NEWS FLASH – 10th Oct, 2015

SUGAR

Indonesia may soften sugar import rules to avoid shortages

Indonesia may relax its raw sugar import regulations to set quotas every six months rather than quarterly, the industry minister said, as it tries to avoid supply shortages that led to refinery closures last year.

Many sugar refineries in Indonesia, one of the world's biggest buyers, were forced to close late last year after the government slashed imports in line with its aggressive food self-sufficiency policies.

Indonesia is already considering softening its policies on cattle and rice imports as President Joko Widodo looks to tackle sluggish economic growth, a weak rupiah and fluctuating food prices.

"One of my concerns as industry minister is that production in food and beverage industries is not stopped because of lack of material," Saleh Husin told Reuters in an interview late on Wednesday.

"For next year, we will probably no longer use the quarterly scheme - we'll extend it so that there will be certainty of supply for food and beverages industry."

Indonesia is forecast by the government to import 3.2 million tonnes of raws this year, and ranked behind China and the United States in sugar imports in 2015/16, according to U.S. government data.

The country's sugar industry is split in two and is tightly regulated. Households, retail and small-to-medium firms rely on domestic white sugar supplied by a network of older mills, while modern refineries import raws for large-scale food and beverage industries, mostly from Brazil, Thailand and Australia.

Sugarcane farmers and millers often lobby the Indonesian government not to issue raw sugar imports because they say the refined sugar can often find its way to domestic consumers.

Changes to raw sugar imports rules were being discussed by officials within the industry, trade ministries and the investment coordinating board, said Husin.

Sugar refinery owners in Indonesia include Olam International and Wilmar International.

Indonesia's government is also mulling whether to make its live cattle quotas annual, from quarterly, while senior government officials are openly discussing the possibilities of rice imports after ruling out overseas buying of the staple grain earlier this year.

Source: http://www.indiansugar.com/NewsDetails.aspx?nid=4847, Dated 8th October 2015

Sugar production for 2015-16 estimated at 26 million tonnes

Sugar production in the 2015-16 crop marketing year, started from October, is estimated to be around 26 million tonnes (mt), about two mt less than last year and below earlier projections, a senior government official said.

The drop has been mainly due to extended dry weather in Maharashtra and Karnataka.

The expected fall in output, comes days after Indian Sugar Mills Association, lowered its forecast for the 2015-16 crop by one mt.

"Consumption in 2015-16 is estimated to be 25 mt, which also means that overall surplus this year could be around one mt, much less than expected," the official said.

The decision to lower the production estimate was taken after a meeting of state sugarcane commissioners held on Friday. "The input from the states showed that yields in Maharashtra and Karnataka could be impacted due to long dry spells in the sugarcane growing belts," the official said.

Maharashtra is India's largest sugar producing state, while Karnataka is also not far behind.

This year's southwest monsoon has been deficient in parts of Maharashtra and Karnataka, where rainfall has been almost half the normal triggering concerns of a large-scale drought.

The country had produced 28.1 mt of sugar in the 2014-15 marketing year (October-September). India is the world's second biggest sugar producer.

Maharashtra, the country's leading sugar producing state, has projected sugar output to decline to 8.6 mt in the 2015-16 marketing year, compared with 10.51 mt last year.

The likely fall in sugar output in the state is mainly due to significant drop in sugarcane output to 83.6 mt in 2015-16 from 102.2 mt last year due to poor rains, a senior Maharashtra government official said.

Similarly in Karnataka, sugar output is estimated to decline to four mt in 2015-16 marketing year from five mt last year.

Sugarcane cultivation in both Maharashtra and Karnataka is largely rainfed unlike Uttar Pradesh where it is irrigated.

However, in Uttar Pradesh, the country's second-largest sugar producer, sugar production is estimated to be at last year's level at 7.2 mt in 2015-16.

According to sources, the UP government had initially informed the Centre that sugar output might exceed by 0.5 mt this year, but in today's meeting the state government submitted the sugar output for 2015-16 to be at last year's level of 7.2 mt.

"In the meeting, the UP government has been asked to rework their estimate keeping in view of possible high cane production in view of cane cultivation being irrigated unlike other states and use of improved cane varieties by farmers for last few years," the sources added.

As per the Agriculture Ministry's first estimate, the sugarcane production is estimated to decline to 341.43 mt in 2015-16 crop year (July-June), as against 359.3 mt in the last year.

Source: http://www.business-standard.com/article/economy-policy/sugar-production-for-2015-16-estimated-at-26-million-tonnes-115101000041_1.html, Dated 10th October 2015

Biggest Sugar Rally in Years Not Over as Deficit Looms: Poll

Sugar's biggest rally in four years may be far from over, according to a survey of a dozen analysts and traders, who say prices are on course to reach one-year highs by next March as the market braces for its first supply deficit in six years.

Sugar has been one of the worst-performing commodities in recent years. Falling output in the world's top growers, Brazil, India, China and Thailand and resurgent ethanol demand will help the sweetener market escape an unprecedented five-year surplus and stock build that have pummeled prices, respondents said.

The price forecasts were in a wide 5-cent range, reflecting near-term caution amid concerns India, the world's top producer, will flood the market with unwanted inventories if prices breach 15-16 cents per lb.

The sugar market has reached a "turning point" after surging more than 40 per cent from seven-year lows late last month, analysts at BTG Pactual bank said in a research note this week.

Reflecting the marked change in outlook, one US trader said India's sales may be needed if supplies continue to tighten.

Sugar prices hit seven-month highs of 14.05 cents per lb on Thursday, as investors have bet on dwindling supplies after Brazil announced a gasoline price hike and worries emerged about India's drier-than-expected monsoon.

Almost half of respondents surveyed on Wednesday and Thursday said they expect prices to end the year above 14.50 cents per lb. This would be the first annual rise after four straight years of declines.

One even had 18.5 cents per lb in sight, which would be the highest since July 2014. Prospects for the first quarter are brighter, with a median of traders and analysts predicting prices will rise another 9 percent to 14.95 cents per lb by the end of March.

Respondents were unanimous in their expectations for a supply deficit, with a median pegged at 3.9 million tonnes.

The survey marks a remarkable shift from a Reuters survey in late July that pegged prices at 13 cents by the end of 2015.

Still price forecasts for the upcoming two quarters were in a wide 5-cent range between 13 and 18 cents, reflecting near-term caution.

Prices may be prone for bouts of speculative pressure after recent data showed hedge funds built up their biggest bullish bets in more than a year.

Source: http://profit.ndtv.com/news/global-economy/article-biggest-sugar-rally-in-years-not-over-as-deficit-looms-poll-1230243, Dated 9th October 2015

Sugar units dejected after fresh tax notices

Sugarcane farmers in south Gujarat are angry with the BJP-led NDA government at the Centre after sugar cooperatives were issued fresh notices by the income-tax (I-T) department recently. The government had promised the farmers when they had launched an agitation against the issuance of I-T notices to sugar cooperatives sometime ago that it will get them cancelled. However, the NDA government brought in an amendment in the act concerned in March 2015 which made the sugar cooperatives liable to pay income-tax on any amount they paid to the farmers above the fair and remunerative price (FRP) on the produce.

"This amendment has dashed all our hopes and we will now have to pay income-tax on any amount that we pay to the farmers above FRP. There is little chance of our winning in the high court. The farmers have been cheated," said Sandip Mangrola of Vatariya Sugar, which was issued notices for income-tax dues to the tune of Rs 16 crore for the year 2011-12.

Madhi Sugar vice-chairman Dilip Bhakta said, "The income-tax department has started assessment and sending notices for last eight years from 2007-08 onwards."

Federation of Gujarat State Co-operative Sugar Factories (FGSCSF) chairman Mansinh Patel said, "The income-tax department has been given clear instructions by the authorities not to act on the issue till the Supreme Court gives its verdict on a petition filed by a sugar cooperative of Maharashtra. Notices are issued as a routine."

The 15 sugar factories in south Gujarat and two in Saurashtra produce 12.6 lakh tonnes of sugar every year, which is 7 per cent of the total sugar production in the country. Each of these factories employs 3,500 to 15,000 sugarcane cutting workers. If the income-tax department insists on collecting I-T dues totalling over Rs 5,000 crore from these sugar factories run by the cooperatives, then a majority of them would have to shut down. This would not only render the workers jobless but also hit 90,000 sugarcane farmers of south Gujarat hard, observers said.

Source: http://timesofindia.indiatimes.com/city/surat/Sugar-units-dejected-after-fresh-tax-notices/articleshow/49287820.cms, Dated 10th October 2015

Supreme Court takes note of farmers' distress

Saying that it was a true PIL, SC sought responses from the Centre in a farmers' body plea for setting up a stabilization fund for cane farmers

Saying that it was a true public interest litigation (PIL), the Supreme Court on Friday sought responses from the agriculture and consumer affairs ministries in a farmers' body plea to set up a price / sugar stabilization fund (PSF).

The Central government is supposed to reply within six weeks.

A three-judge bench comprising Chief Justice H.L. Dattu, justices S.A. Bobde and Amitava Roy said that this was the type of case that warranted a PIL.

"This is certainly the kind of case which should come as a PIL. This is a case that the court should entertain as it relates to the plight of farmers," said CJI Dattu.

The Consortium of Indian Farmers Association (CIFA), petitioner in this case, has sought implementation of a report of the Commission for Agricultural Cost and Prices (CACP) for 2015-16, which had given several recommendations, including creation of this stabilization fund and paying to farmers by way of a revenue sharing model (RSM) or fixed and remunerative price (FRP), whichever is higher.

The government fixes cane price each sugar season, referred to as FRP.

Further, CIFA has asked for court directions asking the government to pay farmers the gap between RSM and FRP from the fund, in case RSM is lower than FRP.

CIFA in its petition, which Mint reviewed, said that there are about 40 million sugarcane farmers, who borrow from banks or local moneylenders to continue cane farming. However, they can only recover their investments after months, sometimes years, of wait.

CIFA claimed that sugar mills had to pay about Rs.15,000 crore as arrears to about 7.5 million farmers for 2014-15. For 2012-13 and 2013-14, Rs.1,300 crore remains due.

Fall in sugar prices has also affected the ability of the sugar mills to pay FRP to the farmers. The petition states that Maharashtra and Karnataka have witnessed increased cane farmer suicides.

Mint reported on 6 August that in 158 farmers in Karnataka had committed suicide in July alone, a large number of whom were cane farmers.

"The industry can't pay the farmers as their revenue realisation has been very poor due to the depressed price of sugar," said Abinash Verma, director general of the Indian Sugar Mills Association, a lobby group.

The Sugar Development Fund is already in place which the government collects from the sugar mills. It arises out of a cess charged on every quintal of sugar sold by the producers—Rs.24 per quintal—which adds to some Rs.600 crore a year.

Source: http://www.livemint.com/Politics/nUVUIp0ezHAIV59FXUojaP/Supreme-Court-takes-note-of-farmers-distress.html, dated 9th October 2015

Bitter sweetener

Playing politics with sugarcane prices has hurt both farmers and sugar producers

A steady rise in domestic sugar prices and a rally in the stocks of sugar producers may give the impression that India's sugar sector — the world's second largest — has managed to put its troubles behind it. But as long as the structural issues plaguing the sector remain unaddressed, any rally in sugar stocks is likely to be temporary. Sugar prices in the home market have risen from about Rs. 20 a kg in July to Rs. 26 now. This was supported by a recovery in international sugar prices and the expectation of a drop in domestic sugar production in 2015-16, following a deficient monsoon. After the supply glut witnessed over the last five years, global sugar production is estimated to fall short of consumption by about 2-3 million tonnes in 2015-16. Rising international prices and an improved export subsidy spell some relief for the sector, which has been bogged down by high debt, rising losses and acute shortage of working capital. In fact, expectations of a favourable subsidy regime, combined with the reduced output, have been the principal factors driving the rise in sugar stocks. But the core issue affecting the industry — the complete lack of correlation between input and end product prices — remains unaddressed.

The unrealistically high price of sugarcane remains the biggest problem facing sugar producers. In the last six years, the minimum purchase price for sugarcane mandated by the Centre — the so-called fair and remunerative price (FRP) — for sugarcane has been increased by 70 per cent while the market price has fallen by 19 per cent. This is not all. The governments of principal sugarcane growing States, such as Uttar Pradesh, have announced ad-hoc State advised prices (SAPs) for cane, which have been way higher than the FRP. The result? Ballooning cane arrears, inability of sugar mills to even secure working capital assistance from banks, and widening losses for sugar producers. The Centre's Rs. 6,000 crore 'rescue package' for the sector, announced in July, solved the problems of neither mill nor farmer since it came attached with stringent conditions that most producers were unable to meet.

The disconnect between sugarcane and sugar prices can be best addressed by linking sugarcane procurement price to the realisation on sugar and its other by-products, as suggested by the C Rangarajan Committee. Further, State governments must refrain from playing politics with cane prices. This will provide a level playing field for mills across the country. Setting up a price stabilisation fund will help the industry ensure timely payment of FRP to cane farmers. The difference between cane price based on the formula suggested by the Rangarajan Committee and the FRP can be adjusted against the fund corpus. Such a fund has been the industry's longstanding demand and was also recommended by the Commission for Agricultural Costs and Prices earlier this year. It is time the Centre considered this seriously.

Source: http://www.thehindubusinessline.com/todays-paper/tp-opinion/bitter-sweetener/article7744629.ece, Dated 10th October 2015

POWER

UP power regulator advocates mandatory cogeneration for sugar mills

Stresses to encourage generation of bagasse-based green energy generation by mills

Uttar Pradesh Electricity Regulatory Commission (UPERC) has advocated the idea of making energy co-generation mandatory for all upcoming sugar mills.

Speaking as chief guest at a programme organised by North Indian Sugarcane and Sugar Technologists' Association (NISSTA) here yesterday, UPERC chairman Desh Deepak Verma laid stress to encourage generation of bagasse-based green energy generation by mills. Bagasse is a sugar byproduct and is commonly used as fuel to produce thermal energy.

He noted that tariffs available for various Renewable Energy (RE) based including bagasse co-generation in UP were quite encouraging to attract further addition to the state cogeneration profile.

He announced that for further promotion of RE in UP, the Commission would consider enhancing the Renewable Purchase Obligation (RPO) in-line with the national targets.

Verma lauded the sugar industry for supporting the state power sector through co-generation and emphasized that every sugar mill in UP, whether in public or private sector, must have its captive cogeneration facility.

He, however, lauded the efforts undertaken by the sugar mills in Uttar Pradesh to elevate the state on the national level for sugar manufacturing/production. There are about 115 sugar mills in UP with the majority being run in the private sector.

Source: http://www.business-standard.com/article/economy-policy/up-power-regulator-advocates-mandatory-cogeneration-for-sugar-mills-115100900855_1.html, dated 9th October 2015