

HIGHLIGHTS FOR APRIL 2007

BIRLA SUGAR

DIRECT NEWS- OSML & UGSIL

- The Financial Express - Birla sugar mills to complete Rs 800-cr expansion plan
- Business Standard - K.K.Birla group to invest Rs 800 cr in sugar business
- The Hindu Business Line - Birla pumps in Rs 800 cr in sugar
- Business Standard -Oudh Sugar net loss at Rs 41.25 lakh
- The Economic Times - Oudh Sugar incurs loss of Rs 41.3 lakh

SNAPSHOTS

This month has been very crucial for the sugar industry. The major sugar players declared their third quarter financial results & the profits for most of the companies dipped compared to the same period last year. This can be attributed to the dismal condition of the industry with increasing demand-supply gap, rising cane prices & low realizations from sales. However, some important policy announcements & sops were offered by the State & Central governments. The companies are focusing their efforts to boost ethanol production & encourage exports to balance the situation.

Important developments that have taken place in the sugar Industry and in the business of competitors

Sugar stocks survive market crash- Sugar stocks, particularly medium and small enterprises, survived the market crash. **Oudh Sugar** gained 7.98% to Rs 70.35 while **Shree Sakthi Sugars** went up 2.53% to Rs 103. **Balrampur Chini & Dhampur** rose 2.05% and 2.56% respectively. The sugar stocks gained mainly because IOC has opened a tender for ethanol.

Shree Renuka net down at Rs 23 cr- Shree Renuka Ltd has reported a net profit of Rs 22.90 crore for the second quarter ended March 31, 2007 which is less than half of the net profit of Rs 45.20 crore reported for the corresponding period last year. Falling sugar prices impacted sales realization.

Position of Renuka Sugar in the market- Renuka Sugars, after the boom in 2005-06, has seen a steep fall in the market of the direct product. But Renuka Sugars still appears well placed, compared to its peers in the sector, for two reasons: firstly, for lower realizations on sugar may be offset partially by the substantial growth from the recently expanded capacities. Secondly, with the company successfully bidding for contracts to supply ethanol to the oil marketing companies.

Bajaj Hind profit drops 94 per cent- With about 15% drop in the sugar prices, Bajaj Hindusthan has registered a 94% slump in profits for the quarter ended March 31, 2007. The profits for the quarter stood at Rs 3.66 crore compared with Rs 64 crore in the corresponding quarter last year.

Maharashtra sugar mills get Rs 250 crore tax relief- In an effort to bail out the sugar industry, Maharashtra government has waived purchase tax for the 2006-07 [Oct-Sep] season. At present, sugar mills are required to pay 3% of sugarcane prices as purchase tax. The waiver of purchase tax is expected to result in substantial savings for the sugar industry, thereby mitigating some of the losses faced by it this season.

SC upholds ban on sugar mills in close proximity- The Supreme Court has upheld the ban on setting up of new sugar factories within 15km of an existing mill if effective steps for the functioning of the sugar factory are taken by the owner within the stipulated time period. However, the apex court has ruled that the ban will not be applicable on the mills which are already functioning.

Sugar output jumps 25% to 21.2 million tonne- Sugar production in the October-March period of the 2006-07 sugar season has jumped by about 25% to a record 21.2 million tonne against the last year's 19.2 million tonne.

Govt to resume issuing export permits under open license- The Center would soon resume issuing sugar export permits under the Open General License. Though the quantity was not detailed in the notification, the limit was 750,000 tonne.

Bihar amends sugar Act to boost ethanol output- The Bihar government has decided to allow production of ethanol directly from sugarcane juice instead of the normal Indian practice of processing sugar and using molasses to produce ethanol. It also enables government to modify or alter the reserved sugarcane area according to sugar mills' requirement. The State has already bagged investments worth Rs 15,000 crore in ethanol distillery and another RS 4500 crore in sugar since the State government announced a new sugar policy.

Maharashtra sugar mills slash export price- Piling inventories and the Election Commission's withholding of the Center's recently announced relief package for the sugar industry have forced Maharashtra millers to slash their export floor price from Rs 1320 to Rs 1275 per quintal free-on-rail.

Local sugar mills to beat Thai, Brazil firms- Indian sugar mills, bolstered by transport subsidies will seize market share from Thai and Brazilian exporters in global refined sugar trade. Indian refined sugar sales will do best in regional markets, including Pakistan and Bangladesh, because soaring freight costs will make it harder for producers located further away to compete.

Sugar exports likely at 1.4 mt in FY07- The country has exported 0.4 million tonne sugar since the government withdrew the ban on sugar exports. Moreover, licenses have been sought for exporting another 0.95 million tonne. Total exports in FY07 are estimated at 1.4 million tonne against 0.31 million tonne in FY06.

Sugar exporters wait for announcement of subsidy- Facing unprecedented delay in implementing exports subsidy, sugar mills in the country have slowed down exports. However, exports have not come to a complete halt. For example Shree Renuka Sugars exported less than one lakh tonne during April compared to 3.40 lakh tonne for the period

of February-March. The mills are expecting the subsidy to be announced immediately after May 8.

Govt offers subsidy to keep cane uncrushed- For the first time in several years, the government will offer producer subsidies to the sugar sector to not crush standing crop in fields. This is due to an intensely worrisome super abundance of sugarcane produce this season. The Maharashtra government is seriously considering paying out a producer subsidy of Rs 200 per tonne or more to farmers for standing crop to the tune of 1.7 million tonne left uncrushed this season.

Softening sugar prices a sticky issue for exporters- Global sugar prices may soften this year amid shrinking import demand and rising stocks. Global import of sugar in 2006-07 is expected to be 44 lakh tonnes against 46.5 million tonnes in 2005-06, while the surplus is at 8.5 million tonnes against 3.3 million tonnes in the previous year.

Nabard gives sugar industry a breather- The National Bank for Agricultural and Rural Development has decided to extend the moratorium period for recovering loans taken by sugar cooperatives and private mills by another three years to March 2010.

No more sops for export of raw sugar as of now-The government has shelved plans to dole out extra incentives to mills for raw sugar exports. The raw sugar export subsidy was part of the total Rs 850 crore bailout package for the ailing sugar industry. An incentive of Rs 440 a tonne was proposed for raw sugar export.

Limits on sugar exports go- The Union Government has decided to no longer impose any quantitative restrictions on sugar exports due to large output and ample local supplies.

Sugar decontrol: Cabinet decides to set up expert group- Sugar decontrol may be on the cards, at last. The Union Cabinet has decided to constitute an expert group to look into ways and means of setting the sugar industry free. The expert group would look at the existing control and regulatory environment governing the sugar industry and suggest alternative systems for the orderly growth of the industry. Industry leaders believe the sugar sector will record more robust, orderly and efficient growth in a decontrolled environment.

Centre to create 20 lakh tonne sugar buffer stock: Pawar- Immediately after the clearance from the Election Commission, union agriculture minister, Sharad Pawar announced that the Centre would create a buffer stock of 20 lakh tonne of sugar between May 1 this year and April 30 next year.

Global sugar tumbles on Indian export incentives- White sugar fell to the lowest since November 2005 in London after India agreed to subsidize exports of the sweetener. The Election Commission approved a government plan to build a sugar stockpile and provide subsidies to exporters. India will pay exporters up to Rs 1450 a tonne for transportation costs to the port. Domestic sugar prices have fallen by more than a fifth in the past year because of record output, reducing local producers earnings.

Sugar firms hit- The recent strengthening of the rupee against the dollar has dealt a blow to sugar companies that were looking to export the commodity after an export subsidy announced by the government. The rupee has risen by over 5% in the last one month. As world prices of sugar are primarily dollar based, the development will affect export realizations of sugar companies by 5%.

Sugar export sops to be valid for one year- The sops for sugar exports, announced by Agriculture Minister Sharad Pawar last month, will be valid for a year from the date of the notification. The 2 million tonnes sugar buffer will be in place by August.

Sugar exports: Industry faces double whammy- Despite the Centre announcing a subsidy for sugar exports, the industry faces a double whammy. Even sugar mills in Maharashtra, which enjoy another subsidy for exports, are seen facing problems. Two unfortunate things have happened this month. Global prices for white sugar have declined to below \$300 a tonne. The rupee has gained sharply from 43 to the dollar to around 41. These two developments have washed away whatever benefits the subsidy could have given to the sector.

UP sugarcane growers' dues rising- Sugarcane farmers' arrears in Uttar Pradesh are rising by leaps and bounds. The cane growers in the state will have to wait for at least another month to get their payments cleared as sugar mills do not want to curtail their

working capital and divert the money to the cane farmers. According to the data released by the Uttar Pradesh Cane Commissioner's Office, the mills owed Rs 1000 crore to the farmers as on April 20 of the total purchase worth Rs 9,681.03 crore.

MP govt to come up with sugarcane policy- The Madhya Pradesh government plans to draw a sugarcane policy by next season. The government will seek the Center's help to uplift condition of state's sugar mills.

Sugar output seen at 26m tonnes- Sugar output is expected to reach 26 million tonnes in the marketing year to September 2007. With a carryover stock of 4mt from the previous year, the total availability of sugar this year will be 30 mt, while the annual consumption is only 19 mt.

Maharashtra ends floor rate for sugar exports- The Maharashtra sugar industry's experiment with fixing a minimum price for exports is over. With effect from April 25, mills will no longer offer sugar to exporters at the last declared floor of Rs 1190 per quintal free-on-rail. The Floor price got successively revised downwards due to pressure from buyers. However, export price will have to correspond with London rates.

The direct sugar market is supported by the by-product market- A report, based on the segment revenues & profits for quarter ended March 31, 2007, on the general market of the sugar industry came out in this publication. The main focus of the article is lower profits and the subsequent loss. It also reports about another distinct trend that is giving some support in this situation. That is, while sugar per se may have turned a bleeding proposition for mills, the losses from this business have been significantly offset by higher earnings from sale of by-products.

Sugar surplus may be higher- The International Sugar Organization has said that it looks to raise its 2006-07 world sugar surplus estimate to 8.5 million to 9.0 million tonnes.

Supply glut: Sugar prices may fall- World sugar prices are likely to fall further this year as surplus availability is seen more than doubling to 8.5 million tonnes.

World sugar surplus seen up- The world sugar surplus would rise to 9.48 million tonnes in 2007/08, to press down further on prices, Lausanne-based brokerage and analyst Kingsman SA forecasted.

52 sugar cos offer 1061 m litres of ethanol to oil firms- Fifty-two companies from nine states have offered to supply 1,061.04 million litres of ethanol to the oil marketing companies for five percent blending with petrol. The oil marketing companies had floated tenders and received offers from companies in Uttar Pradesh, Delhi, Bihar, Jharkhand, Goa, Maharashtra, Tamil Nadu, Andhra Pradesh & Karnataka. **The top suppliers are Shree Renuka Sugars with 217 million litres, Baja Hindusthan with 99 million litres and Balarampur Chini with 44 million litres.**

Sugar industry offers better ethanol for doped petrol- Faced with an unprecedented sugar production estimate of more than 260 lakh tonne and a cane production output of over 330 million tonne in the ongoing 2006-07 season, the sugar industry has offered the petroleum ministry to supply ethanol made from sugar rich, B heavy molasses for production of doped petrol countrywide. The proposal if accepted in tandem with a hike in percentage of petrol doping with ethanol, could save the government several hundred crores in subsidies of various sorts, including export & buffer subsidy as well as producer subsidies now being considered by key producer state Maharashtra.

Ethanol supports to survive the sugar market: Ethanol seems to be the life-line of the sugar market as it is seen in the current quarter March, 2007. The story of by-product business helping the mills stay afloat can be seen for **Bajaj Hindusthan, Oudh Sugars, Sakthi Sugars and Renuka Sugars**. It may be no different for the others who have not yet announced their results. Renuka Sugars is making out most of its profit from this business.

COMPETITORS IN NEWS

Sugar stocks survive market crash- Sugar stocks, particularly medium and small enterprises, survived the market crash. **Oudh Sugar** gained 7.98% to Rs 70.35 while **Shree Sakthi Sugars** went up 2.53% to Rs 103. **Balrampur Chini & Dhampur** rose 2.05% and 2.56% respectively. The sugar stocks gained mainly because IOC has opened a tender for ethanol.

Rana Sugars to earn Rs 5 cr from carbon credit- Rana Sugars declared that its net profit would be boosted by Rs 10 crore from the sale of carbon credits following its registration with the relevant United Nations body with retrospective effect.

Shree Renuka net down at Rs 23 cr- Shree Renuka Ltd has reported a net profit of Rs 22.90 crore for the second quarter ended March 31, 2007 which is less than half of the net profit of Rs 45.20 crore reported for the corresponding period last year. Falling sugar prices impacted sales realization.

Position of Renuka Sugar in the market- Renuka Sugars, after the boom in 2005-06, has seen a steep fall in the market of the direct product. But Renuka Sugars still appears well placed, compared to its peers in the sector, for two reasons: firstly, for lower realizations on sugar may be offset partially by the substantial growth from the recently expanded capacities. Secondly, with the company successfully bidding for contracts to supply ethanol to the oil marketing companies.

Bajaj Hind profit drops 94 per cent- With about 15% drop in the sugar prices, Bajaj Hindusthan has registered a 94% slump in profits for the quarter ended March 31, 2007. The profits for the quarter stood at Rs 3.66 crore compared with Rs 64 crore in the corresponding quarter last year.

Kushagra becomes Bajaj Hind MD- Bajaj Hindustan has appointed Kushagra Nayan Bajaj as joint MD on its board. Bajaj has been chief executive of the company since August 2001.

Bollywood Director **Prakash Jha**, has announced his new venture in the sugar industry at Bettiah, headquarter of West Champaran District in North Bihar. CM Nitish Kumar laid the foundation stone of the Rs 250 crore sugar mill. Jha said he came forward with this project to help the farmers of his native land despite the current slump in this sector. He also said that this factory with the capacity of 3,500 tonne crushed per day will be rendered operational from next year.

National bio-fuels mission to focus on jatropha plantation- Bannari Amman Sugar sets up Rs 2- crore plant- The Bannari Amman Group invested about Rs 2 crore for establishing the bio-diesel plant with a crushing capacity of 3000 litres/day. The country would need over 2.60 million tonnes of bio-diesel to meet the 5% blending requirement.

INDIAN SUGAR INDUSTRY NEWS

Maharashtra sugar mills get Rs 250 crore tax relief-In an effort to bail out the sugar industry, Maharashtra government has waived purchase tax for the 2006-07 [Oct-Sep] season. At present, sugar mills are required to pay 3% of sugarcane prices as purchase tax. The waiver of purchase tax is expected to result in substantial savings for the sugar industry, thereby mitigating some of the losses faced by it this season. ***Rs 200-cr package for ailing sugar industry in M' rashtra-*** The Maharashtra cabinet cleared a special package for the sugar industry which is ailing due to an inability to crush the excess cane caused by a bumper crop. The government is expected to bear an additional burden of over Rs 200 crore on account of the package, which comprises an export subsidy of Rs 1000 per tonne of sugar for 2007-08, a transport subsidy of Rs 2 per km per tonne and a subsidy for sugar recovery loss.

Sugar stocks have a field day- After having been battered for days on end, sugar stocks had a field day amidst the carnage at the bourses. Sugar stocks rose anywhere between 1-7%. Bulls are speculating that with elections in UP, the government will go all out to please the voters in the sugar belt by announcing a few 'sweet' policy moves soon.

SC upholds ban on sugar mills in close proximity- The Supreme Court has upheld the ban on setting up of new sugar factories within 15km of an existing mill if effective steps for the functioning of the sugar factory are taken by the owner within the stipulated time period. However, the apex court has ruled that the ban will not be applicable on the mills which are already functioning.

Sugar output jumps 25% to 21.2 million tonne- Sugar production in the October-March period of the 2006-07 sugar season has jumped by about 25% to a record 21.2 million tonne against the last year's 19.2 million tonne.

Govt to resume issuing export permits under open license- The Center would soon resume issuing sugar export permits under the Open General License. Though the quantity was not detailed in the notification, the limit was 750,000 tonne.

Sugarcane output estimate increased by 40 m tonnes- The centre has yet again revised upwards its estimates of sugarcane output for 2006-07. In its first advance estimates, released on September 15, the ministry had projected the 2006-07 cane crop at 283.40 million tonnes. Then on February 5 came the second advance estimates which put the 2006-07 output at 315.53 mt. In its latest third advance estimate released on April 4, production has been revised still upwards to 322.94 mt.

Govt may revise export floor price for Maharashtra cooperative mills- The export floor price for co-operative mills in Maharashtra is likely to be revised following their failure to strike a deal at the price of Rs 1320 free on rail fixed last week. Only 26,000 tonne of sugar was contracted for exports from three mills in Maharashtra against expected deal size of 2 lakh tonne targeted for the week.

Bihar amends sugar Act to boost ethanol output- The Bihar government has decided to allow production of ethanol directly from sugarcane juice instead of the normal Indian

practice of processing sugar and using molasses to produce ethanol. It also enables government to modify or alter the reserved sugarcane area according to sugar mills' requirement. The State has already bagged investments worth Rs 15,000 crore in ethanol distillery and another Rs 4500 crore in sugar since the State government announced a new sugar policy.

' Allow mills to process sugarcane into ethanol'- The decision to create a 20 lakh tonne sugar buffer on the Government account has come as a welcome respite to the beleaguered industry. But measures such as this offer only short-term palliatives. If the problem of episodic gluts in sugar is to be addressed on a sustainable basis, there is no alternative to evolving a coherent policy vis-à-vis ethanol.

Maharashtra sugar mills slash export price- Piling inventories and the Election Commission's withholding of the Center's recently announced relief package for the sugar industry have forced Maharashtra millers to slash their export floor price from Rs 1320 to Rs 1275 per quintal free-on-rail.

Local sugar mills to beat Thai, Brazil firms- Indian sugar mills, bolstered by transport subsidies will seize market share from Thai and Brazilian exporters in global refined sugar trade. Indian refined sugar sales will do best in regional markets, including Pakistan and Bangladesh, because soaring freight costs will make it harder for producers located further away to compete.

Unclear crystals- One of the biggest wealth creators of 2005-06, the sugar sector has recently turned into the biggest wealth destroyer, declining 60-70% in 2006-07. However, after the sharp correction in the market, sugar stocks are looking up. During the past seven trading session, the Sensex has dropped 7% while sugar companies are up 4-5%.

Global PE firms eye distressed assets- Global distressed asset management companies are striking private equity deals in the country's power, textiles, paper and **sugar** sectors in an attempt to diversify their portfolios.

Holes in the core of sugar belt- The state of the sugarcane cutters typifies the worst trends of India's poorly regulated informal sector, which employs over 300 million, or 90% of India's workforce.

Pawar faces EC heat over relief to sugar industry- Union Minister Sharad Pawar was hauled up for announcing a Rs 900 crore relief package for the sugar industry in violation of the commission's "standing instructions".

Sugar exports likely at 1.4 mt in FY07- The country has exported 0.4 million tonne sugar since the government withdrew the ban on sugar exports. Moreover, licenses have been sought for exporting another 0.95 million tonne. Total exports in FY07 are estimated at 1.4 million tonne against 0.31 million tonne in FY06.

Sugar exporters wait for announcement of subsidy- Facing unprecedented delay in implementing exports subsidy, sugar mills in the country have slowed down exports. However, exports have not come to a complete halt. For example Shree Renuka Sugars exported less than one lakh tonne during April compared to 3.40 lakh tonne for the period of February-March. The mills are expecting the subsidy to be announced immediately after May 8.

Maharashtra sugar cos may get Rs 450-cr aid- Maharashtra's sugar industry will cost the exchequer Rs 450 crore, based on a bailout package. The package includes an export subsidy, a recovery loss subsidy, a transportation subsidy, waiver of the purchase tax and reimbursement for sugarcane not crushed after May 13.

Sugar down on ample supply, reduced offtake- Sugar prices closed on a lower note on the wholesale sugar market following ample supply against restricted offtake. Market men said that slackness in demand along with increased arrivals from mills mainly pulled down the sugar prices.

Pawar gets EC Cane- Ruling the recent announcement of the Rs 850 crore sugar package by Union agriculture minister as a "deliberate" violation of the model code to gain "political mileage" ahead of UP polls, the Election Commission reprimanded Mr. Pawar for the "lapse". However, it gave the go ahead to the Centre to implement the package

stating the proposal to seek prior permission of EC in this regard was now a mere formality , as the “intended mileage and benefit have already been derived through the media report”.

Govt offers subsidy to keep cane uncrushed- For the first time in several years, the government will offer producer subsidies to the sugar sector to not crush standing crop in fields. This is due to an intensely worrisome super abundance of sugarcane produce this season. The Maharashtra government is seriously considering paying out a producer subsidy of Rs 200 per tonne or more to farmers for standing crop to the tune of 1.7 million tonne left uncrushed this season.

Softening sugar prices a sticky issue for exporters- Global sugar prices may soften this year amid shrinking import demand and rising stocks. Global import of sugar in 2006-07 is expected to be 44 lakh tonnes against 46.5 million tonnes in 2005-06, while the surplus is at 8.5 million tonnes against 3.3 million tonnes in the previous year.

Crush cane or face action, sugar factories told-Sugar factories must get their act together and begin lifting cane for crushing or face the wrath of the Government. He reprimanded the sugar factory managements for harping on their own problems to delay the crushing that ought to have begun two months ago. At a meeting of farmers, sugar factory representatives and leaders of all political parties summoned after Wednesday's suicide attempt by farmers in Jewargi, Mr. Kumaraswamy said the factories' problems were not of such an urgent nature that they should drive hapless farmers to suicide by not purchasing their cane. "I have already instructed the Deputy Commissioners in all cane-growing districts to depute an officer who will ensure that the factories begin crushing the cane brought in by the farmers, before taking on consignments from outside the State," he said. "If factories do not comply, the Government will not hesitate to initiate action as per law," Mr. Kumaraswamy said. Representatives of the cane factories had met him at least five times in the past six months, and in all that time, there had been no talk of fixing the purchase price nor had crushing started.

There are enough sops for the factories (of the 56 in the State, 46 are functional), and some in the pipeline and there can be no justification for driving desperate farmers to the extreme step of attempting suicide, Mr. Kumaraswamy reiterated. These include a subsidy

of Rs. 100 a tonne of cane crushed after April 16, 2007. Purchase tax has been exempted for one year from April 1 2007.

The factory representatives' wish list includes molasses decontrol, working capital that will facilitate borrowings and the lifting of the quota on sale of sugar, which has led to stockpiling of huge quantities of sugar.

Though there is no ban on export of molasses, the factories have not been issued permits, and over 3,000 tonnes of molasses have been released into raw pits, one factory representative from Bidar said.

"Molasses is not my immediate concern, though I will discuss with officials on easing certain restrictions. I will also address the molasses export issue," Mr. Kumaraswamy said, adding that the Union Government, which was due to come up with some announcements on this front, had held back on account of elections in Uttar Pradesh.

For farmers, he had a fervent appeal: do not choose suicide. He said the Government had already unveiled plans to step up bio-fuel production for which budgetary allocations had been made. When it takes off, cane can fetch a very good price, up to Rs. 1,500 a tonne, the Chief Minister said.

Sugar exports may increase to 3 million tonne- Sugar mills in India, may export as much as three million tonne to prevent this year's record harvest from creating a glut. Exports will be helped by incentives proposed by the government to make shipments competitive.

...State poorer by Rs 600 cr on sugar sops- Maharashtra finance minister Jayant Patil's actions have betrayed his intentions barely a few weeks after he presented a revenue surplus budget for 2007-08. A slew of incentives to the politically powerful sugar lobby has already left the state poorer by over Rs 600 cr.

Maha co-op sugar mill owners want revision of Nabard rehab plan- The crisis-ridden cooperative sugar factories in Maharashtra who are beneficiaries of the rehabilitation package of loans of Rs 1,773 crore, by the National Bank for Agriculture and Rural Development, have sought the extension of moratorium period to December 2009. The reason cited is the impossibility for the mills to pay the installments on the due date.

Sugar inventories may top 110 lakh tonnes next year- The sugar industry could be saddled with stocks exceeding 110 lakh tonnes at the end of the next season in September 2008 going by the current production trends.

Cos go for online carbon credit auction for price discovery- Driven by the need to have a transparent price discovery mechanism for carbon credits, Indian companies appear to be moving towards the online auction model for trading carbon credits or certified emitted reductions according to Asian Carbon Exchange. ACX is trying to hold at least one auction every 15 days.

Nabard gives sugar industry a breather- The National Bank for Agricultural and Rural Development has decided to extend the moratorium period for recovering loans taken by sugar cooperatives and private mills by another three years to March 2010.

No more sops for export of raw sugar as of now-The government has shelved plans to dole out extra incentives to mills for raw sugar exports. The raw sugar export subsidy was part of the total Rs 850 crore bailout package for the ailing sugar industry. An incentive of Rs 440 a tonne was proposed for raw sugar export.

Output likely to increase 35%- The sugar output in the current marketing season ended September is estimated at 26 million tonne, up by a whopping 35% from last year. Next year the output could be at least 1 million tonne higher, at over 27 million tonne. However, despite the higher output, sugar exports in the current season are seen at 1 million tonne because of weak international prices.

Shares of sugar firms down 5-10%- Share prices of sugar firms [Bajaj Hindustan, Balarampur Chini Mills, Triveni Engineering & Industries, Shree Renuka Sugars] slipped 5-10% since last Tuesday on surplus sugar supply in the global market. The fall was despite the Centre announcing export subsidy on freight and creation of a buffer stock of 2 million tonne. In the week following the announcements, share prices of the sugar firms had appreciated 10-15%.

EC clears sugar export sops- The Election Commission has cleared the Center's decision to incentivise sugar exports, but in a stinging footnote criticized the Government for

deriving mileage for the move through the media ahead of assembly polls in Uttar Pradesh.

Limits on sugar exports go- The Union Government has decided to no longer impose any quantitative restrictions on sugar exports due to large output and ample local supplies.

Sugar decontrol: Cabinet decides to set up expert group- Sugar decontrol may be on the cards, at last. The Union Cabinet has decided to constitute an expert group to look into ways and means of setting the sugar industry free. The expert group would look at the existing control and regulatory environment governing the sugar industry and suggest alternative systems for the orderly growth of the industry. Industry leaders believe the sugar sector will record more robust, orderly and efficient growth in a decontrolled environment.

Centre to create 20 lakh tonne sugar buffer stock: Pawar- Immediately after the clearance from the Election Commission, union agriculture minister, Sharad Pawar announced that the Centre would create a buffer stock of 20 lakh tonne of sugar between May 1 this year and April 30 next year.

Maharashtra may provide subsidy to sugarcane farmers- For the first time in years, the country could be witnessing a situation where the sugar sector is seriously coming up for producer subsidies not to crash standing crop in the fields. Maharashtra is now considering a producer subsidy of Rs 200 per tonne to farmers for standing crop left uncrushed this season.

Sugar firms hit- The recent strengthening of the rupee against the dollar has dealt a blow to sugar companies that were looking to export the commodity after an export subsidy announced by the government. The rupee has risen by over 5% in the last one month. As world prices of sugar are primarily dollar based, the development will affect export realizations of sugar companies by 5%.

Sugar export sops to be valid for one year- The sops for sugar exports, announced by Agriculture Minister Sharad Pawar last month, will be valid for a year from the date of the notification. The 2 million tonnes sugar buffer will be in place by August.

AP sugar cane farmers in dire straits as crops pile up- A fresh agrarian problem seems to be brewing in Andhra Pradesh this season, threatening to throw thousands of sugar cane farmers into financial crisis. The farmers are a worried lot with the poor prospects of their sugar cane getting a chance to go for crushing.

Debt recovery tribunal restraints EID Parry- The Debts Recovery Tribunal-I, Chennai, has restrained EID Parry Ltd from running the plant of New Horizon Sugar Mills Ltd, which EID Parry took over in March 2005.

No sops for advance license sugar exports- The export subsidy on sugar announced by the Union government last month would not apply to mills exporting sugar under the advance license scheme. Further, the subsidy for exports under the open general licence would apply only to the exports done on or after April 19, 2007 and up to April 18, 2008. The decision of not allowing subsidy to AL exports will lead to a further decline in domestic prices.

Sugar may drop further on month-end selling- Sugar prices across major cash markets in the country are seen weakening further with month-end selling pressure gathering pace. Lower than expected summer demand will dent prices further.

UP sugarcane growers' dues rising- Sugarcane farmers' arrears in Uttar Pradesh are rising by leaps and bounds. The cane growers in the state will have to wait for at least another month to get their payments cleared as sugar mills do not want to curtail their working capital and divert the money to the cane farmers. According to the data released by the Uttar Pradesh Cane Commissioner's Office, the mills owed Rs 1000 crore to the farmers as on April 20 of the total purchase worth Rs 9,681.03 crore.

No sops for OGL sugar exports- The Union Government won't give any freight reimbursements for sugar exports to mills in lieu of having imported duty-free raw sugar. This means no subsidy for exports under open general license.

Gur closes higher on fresh buying interest- Gur chakku prices rose on the wholesale gur market on emergence of buying by stockists and local parties amid restricted supply.

Sugar exports: Industry faces double whammy- Despite the Centre announcing a subsidy for sugar exports, the industry faces a double whammy. Even sugar mills in Maharashtra, which enjoy another subsidy for exports, are seen facing problems. Two unfortunate things have happened this month. Global prices for white sugar have declined to below \$300 a tonne. The rupee has gained sharply from 43 to the dollar to around 41. These two developments have washed away whatever benefits the subsidy could have given to the sector.

Maharashtra mills to crush sugarcane beyond May 31- In a measure aimed at addressing the sugar issue of excess sugarcane in Maharashtra, some sugar mills in the State would keep crushing sugarcane even after the May 31 deadline.

Sugar export outlook- India may not be able to export more than 10 lakh tonnes of the sweetener in the current season ending September 2007.

Congress workers protest over sugarcane losses- Congress workers staged a protest demanding that sugarcane farming be made profitable and asking for compensations to farmers who have allegedly been facing losses as they were unpaid by sugar mill owners in Madhya Pradesh [Narsinghpur].

Bitter harvest: Sugarcane glut has Solapur farmers in a sweat- Thousands of cane farmers in Maharashtra [Solapur] are in a quandary as sugar factories in this region have failed to lift the produce in time. The reason: glut in cane production, which the district administration pegs at 4.5 lakh tonnes over last year's output. The plight of these farmers is largely due to the political rivalry between two big wigs- Ajit Pawar & former deputy chief minister Vijaysinh Patil.

Record sugar output projected- Domestic sugar output may reach a record next year, boosting prospects for a bigger global surplus. Output may climb to 28.79 million tonnes in the year to September 30, 2008.

MP govt to come up with sugarcane policy- The Madhya Pradesh government plans to draw a sugarcane policy by next season. The government will seek the Center's help to uplift condition of state's sugar mills.

Sugar output seen at 26m tonnes- Sugar output is expected to reach 26 million tonnes in the marketing year to September 2007. With a carryover stock of 4mt from the previous year, the total availability of sugar this year will be 30 mt, while the annual consumption is only 19 mt.

Maharashtra ends floor rate for sugar exports- The Maharashtra sugar industry's experiment with fixing a minimum price for exports is over. With effect from April 25, mills will no longer offer sugar to exporters at the last declared floor of Rs 1190 per quintal free-on-rail. The Floor price got successively revised downwards due to pressure from buyers. However, export price will have to correspond with London rates.

The direct sugar market is supported by the by-product market- A report, based on the segment revenues & profits for quarter ended March 31, 2007, on the general market of the sugar industry came out in this publication. The main focus of the article is lower profits and the subsequent loss. It also reports about another distinct trend that is giving some support in this situation. That is, while sugar per se may have turned a bleeding proposition for mills, the losses from this business have been significantly offset by higher earnings from sale of by-products.

INTERNATIONAL SUGAR INDUSTRY

Global sugar tumbles on Indian export incentives- White sugar fell to the lowest since November 2005 in London after India agreed to subsidize exports of the sweetener. The Election Commission approved a government plan to build a sugar stockpile and provide subsidies to exporters. India will pay exporters up to Rs 1450 a tonne for transportation costs to the port. Domestic sugar prices have fallen by more than a fifth in the past year because of record output, reducing local producers earnings.

Australian sugarcane and sugar productions are forecast to increase significantly in 2007-08, recovering from extreme weather events such as cyclone and drought. Exports of sugar are also expected to rise in line with increased production.

Sugar declines on investor selling- White sugar fell in London for a third consecutive trading session as some investors sold the commodity on concern Brazil and India, the world's biggest growers, will harvest record crops this year.

Sugar extends drop- White sugar fell for a fourth consecutive trading session in London on concern Brazil and India, the world's biggest producers will harvest more cane than forecast this year.

China likely to cut import quota on sugar- Expectations of an all-time high sugar output in China have prompted the government to cut import quotas by 100,000 tonne this year.

Sugar surplus may be higher- The International Sugar Organization has said that it looks to raise its 2006-07 world sugar surplus estimate to 8.5 million to 9.0 million tonnes.

Supply glut: Sugar prices may fall- World sugar prices are likely to fall further this year as surplus availability is seen more than doubling to 8.5 million tonnes.

Sugar gains on speculation- White sugar futures in London advanced for a third consecutive session on speculation supplies will be tight as more of Brazil's can may be used to make ethanol.

World sugar surplus seen up- The world sugar surplus would rise to 9.48 million tonnes in 2007/08, to press down further on prices, Lausanne-based brokerage and analyst Kingsman SA forecasted.

World sugar prices may fall further- World sugar prices are likely to continue a slide that has taken them to near two year lows given a growing global sugar surplus.

Pak mill oppose sugar imports- The Pakistan Sugar Mills Association has reportedly opposed imports of sugar from India, saying it was 'unhygienic'. An Indian spokesperson said that India had ignored the fact that another stock of six lakh tonnes of sugar was lying with the Trading Corporation of Pakistan. Therefore, the country already had a surplus of three lakh tonnes sugar.

ETHANOL

52 sugar cos offer 1061 m litres of ethanol to oil firms- Fifty-two companies from nine states have offered to supply 1,061.04 million litres of ethanol to the oil marketing companies for five percent blending with petrol. The oil marketing companies had floated tenders and received offers from companies in Uttar Pradesh, Delhi, Bihar, Jharkhand, Goa, Maharashtra, Tamil Nadu, Andhra Pradesh & Karnataka. **The top suppliers are Shree Renuka Sugars with 217 million litres, Baja Hindusthan with 99 million litres and Balarampur Chini with 44 million litres.**

Government to purchase ethanol at Rs 21.50 /liter- The government has decided to procure 1,061.04 million liter of ethanol from sugar mills at a flat rate of Rs 21.50 a liter over the next three years. The decision has come as a relief to the beleaguered sugar industry, which is reeling under losses after prices of the sweetener, fell by 40% this season.

Ethanol blended petrol: Road show begins - The Ministry of Petroleum & Natural Gas is set to kick off road shows to promote ethanol blended petrol programme across the country.

White sugar futures decline- White sugar fell in London, while robusta coffee and cocoa prices gained. Refined, or white sugar futures dropped \$ 1.80 or 0.6%, to \$327 a tonne.

Sugar drops on likely bumper cane crop in Brazil, India- White sugar fell for a fourth consecutive trading session in London on reports that Brazil and India, the world's biggest producers, will harvest more cane than forecast this year. High prices and increased demand for ethanol has spurred farmers to step up plantings. Brazil will produce a record 490 million tonne this year.

Praj Inds- Buyout surge- Ethanol equipment maker, Praj Industries advanced 8.4% to Rs 474.45 on the Bombay Stock Exchange on reports that it was eyeing a buyout in Brazil.

Sugar industry offers better ethanol for doped petrol- Faced with an unprecedented sugar production estimate of more than 260 lakh tonne and a cane production output of over 330 million tonne in the ongoing 2006-07 season, the sugar industry has offered the petroleum ministry to supply ethanol made from sugar rich, B heavy molasses for production of doped petrol countrywide. The proposal if accepted in tandem with a hike in percentage of petrol doping with ethanol, could save the government several hundred crores in subsidies of various sorts, including export & buffer subsidy as well as producer subsidies now being considered by key producer state Maharashtra.

Ethanol supports to survive the sugar market: Ethanol seems to be the life-line of the sugar market as it is seen in the current quarter March, 2007. The story of by-product business helping the mills stay afloat can be seen for **Bajaj Hindusthan, Oudh Sugars, Sakthi Sugars and Renuka Sugars**. It may be no different for the others who have not yet announced their results. Renuka Sugars is making out most of its profit from this business.
