

HIGHLIGHTS FOR MARCH' 2008

BIRLA SUGAR

SNAP SHOTS

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

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Levy sugar to be sold in open mart- The government has allowed mills to sell 8581 tonnes of unsold levy sugar in the open market. In a notification, the Directorate of Sugar allowed 10 mills that has unsold levy quota from the 2005-06 sugar seasons till December to sell it as free sale sugar. The mills, however, can sell unlifted levy sugar only till April 9 and would not get any extension for selling it.

Disappointed Budget drags sugar futures- Indian sugar futures fell in anticipation of a move in spot prices after the finance minister made no move to liberalize the sector in his budget speech. Worries of distress sale after a Supreme Court order also weighed. The March contract on the National Commodity and Derivates Exchange eased 0.14 per cent to Rs 1,454 per 100 kg while the April contract fell 0.26 per cent to Rs 1,511. The traders were hoping millers would be allowed to sell freely without any quantitative restrictions but that has not happened.

Cane prices continue to court trouble- The issue of cane prices in Uttar Pradesh continues to make headlines with multiple litigations pending in different courts. The court fixed the prices at Rs 118 a quintal for the early cane varieties as against the state advised price (SAP) of Rs 130.

More raw sugar to EU- India will export 4,124 tonnes of raw sugar to European Union in addition to the 10,309 tonnes already exported to the bloc out of the free sale portion of 2007-08 season's production. In a separate notification, the government has also allowed export of 10,000 tonnes of white sugar to the 27-nation bloc for July-June 2008-09.

Brazil invites Indian firms to invest in cane farming- Brazil, the world's largest ethanol producer, has thrown open its door to investment by Indian companies in sugarcane farming, extracting ethanol and exporting it back home for mixing in petrol. While India dopes petrol with five per cent ethanol to cut its oil import dependence, petrol in Brazil is made up of one-fourth ethanol.

OTHER PLAYERS

Shree Renuka Sugars turns volatile- The Shree Renuka Sugars March future jumped 22.78 per cent though it saw decline in open interest positions. The counter touched an intra-day high of Rs 1114.85 but closed the day at Rs 1090.85 in discount to the spot close of Rs 1098.35. According to market men, the rise is quite huge, even though sugar stocks saw general optimism.

Bajaj Hind chalks out chemical business- The Shishir Bajaj- controlled firm, the country's largest sugar producing company, is planning to foray into molasses-based chemical business to diversify and secure itself from the cyclical nature of the sugar business. The company invested Rs 240 crore to set up two medium density fibre board plants and a particle board unit.

Simbhaoli Sugars- Simbhaoli Sugars has informed that a meeting of a board of directors will be held on March 31 to consider the rest of price for conversion of the

zero per cent Foreign Currency Convertible Bonds (FCCBs) issued by the company on March 10 2006, with a maturity on March 11, 2011, from Rs 170 to Rs 153 per equity share.

INDIAN SUGAR INDUSTRY

Jim Rogers bets on sugar, cotton- Mr. Jim Rogers, who predicted the start of the commodities rally in 1999, comments on the outlook for sugar, cotton and other commodities. He spoke at the CLSA Japan Forum in Tokyo. On the outlook of agricultural commodities: “Prices of agricultural commodities are going to explode. Inventories of food are the lowest they’ve been in over 40 years. The number of hectares devoted to wheat farming has been declining for over 30 years. All of you should get all the sugar you can. The price of sugar is going to explode”.

Sugar, edible oil sectors feel let down by Budget- Far from any supportive measure, the latest proposals of the Union Budget are perceived as harsh on the commodity trade. Those in the business of edible oil and sugar as also participants in the derivatives market had expected some favourable treatment. Currently there is a 10 per cent levy on sugar production by mills and sales are subject to a free-sale quota announced by the government.

Disappointed Budget drags sugar futures- Indian sugar futures fell in anticipation of a similar move in spot prices after the finance minister made no move to liberalize the sector in his budget speech. Worries of distress sale after a Supreme Court order also weighed. The March contract on the National Commodity and Derivatives Exchange eased 0.14 per cent to Rs 1,454 per 100 kg while the April contract fell 0.26 per cent to Rs 1,511. The traders were hoping millers would be allowed to sell freely without any quantitative restrictions but that has not happened.

Govt sets March sugar quota at 1.6 mn tn- The government has set March open market sugar quota at 1.6 million tonnes, up 6.6 per cent on year. In February the government had initially set the open market quota at 1.5 million tonnes but later allocated an additional 100,000 tonnes sugar. The additional allocation was aimed at

cooling down open market sugar prices, which have risen by about Rs 50-70 per 100 kg in various wholesale sugar markets across the country since the beginning of this year.

Free sale quota up- India released 16 lakh tonnes (lt) of non levy or free sale sugar for the month of March, one lt more than the previous tentative allocation. With this hike, the government has now allowed millers to sell 44 lt of sugar in January-March quarter, up 7.32 per cent from tentative allocation of 41 lt.

Loan waiver: Bounty for cane farmers- The defaulters among the farmers must be one relieved bunch, thanks to the Rs 60,000 crore loan waiver announced by the Centre. Sugarcane farmers' net profit this season is expected to jump 5-6 times, thanks to the waiver say farmers and millers. Routinely, farmers, sugar mills and banks enter into a tripartite agreement on sugarcane. Banks extend a crop loan to the farmer who raises the sugarcane crop and sells it to the mills at a price fixed by the Centre.

Turmeric, sugar hit upper circuit- It was a mixed day for commodity futures trading in the national exchanges. Sugar was one of the commodities to hit the upper circuit on NCDEX. Sugar for April delivery was locked in the upper circuit of 3.05 per cent at Rs 1587 per quintal.

Sugarcane yield may drop 15%- India's average sugarcane yield is estimated to decline by 15 per cent this year because of unfavorable climate during the crop manufacturing period. The yield in Maharashtra is likely to decline by 16-18 per cent to 62-63 tonnes with 73 tonnes per hectare during the last sugar season. Similarly the output in Uttar Pradesh is set to fall by 12-15 per cent to 58 tonnes from 65 tonnes last year.

Sugar companies ask for hike in credit limit- A number of sugar companies are trying to get their bank credit limit raised in order in order to meet the gap in the working capital requirements caused by lower-than-cost realization from sugar sale. However, the banks are apprehensive of the profitability of the sugar business and are, therefore, unwilling to lend an additional amount.

Oil PSUs in \$600 m in Brazil foray- Public sector undertakings in the petroleum sector are ready to do the samba in Brazil. They are eyeing a big opportunity in ethanol, which is emerging as a key blending item or alternative to curb the use of fossil fuel based organic fuels. The ethanol production in Brazil will be primarily meant for the domestic market in Brazil, with an option to export to the third countries.

UP tops in cane arrears- Uttar Pradesh tops the list of sugarcane producing states with outstanding cane arrears payable to growers at Rs 1106 crore in 2006-07, Agriculture and Food Minister Sharad Pawar said. This year's output dues of sugar mills in Uttar Pradesh stands at Rs 87 crores so far. Last month the Supreme Court asked Uttar Pradesh's sugar mills to clear outstanding cane arrears within six weeks. The Central government has taken all steps to bail the cane growing states to clear their outstanding dues.

Cane prices continue to court trouble- The issue of cane prices in Uttar Pradesh continues to make headlines with multiple litigations pending in different courts. The court fixed the prices at Rs 118 a quintal for the early cane varieties as against the state advised price (SAP) of Rs 130.

States must act on cane arrears, says Pawar- A long-standing problem faced by sugarcane farmers that saw political parties play one-upmanship in recent times, came in for serious debate during the Question Hour in Lok Sabha. A repeated question put up by various members on cane arrears vowed by sugar mills to cane farmers across states like Uttar Pradesh, Maharashtra, Karnataka, Andhra Pradesh resulted in a one-off reply from the Union agriculture minister Sharad Pawar, that it is the responsibility of the respective state governments with sugar being a state subject.

Federation bitter at sugar auction for PF dues- The Maharashtra State Sugar Federation (MSSF) is up in arms against the Provident Fund department auctioning sugar kept in factory godowns for recovery of dues. The MSSF has decided to seek immediate intervention of Union Agriculture Minister Sharad Pawar. The MSSF president said that the cane growers will be at the receiving end if the sugar factories close due to the financial crisis following the auction of their stock. Factories have to disburse PF dues at any cost, but the way recovery is being made is not acceptable.

Sugar surplus may fall: ED&F- The global sugar surplus in the year ending September 30 will be 6.3 per cent lower than forecast in January as China and India produce less than previously forecast, ED&F Man Holdings Ltd said. Supplies worldwide will exceed demand by 7.49 million tonnes down from January estimate of 8 mt and an initial forecast in August of about 14 mt.

Sugar mills pulled up for defaulting on export deals- The government has pulled up 21 sugar mills for defaulting on white and raw sugar export contracts after domestic prices started firming. The government reaction came following a complaint by Cargill, Renuka Sugars and Indian Sugar Exim Corporation (ISEC), all of which made contracts with the mills.

Sugar body calls for suspension of futures trade- The Bombay Sugar Merchants' Association has demanded immediate suspension of trading in sugar futures owing to an unprecedented rise in prices. The association, in a representation made to the government has said the price of sugar has gone up from Rs 1290 a quintal of the last week of February to Rs 1420 at present. According to the association, the surge in sugar prices has taken place because of the highly speculative activities going on in the futures exchanges.

Sugar: Bearish prospects- Bumper production continues to take its toll on sugar prices. The next week looks no different either as rising demand, due to the upcoming summer, is expected to be evenly matched by supply. Last week saw sugar prices inching close to Rs 1600 a quintal but the markets could not sustain at those levels and slipped almost Rs 40 a quintal.

Levy sugar to be sold in open mart- The government has allowed mills to sell 8581 tonnes of unsold levy sugar in the open market. In a notification, the Directorate of Sugar allowed 10 mills that has unsold levy quota from the 2005-06 sugar seasons till December to sell it as free sale sugar. The mills, however, can sell unlifted levy sugar only till April 9 and would not get any extension for selling it.

Sugar mills see good times ahead- Sugar producers have hit the sweet spot this year. After a two-year glut in the international markets forced manufacturers to sell sugar at prices that were at one stage lower than costs, both international and domestic sugar prices have started to harden and firms are starting to see an end to their woes.

Sops for sugar- Lok Sabha passed a bill that will enable the government to grant Rs 4610 crore financial package and interest-free loans to the sugar mills facing difficulty in making payment to farmers. The Houser gave its approval to the Sugar Development Fund (Amendment) Bill, 2008, which will also allow the government to raise a cess of Rs 25 per quintal on sugar against Rs 15 a quintal earlier.

India's sugar output may miss forecast as yields fall- India, the world's second biggest sugar maker, may produce one million metric tonne less this year as previously forecast as because of lower yields and as some cash-strapped mills halt crushing ahead of schedule. Production in the year to September may be 26 million tonne estimated at the end of January. Output was 18.3 million tonne last year.

Sugar mills told to clear dues- In a tough measure to avert arrears to sugarcane farmers, Government warned the mills if they do not pay within two weeks of cane delivery, they will be charged 14 per cent interest and their property seized.

Sugar Development Fund Bill passed- The Parliament passed a Bill seeking amendment to sugar development fund with the Rajya Sabha returning it after a brief discussion. The Bill seeks to raise sugar cess by Rs 10-25 per 100 kg, besides paving way for the Central Government to pay interest subvention to loans given to sugar factories by banks and financials institutions.

Sugar sop may land in WTO dock again- India's sugar export subsidy- questioned at the World Trade Organization (WTO) by Australia and Thailand- could come under the further scrutiny, with India deciding to extend the subsidy beyond April 2008. It finally replied to questions raised by the two countries by the nature of subsidies in the committee of agriculture meeting of WTO last week. India clarified that the subsidies were designed to provide relief to the exporters affected by the appreciation of the

rupee but none have been paid and the government has not asked for the one-year programme to be extended beyond April 2008.

Sugarcane- The government decided to raise the statutory minimum price of sugarcane to Rs 81.18 per quintal, which will be payable to the farmers during the next season starting from October 2008. The Cabinet Committee on Economic Affairs gave its approval to the statutory minimum price (SMP) for sugarcane at Rs 81.18 per quintal for 2008-09 sugar season.

UP government seeks clarity on cane prices- The Uttar Pradesh government filed an application seeking clarification on the Supreme Court's interim sugarcane price order for 2006-07, which was delivered last month. According to a government official, it is not clear from the order whether the price of Rs 118 a quintal will apply to the quantity for which no payment was made as on the date of the order or the entire quantity bought by a mill in 2006-07 season. Certain mills are insisting that their total sugarcane purchase should get adjusted at the price of Rs 118 per quintal.

More raw sugar to EU- India will export 4,124 tonnes of raw sugar to European Union in addition to the 10,309 tonnes already exported to the bloc out of the free sale portion of 2007-08 season's production. In a separate notification, the government has also allowed export of 10,000 tonnes of white sugar to the 27-nation bloc for July-June 2008-09.

Sugar falls in NY on India's export plans- Sugar futures in New York fell, declining for the second straight week because of India's plans to boost exports and speculation that high taxes will keep shipments to Russia from increasing. Russia, the largest importer of the sweetener, will keep the seasonal duty on raw sugar imports at \$220 a metric ton in May, the Sugar Producers' Union said. The tax previously was \$140 a ton. Exports from India may rise to 5 million tonnes in the year ending September 30 from an earlier forecast of 3.5 million tonnes.

Cane crushing slows down in Maharashtra- Cane crushing in Maharashtra has slowed down this week due to rains in the growing regions, and that could impact sugar production this year, government and industry officials said. Sugar output in

Maharashtra, the leading producer, had touched 9.1 million tonnes in the year ending September 2007. An earlier industry estimate has put the production at 8.4-8.6 million tonnes in the year ending September 2008. Expectation of lower production this year is due to a 45 day delay in crushing, following a lingering monsoon and festivals in early November.

ETHANOL

Tata Chemicals to foray into ethanol- Tata Chemicals, India's leading manufacturer of inorganic chemicals, has firmed up an investment of Rs 750 crore in next three to four years to pursue its foray into ethanol. In the beginning the company would invest Rs 50 crore for the development of a prototype 30 kilo litres/day sorghum-based ethanol project in Nanded district of Maharashtra. The Nanded plant would have fermentation and distillation system. Sugar beet may also be used a raw material.

Grumbling over ethanol mounts among food execs- Prices for commodities are steadily rising and top food industry executives are grumbling that costs will not fall as long as the US government continues to subsidise corn growers for making ethanol. The ethanol industry has been blamed for everything starting from rising food prices to environmental damage, and its heavy use of corn has even divided the farm community.

Political support for ethanol in US seen fading- The Federal Reserve Chairman said that eliminating a US tariff on ethanol imports would help ease food price inflation. The price which reached a record \$5.7425 on March 5, gained 34 per cent in the past year before Friday on record demand for use in ethanol and livestock and poultry feed.

Brazil invites Indian firms to invest in cane farming- Brazil, the world's largest ethanol producer, has thrown open its door to investment by Indian companies in sugarcane farming, extracting ethanol and exporting it back home for mixing in petrol. While India dopes petrol with five per cent ethanol to cut its oil import dependence, petrol in Brazil is made up of one-fourth ethanol.

INTERNATIONAL NEWS

Indonesia allows imports of raw sugar- Indonesia has issued a permit for industrial sugar factories to import 916,500 tonnes of raw sugar which will be valid for the next six months. Indonesian industrial sugar producers, which produce white sugar for the food and beverages industry, imported around 1.5 million tonnes of raw sugar in 2007.

Thailand's sugar export may rise 13% this year- Thailand, the world's second biggest sugar exporter, may increase overseas shipments this year by 13 per cent because of a gain in production. Exports will probably rise to 5.3 million tonnes as output will climb to 7.21 million tonnes, the highest since 2003.

GM sugarcane trials in Brazil, Australia- The structure, water use, fertilizer intake, sucrose content, and the very nature of sugar production in sugarcane are likely to undergo major changes with the modern tools of biotechnology and genetic modification. Field trials of GM sugarcane crops for these traits are being undertaken in Brazil and Australia.

Global sugar stocks to exceed forecasts'- Global sugar stockpiles will be 1.6 per cent bigger than expected this year and rising prices may prompt millers in Brazil to increase output, research company F.O. Licht said. Stockpiles will total 86.2 million tonnes by the end of September, compared with the February estimate of 84.9 mt. exports will exceed previous forecasts by 2.5 per cent and total 55.1 mt.
