

SUGAR

Food ministry recommends stock limits on sugar mills, suspending future

In view of rising sugar prices, the food ministry has recommended suspending futures trade in sugar for the time being and imposing stock holding limits on sugar mills. The steps have been taken in view of the upcoming festival season.

Currently, stock holding limits are only on sugar traders and wholesalers. Sources in the food ministry said that sugar production is expected to fall further in the season starting from October and as a precautionary measure, “a need was felt to further increase supply of sugar to open market to control retail prices of sugar ahead of season to meet festive demand.”

The Centre, in June, imposed 20 per cent export duty on sugar, making sugar exports virtually unviable. However, sugar prices in wholesale have remained stable instead of moderating and stock limits were put on trade. So far, food ministry was asking mills to release more sugar, but trade was arguing that they follow stock limits which don't permit them to store more.

In the past, trade representatives had told the government that large part of stock is with producing mills. Mills were saying that they can push stock only if trade is lifting it.

However, ministry officials felt that in the name of stock limits, even mills are waiting for festive season to release stock as they expect prices to go up during the season which is not even a fortnight away.

Sweetmakers' demand remains high during festive season. By taking unusual step to put stock limit on mills, food ministry plans to tighten whole sugar chain to ensure prices of the sweetener remains under control when demand peaks prior to next season sugar arrives during Diwali.

However when too much restrictions on trade are implemented, futures market may not discover true price. As a result, according to a source in the know, “food ministry has also recommended government to temporarily suspend sugar futures.

(Source- <http://sugarnews.in/food-ministry-recommends-stock-limits-on-sugar-mills-suspending-futures/>, published on 10th August, 2016)

Sugar shares under pressure as govt cracks down on stocking

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The government has prepared a list of sugar mills which is holding back stock. According to officials, 70 percent of those mills are from Maharashtra and the rest from other parts of the country.

For now, the demand is not strong, but it will keep rising from next week as the festive season begins with Raksha Bandhan, and continue all the way till Diwali.

Sugar production in Maharashtra is expected to be 40 percent lower this year, and the governments—both Centre and state—are taking steps to ensure that consumers don't suffer high prices.

So far in 2016, domestic sugar prices have risen 45 percent in line with the surge in global sugar prices. Sugar prices are expected to stay high globally because of crop shortage.

The International Sugar Organization estimates global sugar consumption to outpace production by 3.8 million tons in 2016-2017 season. That's a smaller than an earlier estimate of 6.7 million tonnes, but still a wide enough deficit to push up prices.

And while the government is trying to regulate the local sugar prices by curbing stocking, industry people say lower production and back-to-back droughts are to blame for high prices.

(Source- <http://sugarnews.in/sugar-shares-under-pressure-as-govt-cracks-down-on-stocking/>, published on 10th August, 2016)

Cane growers seek probe into 'irregularities' in Alanganallur sugar mill

Tamil Nadu Sugarcane Growers' Association has sought setting up of an enquiry commission to probe into various irregularities reportedly taken place in the National Cooperative Sugar Mills in Alanganallur.

Members of the association staged a demonstration in front of the mill on Tuesday pressing for a charter of demands including immediate distribution of long pending dues to the tune of RS. 12 crore to the farmers for having supplied cane to the mill.

Besides Rs.450 additional procurement price for a tonne of cane, the mill needs to give its share to farmers from the profit the mill had made in 2009, the association president, N. Palanisamy, said.

Stating that only 35 to 40 tonnes of cane could be grown in one acre of land, he, however, alleged that the records in the mill showed that some farmers had supplied up to 70 tonnes of cane from one acre of farm land.

Mr. Palanisamy also complained that exorbitant quantity of petrol loss due to evaporation had been reported in the fuel station on the mill premises.

While the mill had resolved asking the building contractor to use generators for his construction purpose, Mr. Palanisamy said that the contractor was illegally drawing power from the mill.

Similarly, tress worth several lakhs had been cut on the mill premises, he said.

The association members would stage a protest in front of the Collectorate on September 3, he said.

The association district functionaries K. Kathiresan and S.P. Ilangovan, were among those who took part in the protest.

(Source- <http://sugarnews.in/cane-growers-seek-probe-into-irregularities-in-alanganallur-sugar-mill/>, published on 10th August, 2016)

Sugar output in 2016-17 may be lower due to drought: Govt

Sugar production during the ensuing season of 2016-17 could be lower compared with the current year's estimated output of 252 lakh mt due to drought that hit Maharashtra and Karnataka, Lok Sabha was informed on Tuesday.

MoS for Consumer Affairs, Food and Public Distribution C R Chaudhary, however, said there is sufficient sugar stock available in the current season to meet demand of 255 lakh mt and the government has already taken steps to prevent a price rise of the commodity.

"Due to drought in the states of Maharashtra and Karnataka there is possibility of decrease of in sugar production in the country during the ensuing sugar season 2016-17 as compared to estimated production of 252 lakh mt in the current season," Chaudhary said in a written reply in Lok Sabha.

The minister, however, said it is too early to estimate the sugar production for season 2017-18 at this stage stating that sugar production during a particular season depends on a variety of factors, including area under cultivation, yield, drawal of cane for crushing by mills and recovery of sugar.

On the availability of sugar for the ongoing season, he said: "With an opening stock of 90 lakh mt and estimated production of 252 lakh mt, the availability of sugar in the current sugar seasons is sufficient to meet estimated demand of 255 lakh mt."

The minister further said in order to keep a check on rise in price of sugar, the government has imposed "stock holding and turnover limits on sugar".

"Further, government has imposed custom duty at a rate of 20% on export of sugar to conserve stocks in the country and ensure its availability," Chaudhary said.

In reply to another query, the minister said due to surplus sugar production in the last five consecutive sugar seasons over domestic consumption and depressed sugar prices, the liquidity of sugar mills have been adversely affected leading to accumulation of cane price arrears to farmers.

"As on July 31, 2016, Rs 6,598 crore are outstanding against sugar mills for each of the last three years and the current year," the minister added.

He said the Centre has taken several initiatives to help the sugar industry resolve liquidity problems and thereby facilitate clearance of cane price arrears to the farmers.

Incentive of Rs 483.87 crore on raw sugar export, interest free loans of Rs 6,420 crore under SEFASU, and notification of production subsidy at a rate of Rs 4.5 per quintal cane crushed to offset cane cost, are some of the measures taken up to support the sugar industry, he added.

(Source- <http://sugarnews.in/sugar-output-in-2016-17-may-be-lower-due-to-drought-govt/>, published on 9th August, 2016)

Co-gen/Power

Kudankulam is key to India's nuclear power ambition: Modi

The government is keen to boost nuclear power capacity and is planning to add about 5,000 MW at Kudankulam, Prime Minister Narendra Modi said today.

"In years ahead, we are determined to pursue an ambitious agenda of nuclear power generation. At Kudankulam alone, five more units of 1,000 mega watt each are planned. In our journey of cooperation, we plan to build a series of bigger nuclear power units," Modi said while dedicating, along with Russian President Vladimir Putin, Kudankulam Nuclear Power Project's (KKNPP) first unit to the nation through video conference on Wednesday.

Kudankulam 1 is an important addition to India's continuing efforts to scale up production of clean energy and it is the largest single unit of electrical power in the country, he added.

KKNPP Unit started commercial operation from mid night of December 31, 2014 and it has so far generated 335 crore units. Of the 1,000 MW generated, Tamil Nadu's share is 562 MW, while the rest goes to other southern states.

Also, the second unit of KKNPP attained criticality on July 10. This unit will add about 1,000 MW to the southern grid. This will be India's 22nd nuclear power reactor. With this, Kudankulam site houses two largest power reactors in the country.

Installed capacity

The present nuclear power capacity of 5,780 MW in the country will increase to 6,780 MW with the start of commercial operation of Kudankulam Unit-2 (KKNPP-2). The installed capacity is expected to increase to 10,080 MW by the year 2019 on progressive completion of projects under construction.

In addition, two more projects – KKNPP 3&4 (2X1000 MW) at Kudankulam, in foreign technical cooperation with the Russian Federation, and GHAVP 1&2 (2X700 MW) at Gorakhpur, Haryana – based on indigenous technology have been accorded sanction and work has commenced on these projects. The installed nuclear power capacity will reach 13,480 MW by about 2023.

India and Russia signed an agreement in December 2008 for setting up 3-6 units at Kudankulam site, which was found to have the optimum potential for locating six units each of 1,000 MW.

The government has accorded 'in principle' approvals for setting up four more units, according to an official statement.

(Source- <http://www.thehindubusinessline.com/news/national/kudankulam-is-key-to-indias-nuclear-power-ambition-modi/article8969791.ece>, published on 10th August, 2016)

CIL eyes better sales as imported coal and pet coke prices soar

The recent surge in international coal prices and pet coke might be a boon for Coal India (CIL) as the miner can now expect better sales, particularly of high-grade coal.

Demand for domestic coal from power plants and cement companies has been on the rise. Imported coal prices have surged 30 per cent since June. Currently, imported thermal coal of 6,000 gross calorific value (GCV) costs \$65 or Rs 4,348 a tonne on an average, while pet coke rose 73 per cent. In comparison, CIL's coal of a similar grade is priced at Rs 3,000 for both the power and non-power sectors such as cement and steel.

According to data provided by Platts, globally, thermal coal at FOB Richards Bay 5,500 kcal/kg went up from \$39.5 in the beginning of the year to \$53.3 at present. Similarly, pet coke prices rose from \$45 to \$77. India's total landed cost is much higher.

"Following the increase in imported coal prices and the government's push to increase sales of indigenous coal, consumers now will be interested in higher purchases of Indian coal," said a senior CIL official.

CIL now also sends coal to the ports from where deliveries to the consumers can be made either through inland waterways or the maritime route. A higher offtake will imply CIL increasing production. During April-July, the miner had lagged six per cent to its targeted production of 173 million tonnes (mt). However, the production in absolute terms is higher by four per cent. The offtake situation was further dismal as only 89 per cent of the 196 mt target could be achieved.

Deepak Kannan, managing editor, Asia Thermal Coal, S&P Global Platts, said: "Indian cement companies, which had previously shifted to using petroleum coke, or pet coke, amid attractive prices are now expected to revert to buying thermal coal. Unlike previously expected, Indian demand has not been strong, however, as domestic coal availability has improved and Coal India's production is on a rise. With monsoon season ending in September, Indian buyers are expected to come back into the market mid-to-late August to re-stock, but they face significantly higher prices compared with previous months."

Data from Motilal Oswal showed that Coal India's average monthly e-auction realisations from higher coal grades has been hovering between Rs 2,505 and Rs 3,044 a tonne during the April-June 2016 period as the coal monolith put 17.66 per cent of the total 26.3 mt under the hammer.

"Higher grade allocation of coal in the auction is likely to increase following the recent changes in the imported coal and pet coke prices as non-power sector will try to purchase more indigenous coal," said Dhruv Muchhal, an analyst with Motilal Oswal. "There may be an increase in demand of indigenous coal as Coal India has improved its quality of dispatch as well as sending crushed coal. The rise in prices of imported coal will fillip it further," said Subhasri Chaudhuri, secretary-general of Coal Consumers' Association of India.

Kannan said: "Chinese demand for thermal coal has been strong in the recent months. China has cut the working days for coal mines, which have restricted supplies by 500 million tonnes and major coal miners like Shenhua have been raising their selling prices in the Chinese market. China's production has dropped nearly 10 per cent year-on-year in the first half of 2016 and, hence, China's January-July total imports have jumped 6.7 per cent year-on-year to 129 mt. Indonesia cut its production by about 50 mt in 2015 and heavy unseasonal rains have caused further supply disruption in the country."

Rising prices due to supply cuts and expectations in demand pick-up in India and China will keep global coal prices high. Kannan, however, said: "We believe the recent price rise in coal prices of various origins is mainly driven by supply cuts, but we do not see any fundamental changes to the demand scenario."

(Source- http://www.business-standard.com/article/companies/cil-eyes-better-sales-as-imported-coal-and-pet-coke-prices-soar-116081000476_1.html, published on 10th August, 2016)

Quote of the day

The best preparation for good work tomorrow is to do good work today. Elbert Hubbard