

## HIGHLIGHTS FOR OCTOBER 2009

### BIRLA SUGAR

#### DIRECT NEWS - UPPER GANGES & OUDH SUGAR MILLS LIMITED

##### **Coverage appeared in:**

- Business Standard
- The Hindu Business Line
- Dainik Vishwamitra
- The Economic Times

#### OTHER PLAYERS

***Simbhaoli Sugars to process 2.20 lakh t imported raws-*** Simbhaoli Sugars Ltd (SSL) hopes to substantially improve the capacity utilization of its three mills through contract of 2.20 lakh tonnes (lt) of imported raw sugar for the forthcoming 2009-10 season (October-September). The company's three mills at Simbhaoli, Chilwaria & Brijnathpur in Uttar Pradesh have a combined crushing capacity of 20,100 tonnes cane a day (tcd), which, on a normative 150-day season, translates into 30.10 lt.

***Shree Renuka seeks Brazilian sugar mills for supplies-*** Shree Renuka sugars Ltd, India's biggest refiner, plans to acquire rivals in Brazil to secure supplies as a global deficit drives prices to the highest in more than 28 years. The company plans to bid for Equipav SA Acucare Alcool, the sugar and alcohol assets of Brazil's Equipav Group, and is in exclusive talks with

several other Brazilian producers for acquisitions, Managing Director Narendra Murkumbi said in a phone interview in Mumbai today.

**Ponni Sugar net up six times-** Ponni sugars has reported an increase of six times in net profit for the quarter ended September 30,2009 at Rs 14.86 crore, compared with Rs 2.08 crore. Total income rose to Rs 89.56 crore from Rs 56.89 crore, an increase of 58%.

**Andhra Sugars net down 32%-** Andhra Sugars said its net profit declined by 32.05% to Rs 15.79 crore for the second quarter ended September 30 against Rs 23.24 crore in the same period last year. Income from operations declined to Rs 132.09 crore in the second quarter ended September 30 against Rs 158.72 crore in the same period previous fiscal.

**Dharani Sugars to complete Rs 335cr mill complex-** Dharani Sugars and Chemicals Ltd is set to complete its Rs 335-crore integrated sugar mill complex with the launch of a 100 kilolitre a day (klpd) distillery. Dr Palani G. Periasamy, Executive Chairman, Dharani Sugars, said the company plans to commission the distillery in six months, following the statutory clearances obtained recently. The company will invest Rs 75 crore in the distillery, which can produce rectified spirit, extra neutral alcohol and ethanol.

## INDIAN SUGAR INDUSTRY

**UP sugar mills, govt call for better ties with growers-** With the sugar crushing season fast approaching and the crisis cane availability becoming a major worry for the industry, all major stakeholders of the sector came on a common platform on Wednesday to prepare 'UP Sugar Vision 2015', which envisages Uttar Pradesh to be a significant player in global sugar market by 2015 and also account for two-thirds of the national sugar production.

**'Stock sugar can meet only 3 months' demand'-** India's sugar stocks from the current season, are just enough for domestic consumption of a little over three months, says a report, indicating a surge in prices that have doubled in a year to Rs 36 a kg. Worse still, even import may not ensure a fall in sugar prices because of the prevailing high global rates, according to the latest report by commodity brokerage firm Religare.

**Govt sets Oct free-sale sugar quota at 18.5 lt-** In order to control sugar prices during the ongoing festival season, the government decided to release around 18.5 lakh tonnes (lt) on non-levy sugar for October, almost 16,000 tonnes more than last month. Of this, around 2.63 lakh tonne will come from imports of white sugar and raw sugar that comes into the market after being converted into refined sugar.

**Haryana sugarcane production to fall 4.5%** - Sugarcane production in Haryana is expected to fall around 490 lakh quintals in 2009-10 (October-September), around 4.5% less than last year, maintaining a trend that started two years back as farmers shifted from cane to more remunerative crops like wheat and paddy. Sugarcane output in 2007-08 was 886 lakh quintals, which declined to 513 lakh quintals in 2008-09 season.

**Sugar shortage to continue till 2011-** Sugar exporters around the world and speculators in the futures market closely watching developments in India have more than one reason to smile. While they are sanguine the world's largest consumer will be forced to import not less than five million tonnes of sweetener in 2009-10, they are becoming increasingly hopeful that their streak of good fortune will continue well into to 2010-11 season also.

**Sugarcane crushing likely to be delayed in Maharashtra-** Unseasonal rains in various parts of Maharashtra, mainly in sugarcane growing regions of Sangli, Satara, Kolhapur and parts of Marathwada could delay crushing in the state and impact the standing crop if the rains continue for another week.

**Floods hit sugar crop in 2 states-** Sugar output in the southern state of Karnataka and Maharashtra is likely to fall for a second year in 2009-10 as floods will hurt the crop. Heavy monsoon rains in Maharashtra, India's biggest sugar-producing state, damaged some cane crops ahead of harvests.

**Levy sugar obligation on mills doubled; notification expected soon-** Sugar mills will, henceforth, have to deliver 20 % of their output as 'levy' for Public Distribution System. This is twice the existing 10% levy sugar requirement. The 20% levy quota would be effective from the new 2009-10 season, which technically starts from this month and runs until September next.

**No consensus yet on sugarcane SAP in UP-** Even though the sugarcane crushing season is drawing near, a consensus between farmers and sugar millers on what should be the 'right' state advisory price (SAP) for sugar seems to be elusive. At the final meeting held by

committee headed by the UP chief secretary to fix the SAP, wherein representatives of both the farmers and millers were present, the gap between the two remained as wide and as insurmountable as it was before the sowing season.

***Sugar mills look at inter-cropping option to augment cane supplies-*** With their crushing capacities far outstripping sugarcane availability and growers moving to more remunerative crops, northern sugar mills are seeking to promote inter-cropping alternatives to retain farmer interest in cane. Saraswati Sugar Mills & Simbhaoli Sugar Ltd are among those to have taken the lead in encouraging farmers to grow shorter-duration crops along with cane, employing furrow-irrigated raised bed-planting (FIRB) technologies.

***Sugar output-*** Sugar output may rise 7% to 15.8 million tonnes in this season (October-September) on higher cane yield, a US department of agriculture report said. The production of the sweetener in India may go up from the last season's (October 2008-September 2009) level of 14.7 million tonnes.

***Fears of sugar washouts grow as price drops -*** Tumbling domestic sugar prices in India have heightened speculation that importers are backing out of some deals, but evidence of washouts or defaults has remained elusive despite widespread suspicions.

***Sugar output seen at 15.3 mt in '09-10-*** Lower area and drought will see India, the world's top consumer and the biggest producer of sugar after Brazil, fall severely short of domestic consumption for a second straight year in 2009-10, a Reuters poll showed. The poll of 10 respondents, including Indian millers and commodity brokerages, forecast an average estimate of 15.3 million tonne for the sugar year, a little more than last year's output of 15 million tonne, and much below 2007-08's 26.3 million tonne.

***TN cane farmers want price fixed before planting begins-*** The Consortium of Indian Farmers' Association (CIFA) has demanded that sugarcane price be announced ahead of the planting season to help farmers decide on the crop viability, according to the association representatives. Sugar cane farmers in Tamil Nadu are demanding a "field price" of Rs 2,000 a tonne and are disappointed over the Rs 1,437.40 a tonne announced by the Tamil Nadu Government for the 2009-10 season.

***South's crushed output may turn sugar bitter-*** Sugarcane acreages for 2009-10 season across all the major sugar producing States are either down or showing a marginal increase over 2008-09, according to industry representatives. The numbers indicate a possible sugar

production of about 150-160 lakh tonnes with nearly half the output coming from Karnataka, Maharashtra and Gujarat, which would account for about 80 lakh tonnes (lt).

**Price arrears, long crop cycle bane of sugarcane-** With dim prospects of sugar prices turning decisively consumer-friendly for at least 12 more months from now, the key to planning for future output expansion simply lies in ensuring that acreage under cane bounces back to over five million hectares.

**UP mills may pay Rs 200/qtl for cane-** Sugar mills in Uttar Pradesh may have to pay Rs 200 per quintal for sugarcane as gur makers are already paying Rs 170-200 a quintal to farmers. Gur traders said that after sugar mills started crushing, there would be competition for sugarcane and prices might go up to Rs 200 a quintal.

**Sugar units seek action plan-** The Orissa Federation of Sugar Industries (OFSI) demanded that the State government prepare an action plan to bring more areas under sugarcane cultivation to promote sugar industries in the State.

**Karnataka sugar output may rise 12%-** Sugar production in Karnataka is likely to rise 10-12% to 1.8 million tonnes for the current season compared with the corresponding period of the previous year. Twelve of the 54 mills in the state have started crushing. Karnataka accounts for around 13% of the country's sugar production.

**Duty-free white sugar imports to be allowed till Dec '10-** With sugar prices not expected to fall by much because of marginal rise in output in the current crop season that started in October, the Government indicated that it will extend the period of duty-free refined sugar import by over a year till December 2010.

**UP sugar millers to approach courts for restraining crushers-** Buoyed by the Allahabad High court order restraining kolhus(crushers) for operating in the cane area reserved for Venus sugar mill Majhauri, in Moradabad, many other sugar mills in Uttar Pradesh are contemplating the move to approach the court for the same purpose.

**New Ordinance may hit sugar industry-** The centre has amended the Essential Commodities Act, 1955, through an Ordinance providing for fixing the levy price of sugar on a 'fair and remunerative price' to be announced by the Centre. The move has raised serious concerns in

the sugar industry which supplies one-fifth of its sugar production at a levy price markedly lower than the open market price to support the public distribution system.

***Confusion over Ordinance on replacing cane floor price-*** With the centre's decision to replace its 'minimum price' for sugarcane with a 'fair and remunerative price' render the 'advised' prices of State Governments toothless? A clarification on this is something that industry watchers are eagerly seeking, following the promulgation of an Ordinance amending the Essential Act, 1955 (ECA) for determination of the price that the centre would pay for the "levy" sugar it procures from mills.

***Sugar mills will no longer have to pay State advised prices for cane-*** Sugar mills can heave a high sigh of relief. They will no longer have to bear the burden of paying farmers cane prices that the State governments 'advise' over and above what the centre fixes. In a major agricultural reform measure, the Union Food Ministry, through an order dated October 22, has made the State governments responsible for paying the difference between their State Advised Price (SAP) and the Centre's declared cane rate.

***Govt mulls higher fair price for sugarcane-*** The government is likely to fix the fair and remunerative price of sugarcane at close to Rs 130 a quintal (1 quintal = 100 kg) based on a sugar recovery rate of 9.5% for the sugar year 2009-10. At this level, the fair price works out to be around 21% higher than the erstwhile SMP of Rs 107.70 a quintal fixed for the current season. Based on the F&RP price, the levy price of sugar is expected to be fixed at around Rs 17-18 a kilo, up from the current Rs 13 a kilo, said the source on condition of anonymity.

***Duty-free refined sugar import cap may be raised by 1 mt-*** The government is planning to raise the cap on duty free refined sugar import by 1 million tonne once the current limit is exhausted, to prevent upward spiral of domestic prices triggered by supply concern. Earlier, the centre had allowed traders to import up to 1 mt of duty-free white sugar till November 30.

***Farmers' stir may delay cane crushing in Uttar Pradesh-*** Cane crushing in UP is likely to start late this season as farmers are planning to stop sale of their produce to sugar mills, after the state government declared lower than expected cane advisory price. Farmers in the state have planned an agitation under the leadership of the Bharatiya Kisan Union and the Rashtrriya Kisan Mazdoor Sangathan.

## INTERNATIONAL SUGAR INDUSTRY

***Pakistan buys 25,000 t sugar-*** Pakistan has bought 25,000 tonne of white sugar at \$676/tonne cost and freight and free out (CFFO), in a tender that closed on September 30, a government official and a trader said. The contract for 25,000 tonnes of sugar has been awarded to Al-Khaleej, which quoted the lowest price, said an official of the State-owned Trading Corporation of Pakistan (TCP), which issued the tender.

***3 lakh tonnes Thai sugar for India-*** Thailand has sold about 3, 00,000 tonnes of the white variety to India for delivery in the second half of the year, a company official said. About 2, 00,000 tonnes have been shipped and the remainder will be delivered in the October-December period.

***Nepal to import sugar-*** The Nepal government has decided to import 5,000 tonne of sugar from India instead of earlier plan to import from Thailand. Initially, the government had planned to import 5,000 tonne 45,000 tonne sugar from Thailand & Brazil respectively.

***Sugar off shelves in Pakistan-*** Caught in tussle between the millers and the courts, a majority of the 80 million population of Pakistan's Punjab province are forced to sip their morning tea without sugar. The crisis was triggered by a Lahore High Court judgement last month that fixed sugar price at Rs 40 a kg against then market price of Rs 47. The decision was later endorsed by the Supreme Court also.

***Sugar becomes the new oil for world economy-*** The price of sugar on global commodity markets has doubled since the beginning of the year and is close to a 28-year high as hedge funds and speculators jostle to bet on the possibility of an international shortage of the world's favorite natural sweetener. For financiers seeking adrenaline-driven price lurches, sugar has become the new oil.

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