Centre turns sugar cautious on sugar release - After a release spree in the previous three months, the Centre has suddenly turned cautious on the sugar front. Only 16.60 Lt of sugar will be available for public consumption during July.

Industry expects duty - free raw sugar imports to continue - The Indian sugar industry expects the Government to extend its duty free raw sugar import policy by one more year to encourage overseas purchases and curb domestic prices in the year of tight supplies.

Govt sees 4 mt surplus sugars - According to Govt sources, the country will have about 4 mt of surplus sugar from the 2008-09 season ending September, and allayed fears of scarcity of the sweetener during the festival season. Sugar prices would remain reasonable during the festival season due to comfortable stock position, though they refrained from commenting on the possible rate of sugar during that period.

Sugar industry wants market to determine prices - The sugar industry has asked the government to let the market govern the prices of the sweetener, by partially decontrolling the industry and re-introducing sugar futures trading.

India's MMTC plans to import 30,000 tonnes sugar - Indian state-run trading firm MMTC Ltd plans to import 30,000 tonnes of white sugar in the next 2-3 months. MMTC also plans to import 150 tonnes of gold in the financial year to March, almost unchanged from a year earlier. In order to increase the domestic availability of sugar,

the Government is considering extending duty - free import of white sugar by public sector trading firms by three months till October as prices are high in the global market

CII platform to ease sugar industry woes - In an effort to ease out the crease plaguing the sugar industry in Uttar Pradesh, the second largest sugar producing state in the country, the Confederation of Indian Industry (CII) is going to provide a platform to the farmers, millers as well as the state government to thrash out the issues and provide a fighting chance for the sector by providing new initiatives to survive these tough times.

The conference is scheduled to be held in September. Among the new initiatives that are likely to be discussed are induction of newer and more mechanized technologies, focus on evolving more value-added products rather than the traditional sugar production, imparting multi-tasking skills to its workforce, utilizing shorter crushing season as an opportunity and finding alternative fuels to run co-generation plants of the integrated sugar complexes.

Steps to check sugar price rise - The Centre has adopted a slew of measures to check rising sugar prices. To start with the stock-holding and turnover limits on sugar imposed for 4 months since 9 March have been lately extended by another 6 months up to 8 January 2010. Other steps include additional release of non - levy sugar quota, further trading in sugar has also been suspended to check speculative tendencies in sugar trade with effect from 27 May 2009.

Govt needs 6 months to fix sugar process for mills - Responding to a petition filed in the Delhi High Court, the Govt has said that it would need 6 months to decide the final price of levy sugar after a sugar mills' body challenged a food ministry order, fixing procurement price at Rs 1, 227 - 1, 385 per quintal. The Govt's submission came on a petition filed by the UP Sugar Mills' Association, which had approached the court to set aside the order on the levy price of sugar issued on January 21, 2009.

Karnataka sugar mills to raise crushing capacities - Despite a 40% drop in sugarcane production, sugar mills in Karnataka are continuing to add capacity. As many as 17 sugar mills are in different stages of construction in the State.

The new mills are expected to add 25% to the current crushing capacity in the next two - three years. It is estimated that the minimum capacity will be 2, 500 TCD per plan requiring an investment of Rs 150 - 200 cr.

Sugar growers in price battle - With not even a fortnight gone since the Centre raised SMP for sugarcane for the 2009-10 sugar year (Oct Sep) by 33% to Rs 107.76 a quintal, a section of sugar mills have started expressing doubts about the efficacy of the rate. Considering that's it isn't enough to spur sugarcane cultivation, they are clamoring for a further hike in SMP either by raising it right away or indirectly lowering the SMP linked sugar recovery rate to 9% from 9.5% which has been fixed for the current sugar year.

Raw sugar import till Mar'10 - India has decided to allow millers to import raw sugar at zero duty for sale in domestic markets for another 6 months till March 31, 2010.

Action against 6UP sugar mills - The UP Govt has ordered action against 6 sugar mills for alleged delay in payments to cane farmers in the State. Sugar mills against whom action has been ordered by the Govt are Malkpur, Majhwadi and Agauta amongst others.

Private trade may get nod to import white sugar - The Centre is planning to allow duty - free imports of white - sugar on private account. Currently, only three state-owned agencies - STC, MMTC and PEC - are allowed importing up to 10 lakh tonnes of white sugar at zero duty. Moreover, even this facility granted by Union Cabinet on April 9 is available up to Aug 1.

Sugar prices seen at fresh high - Sugar futures are expected to top recent 3-year highs by the end of 2009 on strong import demand from India, the median forecasts in a mid - year Reuters poll of 13 analysts showed.

The results revealed a far more bullish sugar market scenario than a similar survey taken in January, with dealers taking stock of substantial requirements for India after a dismal domestic crop.

Pvt players to add sweetener to UP sugar mills' sell off - The winds of privatization in U's sugar industry finally seem to be blowing hard. Propelled by the huge presence of private companies at the pre - bid meeting in New Delhi for the disinvestment of sugar mills in UP State Sugar Corporation and UP Co-operative Sugar factories Federation.

Depleted sugar stocks may force imports - The country's carryover sugar stocks into 2009-10 is likely to plummet to just 15 lakh tonnes by October, coming as they are against shrinking output and acreage, leaving the Govt little option but raise imports for the next 2 years. Indeed the price rise can be arrested if the Centre acts fast to bolster sagging sugar buffer stocks via imports of atleast 25 lakh tonnes per year for the next 2 years.

Cane arrears at Rs 1, 023 cr - Sugar mills across the country are yet to pay Rs 1, 023 cr to farmers for purchasing sugarcane from them. The highest number of defaulters are in UP. Worse still, these millers in different states owe as much as Rs 314.24 cr to farmers even before start of this sugar season in September 2008.

INTERNATIONAL SUGAR INDUSTRY

Morgan Stanley widens sugar deficit forecast - A forecast global deficit for sugar, may be wider than previously estimated. The deficit may be 2.8 million tonnes in 2009-10, widening from a previous estimate of 0.8 mt. Sugar prices have jumped 47% this year as declining output from India added a forecast global supply shortfall.

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1 lakh t raw sugar heading to India - 2 vessels have been fixed to deliver 1, 00, 000 tonnes of Brazilian sugar to India, the first shipment from the expiry of New York's July contract. Dealers said US - based agri - business firm Cargill had taken delivery against expiry of the ICE July raw sugar futures contract of more than 1.3 million tonnes and much of the consignment is likely for sale to India

Global sugar output forecast cut - German analyst F.O. Licht has revised down its estimate for world sugar output in 2008/09 by 2.5 million tonnes to 154.9 mt.

Ethanol

Sugar mills quote ethanol at Rs 25/l - In response to oil marketing companies' recent tenders, sugar mills have quoted an average price of Rs 25 a litre for ethanol as against the previous negotiated price of Rs 21.50 about 3 years ago. Considering a spurt in molasses prices from Rs 3, 000 a tonne to Rs 5, 500 a tonne now, the production cost of ethanol comes to around Rs 26-27 a litre. Thus, ethanol supply at Rs 21.50 will be unviable
