NEWS FLASH – 15th Oct, 2015

SUGAR

Selling pressure drags sugar

Sugar prices at Vashi spot market declined by ₹10-15 a quintal on pressure of lifting sugar from mills which led stockists to offer discounts to manage stock inventory. Naka and mill tender rates were steady. Freight rates were unchanged. And inventory at Vashi market remained at 105-110 truck loads. Arrivals to the Vashi market remained routine at 61-62 truck loads and local dispatches were at 58-60 loads. On Tuesday evening about 14-15 mill offered tenders and sold about 50,000-55,000 bags at ₹2,620-2,700 (2,620-2,700) for S-grade and ₹2,720-2,800 (2,720-2,800) for M-grade. The Bombay Sugar Merchants Association's spot rates: S-grade ₹2,685-2,802 (2,702-2,832) and M-grade ₹2,802-2,996 (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/selling-pressure-drags-sugar/article7762087.ece, dated 14th October 2015

Sugar mills speed up export contracts as global prices rise

A sudden increase in the prices of sugar in global markets has made exports somewhat viable and mills are expediting contracts for delivery in the October 2015-September 2016 crushing season. Indian mills aim to export the full four million tonnes of sugar announced by the government for this crushing season, with or without subsidy.

The mills have finalised contracts for over 100,000 tonnes before the season begins.

Signed bilaterally and also through the recently incorporated Indian Sugar Exim Corporation, a company set up by the Indian Sugar Mills Association (ISMA) and co-operative mills, most orders are from Asian countries and West Asia.

"We are going to finalise 100,000 tonnes of export orders very soon," said Abinash Verma, director-general, ISMA.

At the current price of Rs 29,000 a tonne for the M30 variety, the industry is incurring a loss of Rs 1/kg, which sugar mills have agreed to absorb because of their experience from the last season. Between the government's announcements of exports and the subsidy, the price of sugar crashed by Rs 9,000 a tonne last year. Since prices have firmed up in the last few days, sugar mills want to take advantage by signing contracts for the maximum quantity.

"Assuming we achieve the export ceiling of 4 million tonnes, it will comprise merely 15 per cent of India's estimated production of 27 million tonnes. If the price of sugar rises by 1-1.50 a kg in the domestic market, we will be able to compensate for the loss in exports from the remaining 85 per cent of the output," Verma said.

SWEET DEAL

Variety	Aug 20, '15	Oct 13, '15	% Chg
Sugar (intl) $/tonne	333	390	**17.12**
Sugar (domestic) (₹/tonne)	25,210	29,080	**15.35**
Rupee vs dollar	65.55	65.16	**0.59**

Compiled by BS Research Bureau
Source: Sugar Associations, Bloomberg

In the benchmark London market, the price of sugar has jumped to $390 a tonne, a rise of 17.12 per cent from the bottom of $333 a tonne on August 20. In tandem, sugar M in Mumbai's Vashi market jumped 15.35 per cent to Rs 29,080 a tonne today from Rs 25,210 nearly two months ago.

The reason for the rise in international sugar prices is the deficit forecast for the 2015-16 crushing season. Leading global research firms like Kinsman have forecast a global sugar deficit of 3.2 million tonnes in the current season against a 3.4 million tonne surplus last year. With a downward revision in India's estimated sugar output to 27 million tonnes for 2015-16, a 2 per cent decline from the previous year, production is likely to surpass consumption by 3.5 million tonnes.

Source: http://www.indiansugar.com/NewsDetails.aspx?nid=4862, dated 14th October 2015

Sugar high? This commodity could stage a sweet comeback

After four consecutive years of annual price declines, 2015 could see sugar stage a sweet comeback.

A slew of supply disruptions have propelled ICE raw sugar prices 36 percent higher to about 14 U.S. cents a pound on Wednesday, up from a seven-year low of 10.44 cents in August, and analysts believe the gains are likely to continue amid sliding output from the world's top producers.

"In India, an early withdrawal of the monsoon and higher ethanol output in Brazil could be disruptive enough to drive the market into a severe deficit, as seen in 2009, when the sugar price rallied 90 percent in just four months," Barclays pointed out in a recent report.

The past few years have been anything but a sugar high for the commodity. Prices have plunged 25 percent over the past two years as countries churned out record production, but fortunes now appear to be changing.

A milder-than-expected monsoon in India, the world's second-biggest producer, could see its sugar output decline 5 percent this year, as Maharashtra and Uttar Pradesh, key sugar-producing regions, experience rains 20-50 percent below normal. Even though India boasts high inventory levels, Barclays believes a severe drought brought on by the El Nino weather phenomenon could force the country to convert from a sugar exporter to an importer this year.

"Recall that, a drought back in 2009 in India led sugar prices to a 30-year high," according to the bank's note.

Meanwhile, Brazil—the world's largest producer—is ramping up production of ethanol, of which sugarcane is a key ingredient.

Ethanol production increased an annual 4 percent to 28.6 billion liters in 2014 and is expected to hit 44 billion liters by 2024, according to state-run research firm Empresa de Pesquisa Energetica (EPE).

Brazilians are consuming more of the alternative fuel because it's cheaper than gasoline. The real's 44 percent depreciation against the greenback has made crude oil imports more expensive, forcing state-run oil behemoth Petrobras to raise gas prices by 6 percent two weeks ago. Despite being one of South America's top oil producers, the country still needs to import vehicle fuels to meet domestic demand.

In China, the world's fourth largest sugar producer, low profitability is hurting output, Barclays noted.

"Sugarcane farming has turned into a money-losing business since 2014 on rising labor cost and declining average selling prices, leading to farmers rotating to other crops [like eucalyptus, bananas, and vegetables]."

Typhoon Mujigae also leveled plantations in the southern Chinese region of Guangxi, responsible for 63 percent of national production, when it made landfall in early October. With harvesting starting in November, it's too late to replant, Barclays warned.

"Previously, any bullish news about sugar was always taken with a grain of salt since the supply backdrop remained in excess but now there is a real supply disruption, so the price rally should be sustainable," noted Avtar Sandhu, senior commodities manager at Phillip Futures.

He cautions that there's still a chance for the market to end the year with a surplus. But the situation could be revisited in 2016.

"Harvesting season has already arrived for major producers like Brazil and India so these disruptions may not matter much for this year's crop. Next year should definitely see the market in deficit."

Source: http://www.cnbc.com/2015/10/14/ice-raw-sugar-prices-set-to-jump-on-india-brazil-china-market-deficit.html, dated 14th October 2015

Refined Sugar Sellers Benefit From Tight Thai Supply: Report

Indian refineries selling sugar are benefiting from tight Thai supplies and longer shipping times from Brazil to key markets, European traders said on Wednesday.

Availability of high quality, '45-ICUMSA' Thai white sugar is scarce, sapped by recent heavy Chinese buying, before the new Thai cane harvest comes on stream around January.

Traders spoke of buying interest for Thai 45-ICUMSA containerised sugar for November shipment at around $45 over December white sugar futures, while refined sugar from Indian refineries was at $20-30 over December.

ICE December white sugar futures rose $2.30 or 0.60 per cent to $383.70 a tonne on Wednesday.

One trade source said an offer of Thai 45-ICUMSA containerised white sugar was heard this week at $55 over December.

Brazilian 45-ICUMSA containerised sugar was quoted at $7-8 over December futures, with freight from Brazil to Far Eastern markets at around $25-30 per tonne.

Longer shipping times from Brazil could give a competitive edge to supplies from Indian refineries and Thailand offered to leading regional markets, traders said.

Some Indian port refineries import raw sugar from Brazil, refine and re-export it in so-called "tolling" operations.

White sugar exports from Indian refineries have the potential to compete to markets in the Red Sea, East Africa and the Indian Ocean, traders said.

The pace of Chinese demand for high quality Thai white sugar is believed to have slowed down as front-month white sugar futures surged to $395.50 per tonne, a 7-1/2-month high, on Monday.

Indian mills are looking to boost refined sugar exports in order to raise cash for the coming crushing season, traders said.

Source: http://profit.ndtv.com/news/industries/article-refined-sugar-sellers-benefit-from-tight-thai-supply-report-1232273, Dated 14th October 2015

POWER

FTIL sells 11% stake to exit Indian Energy Exchange

Financial Technologies (India), or FTIL, has sold its remaining equity stake of 11 per cent in Indian Energy Exchange (IEX) for an undisclosed sum. With this, the company has completed sale of its entire stake and exited from IEX, complying with a Supreme Court's direction.

According to informed sources, the firm concluded its 3.34-million shares sale on a fully diluted basis to DCB Power Ventures and Kiran Vyapar and the said quantity of shares were transferred to these purchasers from the escrow account.

On October 7, the company had announced the sale of 2.6 per cent additional stake in IEX to Aditya Birla Capital Advisors (for and on behalf of Aditya Birla Trustee Company, Trustees to the Aditya Birla Private Equity Fund I), and Aditya Birla Capital Advisors (for and on behalf of Aditya Birla Trustee Company, Trustees to the Aditya Birla Private Equity Sunrise Fund). Accordingly, 788,544 equity shares have been transferred to the two purchasers from an escrow account with Axis Bank

Source: http://www.business-standard.com/article/markets/ftil-sells-11-stake-to-exit-indian-energy-exchange-115101401386_1.html, Dated 14th October 2015

New transmission lines reduce congestion in southern India

Additional 3,000 MW to be available in the region

Transmission congestion in southern India has reduced due to the commissioning of the Raichur-Solapur and Aurangabad-Solapur lines. This has helped evacuation of 2,000 MW of power. Besides, the PowerGrid Corporation expects completion of Kolhapur-Narendra transmission line by October end which will lead to further evacuation of 1,000 MW in south India.

As on date, India's inter regional transfer capacity is 51,650 MW and the PowerGrid Corporation has already proposed to increase it to 65,000 MW by the end of 12th plan. The southern region on December 31, 2013 was connected to Central Grid in synchronous mode thereby the country achieved 'one nation one grid one frequency'.

Union minister of power Piyush Goyal told Business Standard, "Well you are well aware that monsoon this year was very deficient so hydel generation has come down in certain states including Karnataka, some north Indian states which has increased the load demand in the summer months particularly. However, I think that will be a thing of the past. You might be aware that already southern corridor has seen some significant addition last week. In fact Tamil Nadu has now surplus power. In the northern region also Agra-Bareti transmission line was commissioned. So we are working very aggressively."

PowerGrid Corporation's former chairman and managing director R N Nayak said India is one market now except for few hours during the day. "With the increase in transmission capacity pan India electricity price is emerging as one price. The transmission congestion will further reduce especially in southern India after new lines will be completed."

Power Exchange India Ltd MD and CEO M G Raoot said the commissioning of 765 kV Solapur - Raichur transmission lines between Maharashtra and Karnataka has led to allocation of transmission capacity for medium term and bilateral purchase of power by State entities.

"Transmission constraints are yet to be mitigated for transfer of power between S1 and S2 regions. S1 comprises of Karnataka, Telengana and AP. S2 comprises of Tamil Nadu and Karnataka. Allocation to Day Market is not a priority as the transmission capacity is allocated to meet bilateral trade flow of Utilities of Southern States."

Raoot informed that the average power prices for day ahead market discovered on the exchange in Southern region are around Rs 3.68 per unit in July-15 to Rs 6.17 per unit in Sep-2015 for S1 region. Similarly in case of S2, the average price are Rs. 3.68 per unit in July -15 to Rs. 6.18 in Sep-2015.

He said the new lines have provided must needed stability to the transmission system and has helped transfer more power into the SR benefitting the Southern States.

Source: http://www.business-standard.com/article/economy-policy/new-transmission-lines-reduce-congestion-in-southern-india-115101400824_1.html, Dated 14th October 2015

Power-starved Karnataka to force a 5-day week on industries

Soon after Dasara, industries in Karnataka will be asked to operate a five-day week as the state government intends to ration power to the sector. Faced with an acute shortage, and keen on keeping domestic users and farmers happy ahead of panchayat elections in December, the government has decided to lower the axe on industry.

During the "power holiday", the state will ask industries to shut down, in a staggered manner, an additional day in a week. The power cut will be enforced from 6am to 6am the next day, implemented on different weekdays for different industrial clusters.

"With the power crisis in Karnataka showing no signs of abating soon, we have decided to ask industries to have an extra holiday every week. We will soon hold a meeting with all industry bodies to seek their cooperation," says Pankaj Pandey, MD of Bescom, the first of the escoms to impose a power holiday.

Despite the crisis, chief minister Siddaramaiah has some comforting words. "The power shortage that you are seeing today is a temporary phase. We are working towards energy security for Karnataka and planning to add 22 gigawatts of all forms of power by 2022," he said on Wednesday at the inaugural of preparations for Invest Karnataka 2016.

Bescom officials say the state is facing a shortage of 2,500-3,000 MW of power every day in view of low generation in its thermal and hydroelectric stations. The shortfall, expected to grow in the coming weeks because of the festive season, could last until the new year.

By imposing a power holiday on over 10,000 industries, including large and medium ones in Bengaluru, the government hopes to save 250-300 MW per week. Pandey says Bescom will announce in 8-10 days power holidays for different industrial areas.

The severe power supply crisis is likely to stymie the efforts of the industries department to project the state as an attractive investment destination at Invest Karnataka in February 2016. "This will be a big blow to our plans to lure investors. Karnataka has to learn from Telangana, which imposed a two-day power holiday on industries and was later forced to withdraw it after potential investors started shying away," says a senior official involved in preparations for Karnataka Invest.

A senior official in the energy department says the power holiday has nothing to do with shortage. "Ahead of the panchayat elections in December the government is keen on ensuring a minimum of 20 hours supply to domestic consumers and 10 hours of three-phase supply to rural areas in the backdrop of increasing farmer suicides. They desperately want suicides to stop by then," according to him.

Vishwanath Belliappa, senior VP & Group Head, Enzen Global Solutions, dismisses the government claim that 250-300 MW will be saved. The proposed power holiday will, directly and indirectly, cause industries a loss of nearly Rs 200 crore. Instead, he says, the government should either extend the diesel subsidy for industry using captive power or buy power by spending another Rs 1,000 crore a month.

Source: http://timesofindia.indiatimes.com/india/Power-starved-Karnataka-to-force-a-5-day-week-on-industries/articleshow/49363740.cms, Dated 15th October 2015

Price war hits power plan

- Captive plants want rate hike

Bhubaneswar, Oct. 14: At a time when the state is reeling from electricity shortage, a price row with captive power plants has hit the government's effort to overcome the scarcity.

The power plants, which had hitherto been supplying electricity to the state government at Rs 2.75 per unit, are now demanding Rs 3.20 paise per unit but the government is not ready to oblige them. While the matter is likely to reach the Odisha Regulatory Authority (OERC), the arbiter of energy-related disputes, the state government has asked the power plants to supply electricity at the earlier fixed price.

Confirming the battle over prices, energy minister Pranab Prakash Das told **The Telegraph**that the government would approach the OERC on the issue.

"If we accept this demand, the state will have to bear an additional burden of Rs 240 crore to buy 1,000 million units of power. As we don't want this, we are now purchasing only a negligible amount of power from the captive power plants. We are getting bulk of power from independent power producers," said an official of energy department.

Odisha Captive Power Plants Association secretary, Siddartha Panda said: "Unlike the independent power producers, which are bound to give 18 per cent of their generation to the state, we are not bound by any such law. Captive power plants will only give their surplus power to the state. However, at present we are not able to supply power at rates fixed by the government."

Panda also said that Gridco, the state's transmission utility, should clear dues of captive power plants before asking for more electricity.

"The government may coerce small captive power plants units to supply power, but big units won't do this at the prevailing rates," he said.

Spokesperson for Jindal Steel and Power Limited D.P. Mishra said: "We are ready to supply power to the state at their request, but we have asked for the minimum support price so that we can break even. We are producing power from imported coal that adds to our generation cost."

Mishra said that in 2011 and 2012, when the state was passing through a power crisis, the company had supplied 150-200MW of power. "Right now we are not supplying any power to the state, but we are ready to cooperate," he said.

D.K. Gupta of MSP Metallics, which also has a captive power plant, said: "As the cost of production has gone up over a period time, power producers are left with no option but to demand a hike."

The state government is certain to approach the OERC to stop captive power plants from demanding a hike in power rates. "They were given land by the state government at a concessional rate. They are using water and other facilities provided by the government. More importantly, they are generating power for their own consumption and giving us only surplus power for which they should not charge more," said a Gridco official.

Source: http://www.telegraphindia.com/1151015/jsp/frontpage/story_48050.jsp#.Vh9OrH4rLcc, Dated 14th October 2015

ETHANOL

Meet to discuss poor supply of ethanol

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

Concerned over poor supply of ethanol by sugar mills, the department of chemicals and petrochemicals has convened a meeting of chief secretaries of sugar producing states.

Scheduled to be held on Monday, the meeting will also be attended by stakeholders of the sugar, ethanol, chemical and liquor industries. According to sources, the agenda for this meeting is very important for all stakeholders.

"The government has convened a meeting of all stakeholders of all three industries concerned 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 has also been invited to attend the meeting to represent one segment of the sugar industry.

The trouble began with the very weak response from sugar mills for the recent ethanol procurement tender. Earlier, Bharat Petroleum Corporation (BPCL) issued a tender on behalf of all oil marketing companies (OMCs) to procure 2,660 million litres of ethanol for a one-year period ending September 2016.

According to trade sources, sugar mills offered only 1,400 million litres. The OMCs finalised a tender of less than 920 million litres, which if blended with petrol fully will constitute less than 3.5 per cent, against the government target of 10 per cent this year.

"The government has asked us to increase supply to 10 per cent from 3.5 per cent, which would not be possible straightaway. It will happen step-by-step," said Abinash Verma, director-general of Indian Sugar Mills Association (ISMA).

The installed ethanol manufacturing capacity in India stands at 2,240 million litres with an average annual operating capacity of 80 per cent. So, the industry is required to invest heavily in building capacity, followed by storage and transportation facilities. This would take time, said Verma.

Meanwhile, to encourage sugar mills to increase supply, the government had raised ethanol procuring prices to Rs 48.5 - 49.5 a litre. Earlier this month, the government also exempted central value added tax to increase suppliers' realisation by at least Rs 3 a litre.

Despite all these measures, sugar mills are keen to supply ethanol to liquor and chemical manufacturers. This might be because of the higher price they get. "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 mills supply extra neutral alcohol (ENA) to them. Apart from that, the chemical industry also consumes 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.

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

Sugar mills face another problem. Despite ethanol procurement being a subject of the central government, state governments have levied several taxes, making inter-state transportation cumbersome.

Source: http://www.business-standard.com/article/markets/meet-to-discuss-poor-supply-of-ethanol-115101400255_1.html, Dated 14th October 2015