NEWS FLASH – 8th December, 2016

SUGAR

Global sugar takes a break from price rally

A downtrend in global sugar prices is something domestic investors in sugar shares need to keep a watch on. While local market conditions continue to favour sugar producers, a continued deceleration in global sugar prices can pose a risk. Raw sugar prices (the ICE #11 contract) have fallen by 12.4% over a month ago and are down by 16.1% from the start of the current quarter. White sugar prices have fallen too, but to a lesser extent. Domestic sugar prices are doing much better in contrast, with wholesale rates of white sugar down by only 3.5% over a month ago.

What ails global sugar prices? Fund selling of sugar contracts due to breaches of technical levels, a fall in the Brazilian real and fears of abundant supply in the next season were factors, according to a 2 December Reuters report. Generally speaking too, commodity prices of softs have eased upon the strengthening of the dollar. A decline in Brazil's currency versus the dollar (down 8.6% since 9 November) gives the country's domestic producers an edge.

On top of this, attention has shifted to the supply side now. One of the factors mentioned in the Reuters report is European Union (EU) reforms to its quota system. While this will be implemented in September 2017, this factor has been known for years. At best, it can have a limited role in explaining falling sugar prices. The lifting of quotas on EU sugar output could see the region's imports decline and exports increase, which means more sugar in the market.

However, other fears of higher output may have some merit. Rising sugar prices by itself gives more incentive for sugar cane farmers to cultivate more. Even now, white sugar prices are up by a third over the start of 2015. Consider Brazil, for example. Data from Unica (the country's sugar industry association) shows sugar cane output in the south-central region between 16 April and now is up 3.7% but that of sugar is up by 17% as output has shifted away from ethanol. The share of sugar has risen to 46.8% to date, against 41.7% a year ago. However, Thailand's output is expected to be down by 5%, according to estimates made by the US department of agriculture. Higher realizations could lead to higher planting for the next crop season in major growing countries.

Back home, the latest update from the Indian Sugar Mills Association (Isma) shows that sugar output till 30 November is up by 17%, but it is early days, considering the season started in October, and mills started crushing early this season. Due to bad weather, India's sugar output is projected to be lower than last year. Isma also said that lower despatches of sugar from mills have led to a fall in ex-mill prices across the country. Even with the recent dip in prices, rating agency Icra Ltd expects sugar mills, especially in Uttar Pradesh, to benefit from higher realizations.

Although sugar imports attract a duty of 40%, giving ample protection to the domestic industry, a continued bearish trend in global sugar prices can be a dampener for the local industry. It could see a threat emerge from imports or at least act as a sentimental cap on prices.

(Source-http://sugarnews.in/global-sugar-takes-a-break-from-price-rally/, published on 7th December, 2016)

NGT refuses to shut down sugarcane-crushing units in UP

The National Green Tribunal has refused to stay operation of 'kolhu' units, used for crushing of sugarcane for manufacturing sugar, in Uttar Pradesh on a plea alleging these "unregulated" units were major contributors to air and water pollution in the area.

Sugarcane is processed in 'kolhu' crushers which is drawn by bullocks or any other animal engaged in the crushing of cane for manufacturing of sugar.

A bench headed by Justice U D Salvi said there was no information available with the Central Pollution Control Board and state pollution control board about the quantum of pollution caused by these units.

"Counsel appearing for the applicant seeks closure of kolhus operating in the state of Uttar Pradesh on the ground that norms for their operation have contributing to the pollution in terms of hazardous gases like carbon monoxide (CO) and carbon dioxide (CO2).

"Neither there is any study as regards the contribution to the pollution by a single kolhu carried out by the applicant before us. We, therefore, cannot rush to any conclusion at this stage. Hence rejected," the bench said while refusing to grant interim relief to the petitioner.

The matter is listed for next hearing on December 22.

The order came while hearing a plea filed by advocate Anil Kumar seeking closure of kolhu crushers operating in the western and central part of the state on the ground that they emit toxic gases like CO and CO2 causing air pollution.

"There are approximately 5,000 kolhus functioning in western and central Uttar Pradesh which work on an average of 180 days in a season. In one season around 900 lakh quintals of sugarcane are crushed by kolhus which burn around 225 lakh quintals. Of fuel at a temperature of 180 degree celsius generating around 787 lakh quintals. Of fuel gas (mass) this in turn generates 3.82 lakh quintals of ash per season," the plea said.

The plea, filed through advocate Nishant Gautam, sought directions to conduct environmental impact assessment study relating to the operations of kolhus and their impact on the environment due to non-compliance of pollution laws.

"The fuel gases emitted from kolhu crushers are emitted at very low height and at a very high temperature and comprises large quantities of hazardous gases like CO and CO2 etc.

"In addition to these gases, due to burning of rubber and its allied products in kolhus, dioxins, chlorines etc. are also emitted in huge quantities and these are very harmful to humans. The hazardous gases emitted from kolhus are at ground level which results in increase of suspended particulate matter levels in the atmosphere" it said.

(Source-http://sugarnews.in/ngt-refuses-to-shut-down-sugarcane-crushing-units-in-up/, published on 7th December, 2016)

India's flawed sugar trade policies leave bitter taste

Just seven months after it stopped trying to use export subsidies to clear a glut of domestically produced sugar, India is employing a hefty export tax, along with retail price controls and stock limits on mills and traders, to deal with soaring prices caused by a shortage.

The rise in sugar prices has hurt consumers, as well as companies that manufacture biscuits, chocolates, soft drinks and sweets. That may justify government action, which appears to have had some impact. However, unthinking policy responses of this kind often create as many problems as they solve.

A better approach to dealing with swings in sugar supplies would be to remove import and export barriers and link India more closely to international markets. That would help to remove the volatility in prices without the need for market-distorting government intervention.

India's inwardly oriented sugar policy focuses on active management of domestic demand and supply. To deal with a domestic sugar glut, the government fixed a mandatory export quota of 4 million tons for the sugar season from November 2015 to October 2016, together with a production-linked subsidy that was conditional on individual mills meeting export targets.

As a result, India had exported more than 3 million tons of sugar by July 2016, becoming the world's fourth-largest exporter, with a global export share of 6%. However, sugar prices have risen following falls in production estimates for the 2015-2016 sugar season, reflecting the impact of droughts that affected cane planting in Maharashtra and Karnataka, two of the big sugar-producing states.

The problem was compounded by forecasts of a global supply shortfall caused by falling production estimates for the European Union and Thailand, and harvesting disruptions in Brazil, the world's leading sugar producing country. There has also been a greater than expected diversion of Indian cane toward ethanol production, in part because of excise duty concessions.

When retail sugar prices hit 40 rupees (59 cents) per kilogram in April 2016, from 20 rupees in July 2015, the government imposed stock limits on traders. That was followed by the withdrawal of export subsidies in May. Yet sugar prices continued to rise. In June, the government imposed a 20% export duty to discourage exports and improve domestic availability.

To stop sugar prices from rising further, especially during the August to October festive season, India adopted a multi-pronged strategy that included the withdrawal of the excise concession on ethanol, the extension of stock limits to include sugar mills, and changes in regulations authorizing the government to fix the retail price. The imposition of stock limits was later extended through April 2017.

Lesson not learned

The export control measures could create problems for sugar importing countries, and for India's future export prospects, by raising global prices and encouraging increased domestic production in other countries. This was what happened when India banned rice exports from 2008 to 2011, prompting buyers such as Indonesia and the Philippines to ramp up domestic rice production, using price supports for local farmers and fixed import quotas. India does not seem to have learned this lesson.

(Source-http://asia.nikkei.com/Viewpoints/Prerna-Sharma/India-s-flawed-sugar-trade-policies-leave-bitter-taste, published on 7th December, 2016)

COGEN

Telangana: Sugarcane farmers stage protest

Sugarcane farmers staged a sit-in at Gayatri Sugar factory located on outskirts of Adlur Yellareddy village at Sadasivanagar mandal in Kamareddy district on Monday demanding Rs.3,500 as support price for a tonne of sugarcane under the leadership of Anji Reddy, president, Bharatiya Kisan Sangh.

They raised slogans calling upon both the Central and the State government to come to their rescue.Anji Reddy strongly criticised the factory management for forcing the farmers to squat in the hot weather during their protest, while refusing to hold discussions with them.

Speaking to the media, Reddy described farmers as the backbone of the nation.He appealed to the factory management to help the farmers by agreeing to their demands, as there should always be a give and take policy between the farmers and the management.

(Source-http://sugarnews.in/telegana-sugarcane-farmers-stage-protest/, published on 6th December, 2016)

Sugar prices fall on increased arrivals

Sugar recorded a moderate fall of Rs 15 per quintal at the wholesale market in the national capital today following increased supplies form mills amid scattered buying.

Marketmen said the fall in sweetener prices was mostly due to adequate stocks in the market on increased supplies from mills.

Sugar mill delivery M-30 and S-30 prices were lower at Rs 10 each to Rs 3,410-3,620 and Rs 3,400-3,610 per quintal.

In the millgate section, sugar Budhana, Simbholi and Thanabhavan slipped by Rs 15 each to Rs 3,540, Rs 3,575 and Rs 3,540 per quintal.

Likewise, sugar Kinnoni, Asmoli, Khatuli, Ramala, Chandpur and Anupshaher also dropped by Rs 10 each to finish at Rs 3,620, Rs 3,570, Rs 3,560, Rs 3,420, Rs 3,500 and Rs 3,420 per quintal.

Following are today's quotations (in Rs per quintal)

Sugar retail markets – Rs 38.00-41.00 per kg.

Sugar ready: M-30 Rs 3,750-3,900, S-30 Rs 3,740-3,890.

Mill delivery: M-30 Rs 3,410-3,620, S-30 Rs 3,400-3,610.

Sugar millgate (including duty): Mawana Rs 3,520, Kinnoni Rs 3,620, Asmoli Rs 3,570, Dorala Rs 3,540, Budhana Rs 3,540,Thanabhavan Rs 3,540, Dhanora Rs 3,540, Simbholi Rs 3,575, Khatuli Rs

3,560, Dhampur Rs 3,480, Ramala Rs 3,420, Anupshaher Rs 3,420, Baghpat Rs 3,430, Morna Rs 3,430, Sakoti Rs 3,500, Chandpur Rs 3,500, Nazibabad Rs 3,410 and Modi nagar 3,515.

(Source-http://sugarnews.in/sugar-prices-fall-on-increased-arrivals/, published on 5th December, 2016)

Quote of the day

'Gratitude unlocks the fullness of life. It turns what we have into enough, and more.'

- Melodie Beattie