

HIGHLIGHTS FOR JUNE 2009

BIRLA SUGAR

SNAP SHOTS

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

With sugar production down 45% this year, India may import sugar in 2009-10 for a second year. Most of these imports are from Brazil. Government has permitted duty free import of raw sugar to tide over the shortage and keep sugar price under check. Also, the Central Government's decision to raise the minimum price that mills must pay framers for sugarcane by a third to a record high is expected to increase the production of sugarcane, but by how much can only be a guess work.

COMPETITION

Simbhaoli Sugar buys back \$25.11-million FCCBs: As part of its financial strengthening exercise, Simbhaoli Sugars has bought back foreign currency convertible bonds (FCCBs) worth \$25.11 million face value at an average discount of 60.3%. The move would save around Rs 104 crore. The buyback and cancellation of bonds will strengthen the financial position of the company and improve the debt - equity ratio

Modi Sugar faces UP action over Rs 60-cr dues - With almost Rs 60 cr of sugarcane arrears pending against 2 sugar mills of Modi Sugar, a part of Rs 1, 000 cr UK Modi group, the UP Sugar cane Commissioner's office is working on issuing recover certificates against the 2 mills.

Shree Renuka hikes stake in KBK - Shree Renuka Sugars said it has hiked stake in subsidiary KBK Chem - Engineering Pvt Ltd to 80.28% from 54%. KBK is an engineering co, primarily engaged in providing turnkey solutions in the field of distilleries, ethanol plants and bio-fuels.

Renuka Sugar to up refining capacity - The country's largest sugar refiner, Shree Renuka Sugar, said it will expand the refining capacity of its Athani unit in Karnataka to 2, 000 tonne per day. It will also raise the refining capacity of its Havalga unit in Karnataka by 1, 000 tonnes per day.

Simbhaoli contracts raw sugar from Brazil - Simbhaoli Sugars announced that it has contracted 1, 12, 000 mt of raw sugar of Brazilian origin for processing during the off-season before Nov'09.

INDIAN SUGAR INDUSTRY

UP sugarcane area shrinks 6%: The sugarcane area in Uttar Pradesh is likely to shrink by almost 6%, to under 2.02 million hectares, in 2009-10 crushing season. The annual UP sugarcane survey is on and the final acreage may fall to almost 8% by the time the survey is concluded in July. Meanwhile the cane payment of over Rs 95 crore, pertaining to 2008-09, is still due on 13 private sugar mills in UP. The state government is contemplating issuing Recovery Certificates (RCs) to defaulting mills

Centre plans to regulate jaggery production, aiming to ensure ample sugarcane supplies to mills: The Centre is toying with the idea of bringing back Gur (jaggery) under the sugarcane (control) order, 1966, giving it powers to regulate its production to ensure adequate cane supplies to sugar mills. The move might force growers to deliver their entire cane to mills. Gur manufacturing units in UP are said to have paid as much as Rs 280 a quintal, as against the Rs 140-145 SAP payable by sugar factories. Gur is currently trading at Rs 25-26 a kg in Muzaffarnagar, having scaled Rs 30 levels a couple of weeks back.

Food ministry may alter sugar quota release norm - The Union food ministry is likely to do away with the recently introduced weekly release mechanism for sugar mills. It may change the weekly mechanism to fortnightly system. Mills have been lobbying before the Govt to do away with the weekly release mechanism as it forced them to sell sugar at a discount.

Poll demand for desi liquor takes sugar to dizzy highs - Increased demand for country liquor in the run - up to the polls and a concomitant diversion of cane to jaggery units could have led to sugar prices soaring, in turn, forcing the Govt to suspend futures trading in the sweetener. Apart from the lower acreage, diversion of cane to jaggery and khandsari units has been blamed for the soaring price of sugar

Low MSP forces farmers to shun sugarcane, opt for Tapioca - A significant rise in price realization has attracted farmers in Tamil Nadu to increase the acreage of turmeric and tapioca crops this season while dropping sugarcane, primarily because of inadequate minimum support price (MSP)

Govt asks mills to sell white sugar from duty - free imports - Govt has asked 12 sugar mills to sell a total 98, 242 tonnes white sugar, processed from duty free raw sugar imported under Advance Authorization Scheme dated February 17, a food ministry release said.

Sugar growers switch to banana - As the uncertainty over sugarcane prices play havoc with growers, an increasing number of farmers' in the state's sugar bowl of western Maharashtra are turning to banana plantation since it offers more consistent returns.

Sugarcane - Keeping in view its vast rural constituency and under pressure from the powerful sugar lobby, the Govt is expected to announce a higher minimum support price for sugarcane. Prime Minister is also expected to meet a delegation of cane farmers from UP to ascertain their views on pricing.

India unlikely to re-emerge as sugar exporter: Mills body - Buoyant sugar prices can trigger much higher output in India in 2010-11 but the country is unlikely to re-emerge as an exporter. Sugar imports will total 2.5 million to 3 million tonnes in 2008-09 more than a previous forecast for 2 million tonne.

Raw sugar import deadline under OGL likely to be extended till Mar'10 - With a view to ensure adequate sugar supplies during the festival months and also to give relief to sugar mills reeling under the fear of second consecutive season of low cane availability, the Govt is planning to extend the deadline for raw sugar import under open general license to Mar 31, 2010 from the current July 31, 2009.

Sugar stock coating for 6 months more - The Govt extended the stock holding limit on sugar for traders till Jan 8, 2010, to check the unrelenting high retail prices of the sweetener at a time country is talking about the possibility of a deflation. Under the stock limit order, a dealer can stock up to 2, 000 quintals of sugar. While the Centre has prescribed the maximum quantity a trader can keep, state are free to lower it.

Sugar trading slips 66% on NCDEX - Sugar purchase through leading agri - commodity exchange NCDEX has slumped by 66% at 6, 240 tonnes during June following the ban on futures trading in sweetener. Govt had suspended futures trading in sugar on May 26 to check the rising prices in the spot market. Acc to market experts, off - take of 6, 250 tonnes of sugar through NCDEX platform is from the June contract which expired this month. The Govt had taken a series of corrective measures to curb excessive speculation in trading of the sweetener in the past 3 months which includes stock limits on sugar and imports of raw sugar.

India may allow private White Sugar import - India may allow private traders to import tax-free white sugar and will extend raw sugar imports without an obligation to export whites beyond July 31 to raise supplies.

Centre plans to provide incentive for early sugarcane crushing - To reduce dependency on raw sugar imports and also to increase sugar availability, Govt is considering a proposal to give incentive to mills to start early crushing by exempting them from selling 10% of their output at below market price as levy sugar.

9 Punjab sugar mills to go into Pvt hands - The Punjab Govt is considering a proposal to turn around all the nine ailing cooperative sugar mills in the state by inviting private players to take up co-generation from cane. The move, besides saving thousands of jobs will also save financial resources and check air pollution in a significant way.

Cane support price set at Rs 108/qtl, industry bitter - Centre on Thursday approved a SMP of Rs 107.76 per quintal for sugarcane at a recovery rate of 9.5%, as recommended by the PM's Economic Advisory Council. Compared to the SMP of Rs 81.18 per quintal approved for sugarcane in 2008-09, this ostensibly spells a 32% improvement.

Govt raises sugarcane process by 33% - India, importing sugar for the first time in 3 years, raised the price of cane it pays to farmers by 33% to stem a decline in production and cut reliance on overseas purchases.

Maharashtra mulls stringent licensing norm for sugar mills - The Maharashtra Govt is contemplating tightening licensing norms for sugar factories. The move says industry experts, may leave 25-30% to co-operative mills in the state without work in the coming sugar season.

10% levy system should go: Sugar mills - ISMA has sought a total decontrol of the sugar industry. The industry wants the present 10% levy mechanism to be abolished to help sugar mills realize higher returns for their produce. The removal of the 10% levy mechanism will provide the industry full freedom to sell the entire produce in the domestic market or opt for exports as per the liberalized release mechanism.

Ethanol

Brazil to invest in ethanol workers, environment - The Brazilian government and the sugar cane-based ethanol industry are hoping to head off complaints about harmful environmental and labor practices by investing in socially responsible production methods, speakers at the 2nd Ethanol Summit 2009

Brazil mills likely to cut ethanol share - Mills in the centre - south of Brazil are forecast to cut the ethanol mix in cane to 57.2% in 2009 - 10 from 60.37% in 2008-09 due to high sugar prices

Ethanol supply short of target - Indian Petroleum companies have received about 540 million litre of ethanol in two and half years of the launch of ethanol - blended petrol programme, against a target of 1.4 billion litre in 3 years.

HPCL to invest Rs. 614 crore in two sugar mills - Hindustan Petroleum Corporation Limited (HPCL) is planning to invest around Rs. 614 crore in two sugar mills it had bought in Bihar to manufacture ethanol to be blended with petrol. The HPCL board had already given its approval to the investment proposal. The two plants would produce 60 kilolitres of ethanol a day to blend with petrol.
