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SUGAR

India’s sugar exports halt as prices surge on lower output forecast

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India, the world’s biggest sugar producer after Brazil, has contracted to export 1.6 million tonnes since the season began on Oct. 1. Dealers have shipped out 1.3 million tonnes so far.

Local prices have surged nearly 8 percent in the past 10 days after India, also the world’s top consumer of the sweetener, cut its output estimate by 1.4 percent from an earlier forecast. Output is expected to fall this season after six straight years of surplus production.

The government was instrumental in persuading mills to agree to a target of 3.2 million tonnes of sugar exports in 2015/16. With forecasts of lower output and higher local prices, traders say India may not be able to meet its export target.

(Source- http://www.financialexpress.com/article/markets/commodities/indias-sugar-exports-halt-as-prices-surge-on-lower-output-forecast/233079/, published in the Financial Express on 6th April, 2016)

Selling pressure dissolves sugar

Sugar prices on the Vashi market declined by ₹ 10-15 a quintal on higher selling pressure on Tuesday. Naka rates were also down by ₹ 10 but at mill level prices remained unchanged despite eased demand. At Vashi market arrivals were 63-64 truck loads and local dispatches were about 75-80 loads. The Bombay Sugar Merchants Association’s spot rates: S-grade ₹ 3,550-3,702 (3,576-3,702) and M-grade ₹ 3,666-3,802 (3,670-3,802). Naka delivery rates: S-grade ₹ 3,500-3,620 (3,550-3,630) and M-grade ₹ 3,630-3,750 (3,640-3,760).

(Source- http://www.thehindubusinessline.com/markets/commodities/selling-pressure-dissolves-sugar/article8437919.ece, published on 5th April, 2016)

Maharashtra bank raises valuation for sugar

The Maharashtra State Cooperative Bank (MSCB) has increased valuations for sugar yet again. This time, valuations have been raised by Rs. 210 per tonne to Rs. 2,975 per tonne, Pramod Karnad, MD, MSCB, told FE.

Last month, valuations were raised to around Rs. 2,765 per tonne. However, mills have not been able to sell stocks in large scale due to lack of demand.

Valuations have been raised for the third consecutive month by the apex cooperative bank of Maharashtra. This is the highest valuation rate for the 2015-16 season so far.

Valuations have been raised since prices are now hovering between Rs. 3,500 per tonne and R3600 per tonne. As per the new valuations, the pledge rate now comes up to Rs. 2,530 per tonne. The cane payment last month was around R1,600 per tonne. The bank, however, as per directions of the state government has been giving additional 5% margin money to borrowers for the season. As per the 90% formula, the cane payment comes up to Rs.1,920 per tonne, an increase of R148 per tonne. This leaves a good amount with sugar mills to make cane payments to farmers.

Industry observers, however, pointed out that there has not been much movement in stocks despite a rise in rates. As per market speculation, sugar prices are likely to go up to Rs. 4,000 per tonne. But international sugar prices have fallen to $435 per tonne from $ 465 per tonne which has also impacted export.

According to Sanjeev Babar, MD, Maharashtra State Cooperative Sugar Factories Federation, although the mills have been willing to sell their stocks, large scale buying has not been happening. It is a traders market and at present, there is very little demand, he pointed out, adding that mills have been able to sell just about 3,000-5,000 bags, which is a very small amount. Babar dismissed speculation that sugar prices could cross the R4,000 per tonne-mark, saying that prices may hover around R3,700 to R3,800 per tonne and may again drop since mills in Brazil will start production soon.

(Source- http://sugarnews.in/maharashtra-bank-raises-valuation-for-sugar/, published in the Financial Express on 5th April, 2016)

Maharashtra sugar mills told to clear FRP dues by April 15

Sugar mills in Maharashtra have been directed to cough up the remaining 20% of arrears for the ongoing season by April 15. Highly-placed sources revealed that harsh steps could be in the offing to control retail prices of sugar.

Even as Rs 200 crore worth of fair and remunerative price (FRP) arrears continue to remain for the 2014-15 season and another Rs 400 crore remained to be paid by mills under the 80:20 formula for the season of 2015-16, sugar mills in Maharashtra have been directed to cough up the remaining 20% of arrears for the ongoing season by April 15. Highly-placed sources revealed that harsh steps could be in the offing to control retail prices of sugar.

Maharashtra sugar commissioner Vipin Sharma, who recently held a meeting with the managing directors of sugar mills, told them that they should now begin making payments for the remaining 20% arrears that are due to farmers.

Already, around 135 mills have completed crushing and the remaining 38 are expected to complete crushing by the end of April. The demand for the second installment usually starts May onwards. However, the government has decided that millers need to pay the remaining arrears soon in the wake of rising sugar prices. Prices of the sweetener have firmed up to nearly Rs 3,500-3,600 per tonne. However, despite increasing prices, movement of sugar has been slow in the state leading to concern among authorities that a speculative price hike is being created in the market.

According to sources in the industry, mills are quoting rates above R3,600 per tonne at auctions while traders are willing to pick up stocks for Rs 3,300-3,400 per tonne.

Industry sources pointed out that sugar is a very sensitive subject with the government and therefore all steps may be taken to ensure that there is no further play in the retail market, and retail prices of sugar do not go beyond a certain point. Significantly, five non-BJP states are going to elections and industry observers pointed out that the government will not want to jeopardise its chances by allowing a hike in prices.

Prices could touch Rs 3,600 to Rs 3,700 per tonne and after this point, there is every likelihood of government intervention either by states or by the Centre.

(Source- http://www.financialexpress.com/article/markets/commodities/maharashtra-sugar-mills-told-to-clear-frp-dues-by-april-15/233014/, published on 6th April, 2016)

CO-GEN/ POWER

Coal auction for commercial mining may not interest companies

The global economic slump has delayed the government's plan of opening the coal sector to private commercial mining, Coal Secretary Anil Swarup has said. The government is not sure whether coal blocks auction for commercial mining will generate adequate interest among mining firms, he told ET.

The government had earlier planned to open non-captive commercial coal mining to private firms by March.

The coal ministry had held two rounds of discussions with private companies in the fiscal year just ended. The ministry has prepared the draft methodology for allowing private companies to mine and sell coal and will seek public comments once the government decides to open the coal sector, Swarup said.

"The government is not sure whether coal blocks auction for commercial mining will generate adequate interest among mining firms," the coal secretary said, adding "the idea behind bids is not to extract a higher value for coal but to have transparency".

The government was forced to annul the fourth round of captive coal auctions due to a poor response from steel and cement firms. Of the nine mines offered in the fourth round, seven received less than the required three bids, while two received just three bids. In total, the nine mines received just 15 bids. The lame response was attributed to increased domestic coal production, slump in international coal prices and financial stress in the steel and aluminium sectors. The coal ministry plans to resume the fourth round of bidding when the markets improves.

The government has already identified big partially-explored coal blocks with much larger reserves than the mines bid out to captive miners for commercial mining. Clubbed mines like Chendipada I & II blocks and Mahanadi and Machhakata are some of the mines that are expected to be earmarked for commercial use.

The government on December 16 allowed state utilities to resume commercial coal mining. The state corporations were barred from mining and selling coal after the Supreme Court ruled in October 2014 that it was illegal.

The Coal Mines Special Provision Act 2015, however, provides for opening up commercial coal mining to private and public entities. On March 20, the Parliament passed the Coal Mines Special Provisions Bill that provides for opening up commercial coal mining to Indian and foreign private firms. So far, Indian companies with end-use plants have been allowed to mine coal for captive purposes.

The Act ends the monopoly of state-run Coal India Ltd in commercial mining and allows private companies registered in India to mine and sell coal.

(Source-http://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/coal-auction-for-commercial-mining-may-not-interest-companies/articleshow/51707416.cms, published in the Economic Times on 6th April, 2016)

Power and steel companies owe Rs. 11,700 cr to Coal India

Despite the Uday scheme rolling in to relieve immediate stress from power distribution companies (discoms), the benefits are yet to trickle down to the other stakeholders in the power generation chain, mainly the monolith coal producer, Coal India whose outstanding dues from various power and steel companies have rocketed to over Rs 11,000 crore.

Although Damodar Valley Corporation (DVC), in March-end has cleared a part of its dues, as on April 1, 2015, Coal India is yet to recover Rs 11,700 crore from various power and steel companies.

A senior official in the company said power companies from West Bengal, Madhya Pradesh, Rajasthan and DVC are the major defaulters whose combined outstanding amount is over 50 per cent.

As per the official, power producers from West Bengal owe Rs. 2,100 crore while Madhya Pradesh owes Rs, 1,300 crore and Rajasthan accounts for another Rs. 700 crore.

However, DVC has paid back Rs 500 crore which has brought down its outstanding to Rs 1,700 crore.

Besides, companies in the stressed steel sector also owes Rs 1,000 crore to the mining company.

"West Bengal and DVC buys higher graded coal because of which their outstanding is higher", the official said.

Last year, DVC owed Rs 1,500 crore to Coal India which had increased to Rs. 2,100 crore in February this year. The Uday scheme helped the power producer clear off 23 per cent of its outstanding to Coal India after getting a part of their payment released from Jharkhand Urja Vikash Nigam Ltd recently.

As on November last year, power companies owed Rs. 8,279 crore to Coal India which scaled up to Rs. 11,000 crore in December and further to Rs. 11,700 crore in February 2015.

This situation came into being as the demand for coal declined rapidly and the coal monolith resorted back to its credit policy which it had abandoned earlier to keep its uncleared receipts in check.

"We always try to implement the cash-and-carry model but there are social commitments towards power generation which we cannot ignore as a public sector company", another senior official in the company said when asked about the reason for re-starting its credit policy.

In previous occasions, cash strapped DVC has complained about this cash-and-carry model which had been starving its power plant in Raghunathpur in West Bengal.

The financially better off NTPC, which buys coal worth nearly Rs. 4,000 crore on an average, however, has not been able to reap any benefits of the credit policy.

"We always buy coal on a prepaid basis. However, there may be minor outstanding dues on our part but its shouldn't largely affect Coal India's earnings", an NTPC official said.

Nevertheless, the debts power companies owe may not be cleared soon.

"It may take atleast a year for the power generators to reap the benefits of the Uday scheme post which their dues to Coal India may be cleared", the NTPC official said.

However, reeling under heavy pressure of over 50 mt idling coal stocks, Coal India's move to sell coal on a credit basis may widen the dues it is yet to recover.

"We have to sell coal whatever the situation may be. If we idle the stocks, we cannot continue mining more coal to meet our targets and these stocks will also deplete in quality. Besides, there is a risk of fire too", the Coal India official said.

According to power and coal minister Piyush Goyal, power plants across the nation have a 39 mt of coal stocks.

(Source- http://www.business-standard.com/article/companies/power-and-steel-companies-owe-rs-11-700-cr-to-coal-india-116040500720_1.html, published on 5th April, 2016 in The Business Standard)

Thought of the day

“Each day is the scholar of yesterday”. - Publilius Syrus