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SUGAR

Stock limits may not curb spiralling sugar prices

Sugar prices are likely to remain firm despite government steps to impose stock limits on the millers because of lower output, industry experts and analysts said.

Sugar production is estimated to fall to 23.3 million tonnes in the ensuing season, down from 25.2 million tonnes last season, in the world's second largest sugarcane producer after Brazil. With around 22% of the global sugar production Brazil tops the global list, while India contributes over 14% as the second largest sugar producer, and is the largest consumer of the sweetener.

The anticipated supply constraints and festive seasons leading to surge in demand could lead to upward stabilisation of prices, helping both the sugar millers maintain their margins and sugarcane farmers have better remunerative prices. Uttar Pradesh, Maharashtra, Gujarat, Haryana, Punjab, Andhra Pradesh, Tamil Nadu, Karnataka and Bihar are the major sugar producing states in India.

Sabyasachi Majumdar, senior vice-president of rating agency ICRABSE 0.13 %, said, "The government's move is unlikely to reduce prices although it may prevent sharp upward move ments as it is unlikely that millers are holding much of a stock that will have an impact on the prices when they enter the market. Besides, the festive season will also see demand increasing, keeping the prices firm."

The government had earlier this month had imposed stock holding limits on the sugar millers till October end aimed at regulating prices that had shot up to `. 52 a kg in some regions. Wholesale prices which were hovering at . 31,000 per tonne level last ` year shot up to `. 36,000 per tonne this year. The government has asked the millers to keep only 24% of the sugar stock by the end of October.

Sugar prices over the past five months have been increasing by at least Re 1 every month as the production in 2015-16 had declined by 11% to 25.2 million owing to drought conditions in some of the major sugar growing areas in Maharashtra and Karnataka.

(Source- http://sugarnews.in/stock-limits-may-not-curb-spiralling-sugar-prices/**, published on 16th September, 2016)**

Sugar prices cross 36k a tonne on low yield, stocks

Sugar prices have crossed the 36,000 per tonne mark on the back of a drop in sugar stocks in the 2015-16 season (October-September) and an expected decline in production during the 2016-17 season. Prices have increased 14.3% since March this year. Sugar prices have been on an uptrend since hitting a three-year low of 23,000 per tonne last July. A global sugar deficit drove up prices in the international market as well. Sugar production is estimated to have declined 11% to 25.2 million tonnes in 2015-16 season.

Ratings agency ICRA expects domestic sugar production to decline by about 8% to 23.2 million tonnes during the 2016-17 season. This is largely on account of lower cane availability in Maharashtra and Karnataka due to poor monsoon rainfall last year. Although the monsoons are better this year, the impact on the cane output would be seen only in the 2017-18 season as sugarcane is a long gestation crop.

Domestic sugar prices are likely to remain firm in the next 3-4 quarters, given the tight domestic stock situation, analysts tracking the sector said.

However, the extent of cane price increase, especially in SAP (state advised price) following states like Uttar Pradesh, is likely to have a significant bearing on the (profit) margins of sugar mills in these states, they said. While the government has imposed 20% export duty in June and also implemented stock holding limits in September, these measures haven't acted as a deterrent to the increasing trend in domestic sugar prices, said Sabyasachi Majumdar, senior vice president, ICRA. "Sugar prices are expected to remain firm in the near term in spite of these measures, given the tight stock position. However, these measures may dampen prospects of a further significant price rise," he stated.

"Domestic production falling short of domestic consumption is likely to continue in 2016-17, for the second straight year a shortage of around 2.6-2.8 million tonnes," ICRA estimated.

While sugar production is expected to decline in 2016-17, an opening stock of 7.6 million tonnes is likely to result in an overall sugar availability of 30.5-31 million tonnes, which is expected to meet the domestic consumption of around 26 million tonnes.

But the closing stocks are likely to be lower than the normal sugar stock level of around 6.4 million tonnes or the equivalent of domestic consumption of about three months. While mills in Maharashtra and Karnataka are likely to benefit from the rising sugar prices and the stagnant cane costs, cane pricing in UP, which is yet to be fixed for 2016-17, will be crucial for the sustainability of the profitability for Uttar Pradesh based sugar mills, ICRA said. "With the FRP (fair and remunerative price) of cane for 2016-17 fixed at the same level as of the previous year and sugar prices on the higher side, the profitability of sugar mills based in Maharashtra and Karnataka is likely to improve," Majumdar said. "However, the extent of increase in profitability could be moderated with the decline in cane availability in these regions," he said.

(Source- http://sugarnews.in/sugar-prices-cross-36k-a-tonne-on-low-yield-stocks/, published on 17th September, 2016)

Sugar prices surge to near 4-year high

A sweet market for sugar bulls as the commodity jumped almost 4 per cent to a near four-year high on Friday.

Sugar has jumped 3.8 per cent to 21.26 cents a pound, the highest since October 2012, reports Emiko Terazono in London.

Investors have rushed to buy after a lower than forecast cane crop in Brazil, the world's largest producer, was announced late Thursday.

The bulls were also encouraged by an upward revision in the supply shortfall for 2016-17 by Rabobank. The Dutch bank sees the sugar deficit for the year that starts in October at 7.9m tonnes, up from its previous forecast of 5.5m.

The bank said:

The fundamentals that drove the rise in prices earlier this year have remained largely unchanged. Indeed, little has actually changed in the last quarter.

The bank's global sugar strategist Andy Duff added:

Naturally, the factors that are arguably the biggest influences on the fundamental picture for global sugar namely the size of the Indian, Thai and Centre /South Brazilian crops are all still the subject of intense monitoring and debate. But the uncertainties about each of them are all still months away from being resolved.

(Source- http://sugarnews.in/sugar-prices-surge-to-near-4-year-high/, published on 16th September, 2016)

A word of caution to sugar industry

Vice-Chancellor of University of Agricultural Sciences (UAS), Dharwad, D.P. Biradar sounded a word of cautiou to the sugar industry, advising the latter to make every possible effort to promote alternative crops to sugarcane to keep their mills running.

"Mark my words today, if you do not promote alternate crops such as sweet sorghum and sugar beet (which also produce ethanol), different varieties with different maturity periods and extend the benefits of research and development to the growers to improve their productivity, then you will see majority of traditional sugarcane growers switching over to other potential crops in next five to ten years."

Inaugurating the two-day meeting of "Sugarcane R&D Workers" organised jointly by S. Nijalingappa Sugar Institute (SNSI), Indian Council of Agricultural Research-Sugarcane Breeding Institute, Coimbatore and UAS at SNSI here on Friday, he warned the sugar industry not to expect any support either from the centre of state government for research and development endeavours for the fact that government strongly believed that it could not support R&D programmes for the benefit of private commercial establishments.

But, the irony is that the industry was not coming forward even to take advantage of available R&D innovations and achievements for reasons best known to it. Even not many students in universities were inclined to do research on long-duration crop like sugarcane. Already, lot of support and R&D activities were going to promote short-duration crops, which was bound to attract more farmers to switch over from sugarcane to other crops in next five to ten years, he said.

Bakshi Ram, Director ICAR-SBI, who reserved his views for various scientific/technical sessions, observed that sugarcane productivity in North Karnataka region had been virtually stagnant with an average yield of 90 tonnes per hectare and average sugar recovery of 11% during last five years due to use of same old sugarcane varieties. The industry need to promote latest varieties yielding at least 10% more and with improve sugar recovery.

He also stressed on managing saline-alkali soils to boost sugarcane productivity, besides suggesting balanced use of fertilizers for the crop.

Joint Director of Agriculture V.J. Patil pointed out that available pesticides in the market had proved to be less effective in controlling white grub pest which caused yield loss by 5%-6% to the growers. He stressed on improving productivity, besides adopting inter-cropping, drip irrigation/micro irrigation systems and mechanised harvesting interventions.

SNSI Vice-Chairman Jagadeesh S. Gundagunti, who is also Chairman and Managing Director of the Sri Phabhulingeshwar Sugars & Chemicals Limited, Siddapur, spoke about the issues concerning the industry. SNSI Director Khandagave also stressed that the sugar industry take up R&D programmes if it wanted to sustain in the future.

(Source-sugarnews.in/a-word-of-caution-to-sugar-industry/, published on 16th September, 2016)

Sugar stocks up on global price jump

Lower production estimate in Asia to keep world market in deficit for a second year

Sugar stocks were up on Friday, following a sharp jump in the sweetener's prices in international markets, after a forecast of a widening supply deficit.

The share price of a majority of sugar mills jumped by up to nine per cent on Friday. Raw sugar for delivery in March is trading near a 52-week high at $21.16 a pound (lb) on the benchmark InterContinental Exchange. The near-month contract, for delivery in October, has raw sugar at $20.47 a lb. A price beyond $23 a lb will be viable for export from India.

The price of sugar has also remained elevated in India, on forecasts of less production next year. After touching the highest level in a year at Rs 3,834 a quintal on August 19, the benchmark Sugar M30 variety st the Navi Mumbai wholesale market fell to Rs 3,782 a qtl on Friday, though primarily because of the government for a stock limit on mills.

"There are two basic reasons for much better sugar prices in the world. First, crops are bad in Asia, including India, China and Thailand. Second, there is no longer an artificial pressure on Brazilian producers to produce less ethanol and more sugar. In the past 12 months, the pricing policy there was changed to a free market. With oil at $50 a barrel, less than half its peak, ethanol prices are close to their highest," said Narendra Murkimbi, managing director, Shree Renuka Sugars.

Prices abroad are getting a fillip from a deficit forecast by the International Sugar Organisation (Iso). The London-based agency had in May forecast a 3.8 million tonne deficit for 2016-17, largely because of reduced output prospects in India, the world's second largest producer. The agency also raised its sugar deficit estimate to 6.65 mt from five mt earlier. Another global consultancy, Kingsman, a unit of S&P Global Platts, forecast a global deficit of 5.46 mt for 2016-17.

Credit rating agency CARE forecasts sugar season 2016-17 to see global sugar consumption at 174 mt, outpacing the production of 169 mt.

In the domestic market, lower opening stock in the 2016-17 season, estimated at 7.2 mt, a decline in area under cultivation of sugarcane to five million hectares (estimated) and a steady rise in consumption is expected to deplete the buffer stock, said CARE.

Sabyasachi Majumdar, senior vice-president at ratings agency ICRA, said: "While the government imposed a 20 per cent export duty in June and implemented stock holding limits in September, these measures haven't acted as a deterrent to the increasing trend in domestic prices. These are expected to remain firm in the near term, given the tight stock position. However, these measures might dampen the prospects of a further significant price rise. In the next three or four quarters, any further increase from the current levels would depend upon expectations of production during 2016-17, mills' own action on supplies, depending upon their inventory, and government action on price control measures."

The government has directed mills to reduce their inventory by September 30 to 37 per cent of last year's level and to 24 per cent by October 31. India's sugar output is estimated at 23.5 mt for 2016-17, from 25.1 mt the previous year.

(Source- http://www.business-standard.com/article/markets/sugar-stocks-up-on-global-price-jump-116091600736_1.html, published on 17th September, 2016)

Co-gen/Power

Renewable energy grows amid global oil and gas collapse

The International Energy Agency's (IEA) first annual investment report stresses that the rate of progress in renewable generation and energy efficiency remains well short of that needed to meet commitments under the Paris Agreement on climate change despite record growth in renewable capacity.

Overall, the report finds that global energy investment in 2015, at $1.8 trillion, was down 8% in real terms from 2014.

This mostly resulted from a sharp fall in upstream oil and gas investment in the US. A key factor has also been a fall in energy demand as the Chinese economy slows.

But there has also been a continued weakening of the link between GDP and carbon intensity due to growing energy efficiency, an increasing share of renewable generation, and a closure programme for coal generation in China.

Renewable generation in 2015 reached record levels of more than 350TWh due to declines in cost and technological improvements, with capacity and generation 40% and 33% higher, respectively, than 2011. This, the report notes, was sufficient to cover increased demand globally.

Hoewever, these cost improvements, increasingly demanded by policymakers, also meant that investment in renewable generation in 2015, at $288 billion, was now down to levels last seen in 2011. Despite this, renewable projects accounted for nearly 70% of the $420 billion invested in global generation.

Wind power continued to dominate renewable generation spend in 2015 at 37%, followed by solar PV at 34%, hydropower at more than 20%, while bioenergy, solar thermal and geothermal made up nearly 10%.

Even so, fossil fuels are still the largest recipient of energy investment, accounting for 45%.

To ensure progress towards Paris goals, the report calls for stable policy and support frameworks for renewable energy and energy efficiency. But it also notes a growing portfolio of debt and equity financing that has lowered the cost of borrowing in times of scarce public subsidies.

(Source- http://www.windpowermonthly.com/article/1409175/renewable-energy-grows-amid-global-oil-gas-collapse, published on 16th September, 2016)

Indian utilities' Apr-Aug thermal coal imports down 15% on year

Indian power utilities imported around 29 million mt of thermal coal from April to August, down 15% from the same period a year ago, according to data from the Central Electricity Authority (CEA) seen by S&P Global Platts Friday.

Of the total, around 10 million mt of thermal coal was imported by 27 utilities for blending with domestic coal while around 19 million mt was imported by 11 utilities for their power plants based on imported coal.

While 15 utilities didn't import any coal during the first five months of the current fiscal year 2016-17, data was not available for one utility.

During April-August, Adani Power imported the highest volumes at around 6.5 million mt, followed by Tata's Mundra ultra mega power plant at 4 million mt and JSW Energy at around 1.9 million mt, data showed.

On a monthly basis, around 5 million mt of thermal coal was imported by utilities in August, down 16% from the same month a year ago. Of this around 2 million mt was imported by utilities for blending -- the balance was imported for power plants, which use only imported material.

The consumption of imported coal in the country has been going down because state-run Coal India Limited has increased production and therefore the CEA has not assigned any targets for power utilities for the current fiscal year. However, it can procure import coal if it finds it to be more economical than using domestic coal especially for coastal power plants.

Utilities had imported around 80.47 million mt of thermal coal in fiscal year 2015-16, down 11.8% year on year, and below the target of 84 million mt. While 36.98 million mt was imported for blending, 43.49 million mt was imported for plants based on imported coal.

(Source- http://www.platts.com/latest-news/coal/newdelhi/indian-utilities-apr-aug-thermal-coal-imports-26547125, published on 16th September, 2016)

IBC Solar bags 22.5-MWp EPC deal in India

German photovoltaic (PV) systems specialist IBC Solar AG said Wednesday it will provide the engineering, procurement and construction (EPC) services for a 22.5-MWp photovoltaic (PV) park in the Indian state of Rajasthan.

IBC Solar will work on the scheme under a contract with its existing customer LN Bangur Group, which is the project's investor. The parent will handle the engineering services and technical supervision, whilst its Indian subsidiary — IBC Solar Projects Pvt Ltd — will be the one to build the facility.

The solar farm will be located near Phalodi, Jodhpur district. Construction works at the site are due to kick off in October 2016, while commissioning is scheduled for April 2017.

“With this project, IBC Solar India will reach an important milestone of installing more than 50 MW of solar capacity in India for third party customers,” IBC Solar Projects managing director, Shailendra Bebortha, said. This is the company’s sixth EPC deal in the country to date, which is also its biggest one there so far.

(Source- http://indianpowersector.com/2016/09/ibc-solar-bags-22-5-mwp-epc-deal-in-india/**, published on 17th September, 2016)**

India’s appeal against WTO solar ruling rejected

Geneva: India suffered a setback in its efforts to build a robust domestic solar industry on Friday as the appellate body (AB) of the World Trade Organization (WTO) upheld an earlier ruling against its domestic content requirements for manufacturing solar cells and modules.

The earlier panel ruling held that India violated global trade rules such as national treatment provisions under the General Agreement on Tariffs and Trade (GATT) 1994 and the WTO’s Agreement on Trade-Related Investment Measures by imposing mandatory local content requirements on solar power developers, providing a guaranteed rate for 25-year term.

The solar dispute arose from a complaint lodged by the United States against India. Early this year, a dispute settlement panel panel issued a comprehensive ruling in favour of US’ claims against India’s domestic content requirements.

The national treatment obligations required India to treat imported solar cells and modules on par with domestically produced products without any discrimination under Article III:4 of the GATT 1994.

(Source- http://indianpowersector.com/2016/09/indias-appeal-against-wto-solar-ruling-rejected/, published on 17th September, 2016)

Quote of the day

'Change is the law of life. And those who look only to the past or present are certain to miss the future.’ -John F. Kennedy