NEWS FLASH – 14th Oct, 2015

SUGAR

Sugar rules steady in limited trade

Sugar prices at the Vashi market ruled steady barring fine variety which went at a premium of ₹ 20-25 a quintal. Activities were limited with routine arrivals and local dispatches.Naka and Mill tender prices were almost unchanged as stockists preferred need-based fresh buying. Freight rates were also steady. Arrivals to Vashi market increased to 62-63 truck loads and local dispatches were at 61-62 loads. The Bombay Sugar Merchants Association's spot rates: S-grade ₹ 2,702-2,881 (2,702-2,832) and M-grade ₹ 2,820-2,996 (2,820-2,971). Naka delivery rates: S-grade ₹ 2,650-2,740 (2,650-2,740) and M-grade ₹ 2,750-2,880 (2,750-2,880).

Source: http://www.thehindubusinessline.com/markets/commodities/sugar-rules-steady-in-limited-trade/article7757620.ece, Dated 13th October 2015

Indian raw sugar export subsidy ruled out for now

Indian raw sugar export subsidies will not be renewed before State elections finish next month and mills are focused instead on exporting white sugar, trade and government sources said.

India has been pushing mills to sell sugar on the international market and use the proceeds to clear huge debts they owe farmers for sugarcane.

The world's number two producer announced new rules last month making it compulsory for sugar producers to increase exports to at least 4 million tonnes in the present crushing season to cut stockpiles.

The raw sugar market has been on tenterhooks for any sign India might renew export subsidies, which expired on September 30, as they would potentially boost global supplies and cap a rally in prices last week to a 7-1/2-month high.

"The government can't take any decision until Bihar elections are wrapped up next month due to an election code of conduct," said an Indian government official.

The official, who declined to be named, was referring to elections in Bihar, India's third most populous state, that are seen as a key test of Prime Minister Narendra Modi's popularity. The election process is expected to be finished by mid-November.

Under the code of conduct, the Government cannot announce policies during the vote that might be seen as appeasing voters.

Raw sugar futures surged to 14.43 cents a pound on Friday, the highest since February, but remained well short of the 17 cents a pound level considered by many traders as a likely trigger for raw sugar export offers from Indian mills.

"Until we have clarity on the export subsidy, we will not produce raw sugar," said Balasaheb Patil, chairman of Sahyadri co-operative sugar factory in Maharashtra.

A Mumbai-based dealer with a global trading firm said: "Even after the rally in raw sugar there is no parity (incentive) for mills. Still their production cost is higher."

"Without subsidy, mills will try to export whites, not raw sugar," the dealer said.

A few mills have contracted to export 12,000 tonnes of white sugar for October shipment at about $410 per tonne free-on-board (FOB) as they need money to start crushing in the new season that started on October 1, Indian trade sources said.

European traders said Indian white sugar was competing against Brazilian and Thai supplies in Asian markets.

Claudiu Covrig, senior agriculture analyst at data provider Platts, said Indian raw sugar would become competitive in the Middle East and Africa if authorities introduced a subsidy greater than 5,000 rupees per tonne.

The previous subsidy of 4,000 rupees per tonne expired on Sept. 30.

"So this year they will need higher support than last year to be competitive as Brazil really is the most competitive producer in the world," Covrig said.

Source: http://www.thehindubusinessline.com/economy/agri-business/indian-raw-sugar-export-subsidy-ruled-out-for-now/article7757435.ece, Dated 13th October 2015

WTO effect: India may halt export subsidies for raw sugar

Buckling under pressure from countries such as Australia and Brazil at the World Trade Organisation (WTO), India is considering discontinuing direct export subsidies for raw sugar which are banned under the multilateral trade rules. It may instead give incentives that are compatible with the regime.

A government official told BusinessLine: "The mandate in the government is to move away from export subsidies. The Department of Food and Public Distribution is in consultation with the Commerce Ministry to explore other options for helping the sugar industry. The message is clear that export subsidies cannot be the answer to the problems facing the industry." The subsidy of Rs. 4,000 a tonne for export of raw sugar, which expired on September 30, has not been extended, much to the disappointment of sugar millers. Millers say that without incentives from the government it would not be possible to export the 4 million tonnes (mt) of sugar that the government has mandated for the current sugar year (October-September 2015-16) as world prices are ruling much below domestic prices.

Need for proper schemes

The subsidies that the WTO allows for exported sugar are either for transportation or marketing. “If subsidies are to be extended for transportation and marketing, proper schemes have to be devised so that these can’t be questioned,” the official said.

The Agriculture Ministry has been announcing subsidies for export of raw sugar for the past two years to help ease the sugar glut in the country and enable millers pay the mounting dues to cane farmers.

However, these subsidies have increasingly come under the scanner of the WTO, with several members claiming that these could distort global prices. New Delhi has got away so far by claiming that it has not disbursed the subsidies to exporters yet, but it faces the danger of being dragged to dispute at the WTO if it is established that such sops are being doled out.

At the recent meeting of the Committee on Agriculture at the WTO, Australia pointed out that if the mandated 4 million tonnes of raw sugar takes place at a subsidised price, it could have an effect on world prices as the amount was equivalent to almost a tenth of world trade.

Through mandatory sugar exports, India aims to reduce the glut in the domestic market and help millers pay cane arrears to farmers, which stood at Rs. 14,000 crore at the end of August.

According to industry estimates, because of higher supplies, there would be a carryover stock of about 10.2 mt in the new season. With sugar output in 2015-16 expected at 28 mt, the total supply next season is pegged at 38.2 mt.

Source: http://www.thehindubusinessline.com/todays-paper/tp-news/wto-effect-india-may-halt-export-subsidies-for-raw-sugar/article7751091.ece, dated 11th October 2015

Government fixes sugar export quota to EU & US for this year

Government today fixed an export quota of 10,000 tonnes of white sugar to the EU and 8,424 tonnes of raw sugar to the US under the existing CXL and TRQ provisions, for this year.

Availing the CXL concessions on export to the EU and the Tariff Rate Quota to the US, traders can export sugar to these destinations at relatively low tariff.

"Hereby allocates a quantity of 10,000 tonnes of white sugar for export of CXL Concessions sugar to European Union (EU)and 8,424 tonnes of raw sugar, out of nonlevy (free sale) quota for export under TRQ to the USA," the Director General of Foreign Trade (DGFT) said in a notification.

The quantity of sugar should be exported in the 2015-16 marketing year (October-September).

The concessions for sugar exports would be subject to the presentation of a certificate of origin issued by the competent authority, the notification said.

To clear surplus stocks and help cash-starved mills clear over Rs 12,000 crore cane arrears to farmers, the government has fixed mandatory export of 4 million tonnes for 2015-16 marketing year.

As per the initial estimate of the Food Ministry, sugar production has been pegged at around 26 million tonnes for 2015-16, over 2 million tonnes lower than last year, on likely shortfall in Maharashtra and Karnataka because of poor monsoon.

This is almost similar to the projection made by the state governments but much lower than industry body ISMA's estimate of 27 million tonnes for this year.

The country had produced 28.1 million tonnes of sugar in the 2014-15 marketing year.

Source:http://economictimes.indiatimes.com/articleshow/49341775.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst, dated 13th October 2015

5 reason the bull run in sugar is not over

The commodities market, be it hard (metals) or soft (agriculture produce) or energy, has had a bad run in 2015. Lower global demand severely affected the commodities market, which failed to attract the ‘easy money’ from quantitative easing.

However, not all commodities were sluggish. In a recent spurt, sugar moved sharply higher catching most tradersunawares. Sugar stocks too rallied in India after a big lag in the commodity markets.

When it comes to tracking sugar, rather than tracking demand, which is slowly increasing globally and is widespread, analysts prefer keeping a close watch on supplies. Brazil and India are the two main producers in the global market. However, India is also a major consumer of the commodity, with a surplus of only 15% which enters the global market.

However, recent chain of events lined in such a way in both the producing countries leading to a sharp 30% rally in sugar prices after the commodity touched a seven-year low on August 24, 2015.

A consensus amongst global commodity analysts for a secular bull run is building up. We look at five reasons why sugar prices may remain high.

1. Poor Indian monsoon can impact next years output: Poor monsoon in India, the second largest producer of sugarcane and sugar, would affect supplies. Though it's still early days, analysts' estimates vary the extent of production loss. There is a consensus on the fact that production will be lower but the quantum varies. Problem in estimating the impact is because in India planting of sugarcane starts in November and continues till January. The current estimates are for crop sown in the previous season. Scanty rains have withered the standing crop which is now being used by farmers as cattle feed. With reservoir levels at a decade low, it would be a difficult call for the government to release water for a guzzler crop like sugar cane. Sanjeev Babar, managing director of Maharashtra State Co-operative Sugar Factories says that Maharashtra's output could drop nearly a quarter to 8 million tonnes next season.

2. China **imports:** Slowdown in China has resulted in falling imports of almost all commodities. However, when it comes to sugar, the country has been a strong importer. China is the world's largest importer of raw sugar, followed by Indonesia. The International Sugar Organization (ISO) said that China is on track to reach record raw-sugar imports for the year ended September 30, with high internal prices of sugar and lower-than-expected production. From October to June, China has imported just under 3.4 million metric tonne of raw sugar versus 3.3 million metric tonne over the year-earlier period. The ISO is predicting China will import 4.5 million metric tonne this year, a record, and that it will break that record again next year, importing 4.6 million tonne. China is the only bullish story in the sugar market, says ISO.

3. Diversion from cane to ethanol in Brazil: Though sugarcane processed this season in Brazil declined by 2.1 per cent, sugar output in the country fell by 11 per cent. This is because mills were converting more cane to ethanol in anticipation of a hike in gasoline prices as imports. A 30 per cent drop in Brazilian real in two months is prompting its government to encourage production of ethanol from sugarcane for blending with petrol. Business Standard reported that hydrated ethanol sales jumped by 45 per cent between January and August this year over last year. In August alone, hydrated ethanol sales jumped 56 per cent in Brazil. With the Brazilian currency unlikely to improve in the near future, diversion to ethanol can continue in the next season.

4. Change in futures contract: Expiration of October sugar contracts has added to the improved sentiment of sugar, says Greenpool Commodities sugar analyst Tom McNeill. March contracts are always valued a little stronger than October. The previous October contract was seen to be the focus of the existing oversupply in the market to some degree.

5. Short covering and long build-up: Sugar as a commodity had seen build-up of bear position for most part of the year. The traders turned net long in the week to September 29, 2015 with the biggest swing bullish position in 14 months. As of Tuesday, long positions outweighed shorts by 23,452 contracts. It is only the third time this year that the bulls have outweighed the bears with the highest net bullish position since July 22, 2014.
Source: http://www.indiansugar.com/NewsDetails.aspx?nid=4857, Dated 12th October 2015.

Evolve dual pricing system for sugar based on usage

Both the Centre and State government must ensure that the fair and remunerative price (FRP) for sugarcane announced by the former was implemented by all sugar mills in the country, said Swabhimani Shetkari Sanghatana president Raju Shetti, Lok Sabha member from Hatkanagale in Kolhapur district of Maharashtra.
Speaking to presspersons here on Sunday, he said many sugar mills were not inclined even to pay the FRP, let alone giving good price to growers.
Also, there was inordinate delay in payment of the sugarcane bill in violation of the Sugarcane (Control) Order, 1966. If a mill delays payment beyond 14 days in violation of this Order, the government must take action as per the law.
The centre has announced Rs. 2,300 per ton of sugarcane linked to basic sugar recovery rate of 9.5 per cent and Rs. 242 per tonne for one percentage point above the basic level for the crushing year 2015-16.
Dual pricing
Replying to questions, Mr. Shetti said the Centre must evolve dual pricing mechanism for domestic and commercial sugar, which would go a long way in improving financial health of sugar mills and the growers. Hardly 22 per cent of the total sugar produced in the country was consumed in domestic sector and rest was used by the commercial sector such as chemical, pharmaceutical, hotel, and food and beverage manufacturers.
The government should either fix higher prices for commercial sugar or levy additional surcharge, he said. He was not forthcoming clearly when asked on farmers’ demand for share in the income from the sugarcane byproducts and said it was for the government to look into various aspects of sugarcane economics and protect interests of growers as well.
Source: http://www.indiansugar.com/NewsDetails.aspx?nid=4858, dated 12th October 2015

Most sugar units get Centre's soft loan

Most sugar factories in the district have received the soft loan assistance of Rs 291.76 crore from the Centre after they filed reports confirming payments to farmers for last season. The office of joint director, sugar commissioner, Kolhapur has prepared a detailed report of loan amount and its disbursement to the farmers.

About 15 of the 20 sugar factories from Kolhapur district have benefited from the scheme. Only one sugar factory in the district - Mahadik Sugars in Farale (Radhanagari tehsil) - has not received any financial assistance so far. The Sarsenapati Santaji Ghorpade Cooperative Sugar Factory in Kagal tehsil did not apply for the scheme.

Another factory, Tatyasaheb Kore Warna Cooperative Sugar Factory Ltd, has received only a partial amount of its total loan proposal. Out of Rs 47.11 crore proposed in its loan documents, it has received only Rs 23 crore from the union government.

All the factories had submitted the reports of total payment being made to the accounts of farmers in the district. Most of the farmers have their accounts with Kolhapur district central cooperative bank as well as with nationalised banks, where the soft loan amount has been disbursed, the report said.

The Union government had earlier this year announced a soft loan package for the ailing sugar factories in the country. The total package of Rs 6,000 crore was announced and was to be disbursed as soft loan to the factories. The government stated that the soft loan scheme was only for those factories that would submit the report of payment of 75% of sugarcane purchase amount based on FRP formula to the farmers.

P G Medhe, consultant to Chhatrapati Rajaram Cooperative Sugar Factory Ltd said, the strict rules introduced by the Union government had put a lot of pressure on the sugar factories. The factories are more connected to the farmers than the government but still the entire treatment towards the factories has been strict and complicated.

Meanwhile, three cooperative sugar factories in the district have also produced raw sugar, as per the appeal made by the union government in late January this year. Though the season was almost ending, Chhatrapati Shahu Cooperative Sugar Factory produced 2,29,550 quintals raw sugar and exported it. The Warna cooperative produced 2,85,555 quintals of raw sugar along with its existing stock of 61,378 quintal before the beginning of the season 2014-15. The factory could export only 1,92,875 quintal while the rest of the raw sugar is still with the factory.

Udaysingh Gaikwad cooperative sugar factory from Shahuwadi tehsil also produced 85,210 quintal raw sugar but exported only 60,400 quintals so far, stated the report generated by the joint directors office.
Source: http://timesofindia.indiatimes.com/city/kolhapur/Most-sugar-units-get-Centres-soft-loan/articleshow/49332683.cms, Dated 13th October 2015

POWER

India gets power boost from 58% drop in gas prices

The Dabhol Power Project – once a showcase of foreign investment and state-of-the-art technology – owes Rs 8,500 crore to a group of banks including IDBI Bank, State Bank of India, ICICI Bank and Canara Bank, and has been idle since 2013 on India's Konkan coast, 160 km south of Mumbai.

Over the past two years, the 1,967-megawatt (MW) project has generated no electricity. Not only is the entire investment at risk, the shutdown of the power plant–fired by relatively clean-burning natural gas–starves India of much-needed power, as **IndiaSpend** had reported.

To use a cliché, this is just the tip of the iceberg.

Including Dabhol, India has 24,000 MW of natural-gas-fired power plants, a tenth of its power generation capacity. Many of these plants are either idle or operating at a fraction of their rated capacity. This means investments worth billions of dollars are at risk.

There is now hope for these stranded assets becauseprices of petroleum and natural gas have fallen in global markets.

The price of liquefied natural gas (LNG) has fallen 58%, from \$18.3 per million British thermal units (mmbtu) in April 2014 to \$7.7 per mmbtu in September 2015–mirroring the drop in crude oil prices. As a result, the price of gas-based electricity has also plummeted, making it attractive to some consumers. For instance, there is a proposal to supply electricity from the Dabhol project to Mumbai's suburban railway system at Rs 5 to 5.5 per unit, starting November 1, 2015.

The gas-power sector is beginning to show improvement. For September 2015, India's gas-fired power plants operated at 25.4% of their rated capacity, also called the plant load factor (PLF). This may not seem much, considering that coal- and nuclear-fuelled power plants operate at 60% to 80% of capacity.

But it is an improvement from 2014-15, when gas-fired power plants operated at 20% of capacity. This means if they had the capacity to produce 100 units of electricity, they produced 20 units.

Table 1: Gas, Coal And Nuclear-Power Plants: Capacity Used			
	September 15	**April-September 15**	**April-March 2105**
Gas	25.4%	21.8%	20.8%
Coal	63.4%	60.4%	64.8%
Nuclear	66.9%	75.1%	80.5%

Source: Central Electricity Authority

Why natural gas is important to India's economy

Most gas-fired power plants were built after 2002, when major natural-gas discoveries were announced in the Krishna-Godavari basin, first by Reliance and later by other companies, including ONGC and Gujarat State Petroleum. It emerged that the projected gas supply was too optimistic, leaving these plants without fuel.

Importing natural gas, shipped in as a liquid–liquefied natural gas or LNG–was too expensive for these plants; electricity generated from imported LNG would have cost upwards of Rs 10 per unit, 200% more expensive than coal-generated electricity, which costs Rs 3.25 per unit (NTPC, financial year 2014-15) and accounts for nearly three-quarters of India's electricity needs.

A number of power-generation companies, including Lanco, GVK, GMR and Torrent Power, and the banks that loaned them money, floundered. This is a key factor holding down India's infrastructure sector.

If international gas prices continue to remain low, these investments could be recovered. This could happen, because of some global developments:

- Japan is restarting some of its nuclear power plants, which will bring down demand for LNG in that country, the world's biggest customer for LNG.
- The US, the world's largest producer of oil and gas, will soon start to export.
- Iran, with the world's second-largest gas reserves, may soon become a part of the global gas market, as sanctions on its petroleum industry are rolled back.

To benefit from the trend, India needs to lock-in gas supplies at low prices. This will ensure power plants continue to have cheap fuel in the future.

India, however, will also have to grapple with other related issues, including the financial mess at state electricity boards and the problems of free-power and power-theft.

Source: http://www.business-standard.com/article/specials/india-gets-power-boost-from-58-drop-in-gas-prices-115101400207_1.html, dated 13th October 2015

Govt estimates 2000 MU power shortfall in state

The power scenario in the state may worsen further as the state government has estimated a shortfall of around 2,000 million units (MU) from hydropower projects in the state by the end of the fiscal.

"Due to the low water level in major reservoirs, until September this year, there was a shortfall of around 1,000 MU of power from the hydro sector. As compared to the previous year, we expect a shortfall of around 2,000 MU by the end of the year," said energy secretary Suresh Mohapatra after a meeting.

He said production from the hydro sector would be further reduced during winter (from November to January).

In 2014-15, the state's total power production from the hydro sector was pegged at 6,473 MU. By September-end this year, power production from hydro projects was 2,989 MU against 4,073 MU in the same period in 2014-15, sources in the state energy department said.

Due to fall in water level in major reservoirs, the state now gets an average of 550 MW a day from the hydro sector against the total capacity of around 2,000 MW.

While there was only 57% water in the Indravati reservoir, the water level was 83% in the Upper Kolab and 73% in the Balimela reservoir.

The energy secretary refused to reply when asked whether the duration of power cuts would be increased further. "In the first week of November, we will have a meeting with the water resources department to finalize the schedule of power generation from different hydro power projects. We will get a clear picture after that," he said.

To meet the peak-hour demand at present, the state gets 100 MW of power per day from Delhi. It is also planning to purchase more power from states like Himachal Pradesh and West Bengal. Currently, the state's peak power requirement is 4,100 MW.

The state also gets around 150 MW from the Kanhia unit of the National Thermal Power Corporation and 60 MW from Talcher Thermal Power Station. "We have also asked three independent power producers - GMR Kamalanga Energy Ltd at Kamalanga in Dhenkanal, Jindal India Thermal Power Ltd at Deranga in Angul and Sesa Sterlite Ltd at Bhurkamunda in Jharsuguda - to augment their production to meet the requirement," Mohapatra added.

On October 9, the state government announced there wouldn't be power cuts in the evenings till November 15 keeping the festive season in mind.

Source: http://timesofindia.indiatimes.com/city/bhubaneswar/Govt-estimates-2000-MU-power-shortfall-in-state/articleshow/49347454.cms, dated 14th October 2015

Coal case: Court frames charges against former coal secy, 5 others

A special court today framed charges against former coal secretary HC Gupta and five others in a coal scam case pertaining to alleged irregularities in allocation of a coal block in Madhya Pradesh to an accused firm.

Special CBI Judge Bharat Parashar put the six on trial for alleged offences under Section 120-B (criminal conspiracy) read with 420 (cheating), 409 (criminal breach of trust by public servant) of IPC and under relevant provisions of Prevention of Corruption Act.

Besides Gupta, the court framed charges against two senior public servants, KS Kropha and KC Samria, firm Kamal Sponge Steel and Power Ltd (KSSPL), its managing director Pawan Kumar Ahluwalia and chartered accountant Amit Goyal.

Kropha was the then Joint Secretary in Ministry of Coal, while Samria was the then Director (Coal Allocation—I) section in the ministry.

The court has now fixed the matter October 28 for admission/denial of documents by accused, filed in the case by CBI.

The court had on October 1 ordered framing of charges against these accused observing that former Prime Minister Manmohan Singh was kept in the “dark” by Gupta, who had prima facie violated the law and the trust imposed on him on the issue of coal block allocation.

The case pertains to alleged irregularities in allocation of Thesgora—B Rudrapuri coal block in Madhya Pradesh to KSSPL.

The court on October 13 last year had summoned them as accused after refusing to accept CBI’s closure report. The accused were earlier granted bail by the court.

The CBI had lodged an FIR against KSSPL, its officials and other unknown persons for alleged misrepresentation of facts, including inflated net worth, to acquire the coal block.

Source: http://www.thehindubusinessline.com/news/coal-case-court-frames-charges-against-former-coal-secy-5-others/article7760803.ece, Dated 14th October 2015

Power sector employees call for nationwide strike on Dec 8

National Coordination Committee Of Electricity Employees and Engineers (NCCOEEE) will go on a day-long strike on December 8 to protest against Electricity (Amendment) Bill2014.

"NCCOEEE has decided to observe one day strike/work boycott on December 8 against Electricity (Amendment) Bill 2014 during Winter Session of Parliament. Strike decision has been taken by NCCOEEE in its meeting held at Delhi," a press release by All India Power Engineers Federation (AIPEF) said.

As per the statement, NCCOEE has termed the proposed bill as anti-people and has decided to oppose it tooth and nail.

NCOEEE has decided to strike on December 8 throughout the country. About 1.2 million power employees and engineers are likely to participate in nationwide strike.

The Electricity (Amendment) Bill, 2014 was introduced in Lok Sabha in December last year. It seeks to segregate the distribution network from the electricity supply business.

The bill also seeks to introduce multiple supply licencees in the market. It will enable consumers to choose their service provider.

All state units of power engineers and employees will hold state conventions and mass demonstrations or rallies at state capitals in the month of November to mobilise for the December 8 strike.

NCCOEEE has planned for massive demonstration on November 6 at Kochi where power ministers conference of all states has been arranged by the Power Ministry.

According to NCCOEEE, the bill which seeks to split electricity distribution sector into carriage and content to enable profit mongers to enter into supply business of urban and revenue potential area without any investment for development or expansion of the power industry.

The proposed bill if enacted will open the sector for cherry picking by the suppliers pressing the poor and low end consumer to pay more for consumption of Electricity, it added.

Source: http://www.business-standard.com/article/economy-policy/power-sector-employees-call-for-nationwide-strike-on-dec-8-115101200446_1.html, dated 12th October 2015

DISTELLERY

Chemical ministry calls stakeholders meet to discuss ethanol supply gap

Scheduled for October 19, the meeting will be attended chief secretaries of sugarcane producing states and industry representatives

Face with an insufficient quantity of ethanol from sugarmills, the Department of Chemical and Petrochemicals has called for a meeting of chief secretaries of all sugarcane-producing states to discuss the supply gap.

Scheduled for October 19, the meeting will also be attended by representatives of sugar, ethanol, chemical and liquor industries. The agenda for this meeting are very important for all stakeholders of sugar and allied industries, sources said.

“The government has convened a meeting of all stakeholders of all three concerned industries including sugar, chemical and liquor on Monday to discuss how ethanol supply can be improved to achieve its 10 per cent blending target with petrol,” said a senior industry official who is also invited to attend the meeting to represent one segment of sugar industry.

The trouble began with the very weak response from sugar mills for recent ethanol procurement tender. Over six-week ago, Bharat Petroleum Corporation Ltd (BPCL) issued a tender on behalf of all oil marketing companies (OMCs) including Indian Oil Corporation (IOC) and Hindustan Petroleum Corporation (HPCL) and itself, to procure 2660 million litre of ethanol for 12-month period ending September 2016.

According to trade sources, sugar mills offered just 1400 million litre for supply during the period under consideration, of which OMCs finalised tenders for less than 920 million litres. If blended with petrol fully, that quantity will constitute less than 3.5%, just over a third of the government’s target of 10%.

“The government asked us to jump to 10 per cent from 3.5 per cent which would not be possible straight away. It will happen step-by-step,” said Abinash Verma, Director General of the apex industry body Indian Sugar Mills Association (ISMA).

In fact, the installed ethanol manufacturing capacity in India stands at 2240 million litres with an average annual operating capacity of 80 per cent. So, the industry is required to invest heavily in capacity build up followed by storage and transportation facilities which, according to Verma, would take time.

Meanwhile, in order to encourage sugar mills to intensify supply, the government earlier raised ethanol prices to Rs 48.5 – 49.5 a litre. Earlier this month, the government also exempted central value added tax (Cenvat) to increase suppliers' realisation at least by Rs 3 a litre.

Another problem the sugar industry is cumbersome inter-state transportation taxes.

Despite all these measures, sugar mills are inclined to supply ethanol to competing industries including liquor and chemical manufacturers probably because of high price offer from them. While chemical manufacturers have the option to import extra neutral alcohol (ENA), a pre-form of ethanol, liquor manufacturers offer high price in case of short supply.

"OMCs face competition from liquor and chemical manufacturers as the two sectors consume 70-75 per cent of ENA production in India. Since, liquor manufacturers pay higher than the actual realisation from ethanol, sugar mill supply ENA to them. Apart from that, chemical industry also consume immensely. So, it is important for the government to allow duty free import of ENA for chemical manufacturers and reduce import duty on liquor," said V N Raina, Director General, All India Distillers' Association.

Meanwhile, chemical industry has urged the government not to subsidise sugar mills for ethanol as supply of ENA for chemical production would be insufficient.

Source: http://www.business-standard.com/article/economy-policy/chemical-ministry-calls-stakeholders-meet-to-discuss-ethanol-supply-gap-115101400255_1.html, Dated 14th October 2015

U.S. ethanol producers face thin profit margins

Following 18 months of record earnings, the U.S. ethanol industry has rebalanced in 2015. As energy prices collapsed in late 2014, so did ethanol prices and plant margins.

However, ethanol's supply and demand has remained well balanced, and producers have maintained positive earnings, according to a new report from CoBank titled, "Ethanol Industry Rebalances."

Looking ahead through 2016, the report says plant operators will face dueling positive and negative shifts in the market that are likely to result in lean, yet positive margins.

"With corn prices expected to remain relatively static, it will be the prices of distillers grains and ethanol that determine the direction of earnings," Dan Kowalski, the report's author and director of CoBank's Knowledge Exchange Division, said in a company news release.

"Ethanol profitability will largely hinge on two key factors: the volatility of energy prices and the industry's ability to maintain strong export sales," he added.

The report also points to the importance of sustained discipline in growing production capacity and output.

The industry will see little growth in domestic sales as a result of improving fuel efficiency in the nation's vehicles and changes to the EPA's renewable fuels blending mandate. The EPA's proposed alteration to the Renewable Fuels Standard (RFS) is expected to be approved later this year, and will set a floor beneath the current 10 percent blending level. However, the new policy will not incentivize retailers to sell higher ethanol-blended fuels.

"Somewhat counterbalancing the domestic picture is the potential for increased export sales," said Kowalski. "Brazil has increased its domestic ethanol blending rate to 27 percent, which has impeded its ability to supply product to foreign markets, and U.S. producers will continue to benefit as their share of world trade increases."

The report cautions foreign markets also pose a risk to ethanol producers. China, which currently imports 60 percent of U.S. distillers grains, is expected to change its grain policies to discourage the import of corn-alternative feed grains. These changes could significantly impact producers' bottom lines.

The report was produced by CoBank's Knowledge Exchange Division, which draws upon the internal expertise of CoBank, knowledge within the Farm Credit System and boots-on-the-ground intelligence from customers and other stakeholders.

Source: http://www.iowafarmertoday.com/news/crop/u-s-ethanol-producers-face-thin-profit-margins/article_b02337d0-6dd9-11e5-8ca4-7f524e126078.html, Dated 12th October 2015