NEWS FLASH – 21st May, 2016

SUGAR

S & P Global Platts reduces India's sugar production estimates to 25.1 million mt

S & P Global Platts has reduced India's sugar production estimates between October 2015 – September 2016 from 25.6 million mt to 25.1 million mt. The reduction in estimates mainly stems from a sharp fall in output recently, made more evident by ISMA's latest production update on April 30.

There are major reductions in our estimates for two key states — Uttar Pradesh and Karnataka — where they were reduced to 6.9 million mt from 7.2 million mt, and 4.1 million mt from 4.2 million mt. Based on ISMA's update, overall sugar production in the country till end-April in the 2015-16 crop year, was 24.6 million mt, down 11% from a year earlier.

In the report titled Kingsman Sugar Supply & Demand update of S&P Global Platts it has been said that production across the country is almost complete for this crop year with only 48 mills continuing with crushing operations currently, compared with 97 a year ago. Of these mills, 35 are in Tamil Nadu , while the rest are in Maharashtra, Karnataka and Haryana. Only one mill is still operating in Uttar Pradesh.

Production in the key state of Maharashtra stood at 8.4 million mt for the 2015-2016 season till end-April, compared to 10.3 million mt a year ago. In the case of UP, the second largest sugar producing state, output for the same period was 6.8 million mt, compared to 7 million mt a year ago. In light of the fast pace of closure of mills across India, given low cane availability on account of dry weather in the 2015-2016 season, ISMA revised its production estimate to just above 25 million mt from 25.7 million mt.

In the case of UP, where a reduction of 300,000 mt in sugar production levels to 6.9 million mt is expected, we see a 3% reduction in average agricultural yields in the state at 51.2 mt/ha, which has resulted in overall cane availability going down by 7.4% to 70 million mt with sucrose recoveries of 9.8%.

(Source- http://sugarnews.in/s-p-global-platts-reduces-indias-sugar-production-estimates-to-25-1-million-mt/, published on 19th May, 2016)

Centre ends sugar export subsidy

The central government has withdrawn the production–linked subsidy of Rs 4.50 a quintal that it transfers directly into the bank account of sugarcane farmers on the condition that the mills to which they sell have exported 80 per cent of their prescribed quota of sugar. The mills also have to produce a certain level of ethanol.

Ex-factory sugar prices have improved significantly in the past year, from Rs 23-24 a kg to a little over Rs 32 a kg. The move, some officials said, also means that mills would be discouraged from exporting, helping maintaining domestic supplies

Till date, as against a quota of 3.2 million tonnes, mills have managed to export around 1.5 mt.

Earlier, the government of Maharashtra too had withdrawn an excise duty concession to encourage mills to export sugar from their allocated quota; however, it seems to not have yielded the desired results.

Sugar prices in retail markets have risen by at least 50 per cent in the past few months, despite ample supplies, prompting the Centre to first impose a stockholding limit on retailers and wholesalers, followed by Thursday's decision to withdraw the export incentive.

The direct transfer of incentive into the bank account of millers against mills fulfilling their export and ethanol production obligation would have cost the exchequer Rs 1,147 crore in the entire quota was exported. This was adjusted from the sugar development fund by raising the excise duty on sugar.

A rough calculation shows that assuming the average per hectare cane yield is 700 quintals, each farmer family would have gained slightly more than Rs 2,000 directly from the central government this season.

Sugar production in 2015-16 (October to September) is expected to be around 25.2 mt, 11 per cent less than in 2014-15.

(Source- http://sugarnews.in/centre-ends-sugar-export-subsidy/, published on 20th May, 2016)

Sugar prices climb on summer season demand, tight supply

Sugar prices spurted by Rs 60 per quintal at the wholesale market in the national capital today largely supported by increased offtake by bulk consumers, triggered by summer season amid tight supplies from mills.

Marketmen attributed rise in sweetner prices to strong demand form bulk consumers including soft-drink makers and ice-cream units.

Besides, pause in supplies from mills and a firming trend at the futures trade too influenced sweetner prices, they added.

Sugar mill delivery M-30 and S-30 pries enquired higher by Rs 60 each to conclude at Rs 3,400-3,480 and Rs 3,390-3,470 per quintal.

Sugar ready M-30 and S-30 prices were higher by Rs 50 each to end at Rs 3,690-3,760 and Rs 3,680-3,750 per quintal.

In the millgate section, sugar Budhana, Thanabhavan, Khatuli, Anupshaher and Baghpat swifted by Rs 60 each to Rs 3,430, Rs 3,420, Rs 3,470, Rs 3,400 and Rs 3,420 per quintal.

Prices of sugar Dorala, Dhanora, Simbholi, Dhampur, Ramala, Morna, Sakoti and Nazibabad also gained Rs 50 each to Rs 3,430, Rs 3,410, Rs 3,470, Rs 3,410, Rs 3,400, Rs 3,410, Rs 3,420 and Rs 3,400 per quintal respectively.

Following are today's quotations (in Rs per quintal)

Sugar retail markets – Rs 32.00-38.00 per kg.

Sugar ready: M-30 Rs 3,690-3,760, S-30 Rs 3,680-3,750.

Mill delivery: M-30 Rs 3,400-3,480, S-30 Rs 3,390-3,470.

Sugar millgate (including duty): Mawana Rs 3,440, Kinnoni Rs 3,480, Asmoli Rs 3,450, Dorala Rs 3,430, Budhana Rs 3,430, Thanabhavan Rs 3,420, Dhanora Rs 3,410, Simbholi Rs 3,470, Khatuli Rs 3,470, Dhampur Rs 3,410, Ramala Rs 3,400, Anupshaher Rs 3,400, Baghpat Rs 3,420, Morna Rs 3,410, Sakoti Rs 3,420, Chandpur Rs 3,400, Nazibabad Rs 3,400 and Malakpur Rs 3,410.

(Source- http://sugarnews.in/sugar-prices-climb-on-summer-season-demand-tight-supply/, published on 20th May, 2016)

Sweeter days ahead for sugar companies

Sugar mills' finances turned around in the March quarter, on a sharp increase in prices of the sweetener after a forecast of lower output this season. The June quarter is expected to be even better.

Most companies announced a substantial rise in net profit. That of Upper Ganges Sugar, for example, was nearly Rs 60 crore for the quarter, from Rs 0.8 crore for the same period last year. That of Parry Sugar Mills was almost Rs 20 crore, from Rs 5.3 crore for the March 2015 quarter. Mawana Sugars and Triveni Engineering's net profits were Rs 64.9 crore and Rs 44.1 crore; they had losses for the same period a year before, of Rs 68.4 crore and Rs 85.6 crore, respectively.

"Profitability is likely to remain up in the June quarter. We expect the average ex-factory sugar price to remain elevated at Rs 33–33.5 a kg for that quarter, as against Rs 31–31.5 a kg for the March quarter. The increase in price would proportionately raise margins for mills," said Abinash Verma, director-general, Indian Sugar Mills Association (Isma).

After a low of Rs 19 a kg in August last year, the ex-factory price was Rs 33-34 a kg by end-March; the average rise in the quarter was 15 per cent. They stabilised thereafter and rose only one per cent more until this month.

"The industry's viability improved in the second half of FY16 with increase in sugar prices and lower cost of production, a result of higher sugar recovery. The governments at the Centre and states have evolved more rational policy frameworks in respect of cane pricing, ethanol and exports. It is desirable that the same approach continues for restoring the industry's health over the medium term," said Ajay Shriram, chairman, DCM Shriram.

Mills are also benefiting from the policy on ethanol, for blending with petrol. The government HAD announced a higher ethanol price payable by oil marketing companies (OMCs) at Rs 48.5–49.5 a litre.

"Domestic ex-mill sugar prices hit a three-year high (crossed Rs 34/kg) during the fortnight ended March 31, due to a continuous fall in domestic sugar production and tightness in the global market (global agencies have raised deficit expectations to five to seven million tonnes, on dryness in the top three producer countries). Resultantly, global prices scaled to a one-year high during March (raw sugar at $0.16/lb)," said Achal Lohade, an analyst with JM Financial.

Global firm Kings man has forecast India's sugar production at 25.1 million tonnes, about 11 per cent lower than the 28.3 mt last year. An ICRA report estimates India's closing stock at 7.6 mt this year, as against 9.5 mt last year.

(Source- http://sugarnews.in/sweeter-days-ahead-for-sugar-companies/, published on 20th May, 2016)

Co-gen/Power

No coal shortages for power plants in India: minister

There are no power plants in India currently facing coal shortages due to an increase in domestic coal output, Power and Coal Minister Piyush Goyal said Friday.

"Today, not a single power plant faces a shortage of coal," Goyal was quoted as saying in a statement issued by the ministry.

Goyal also made reference to the power crisis of 2014 when two-thirds of major power plants had critical coal stocks of less than seven days.

The government has completely eliminated coal shortages in the country, the minister said.

In line with achieving the target of doubling coal production to 1 billion mt by 2020, the last two years saw the highest ever growth in coal production of 74 million mt, he said.

As of May 18, not a single coal-based power plant of the 100 plants monitored by the Central Electricity Authority (CEA) has a coal deficit. A year ago 11 plants had coal stocks of less than seven days.

On May 18, 2014, 43 power plants had less than seven days of coal stocks, according to CEA data.

Indian state-run Coal India Limited (CIL), which accounts for over 80% of the country's domestic coal production, produced 536 million mt of coal during the last fiscal year that ended March 31 against a target of 550 million mt, registering a growth of 8.5% year on year.

At present around 50 million mt of coal stocks are lying at various CIL coal mines, according to sources. For the current fiscal year, CIL has a target of 598.60 million mt. Of this, around 540 million mt will be supplied to power utilities.

Last fiscal year, around 409 million mt of coal was supplied to power utilities.

(Source- http://www.platts.com/latest-news/coal/newdelhi/no-coal-shortages-for-power-plants-in-india-minister-27585642, published on 20th May, 2016)

Government may introduce instalment scheme for new power connections

The government is working on a five-year instalment scheme that would allow consumers, especially from economically backward households, to pay for new electricity connections that would be provided on demand.

The move is a part of the Narendra Modi government's aim of providing affordable, clean energy access to all. The cost and process for getting a new power connection -- which can run into a few thousand rupees -- often discourage households, which are not too well off, from getting a connection. Such households prefer to continue with kerosene for lighting.

Thus an instalment scheme would help empower poor households and expand the benefit of the government's ongoing campaign to take electricity to every village in the country.

"We are thinking of launching a campaign to make it compulsory to provide electricity connection to all. We want to provide this facility to everyone that if he or she asks for electricity connection then it must be provided. Poor people get electricity connection free of cost. But for those who are above poverty line, the amount paid for new connection will be charged through equated monthly instalments in five years. We are working on such scheme and soon launch it," power, coal and renewable energy minister Piyush Goyal told reporters on Friday.

Listing out the achievements of the ministries under his watch in the two years of the Modi government, the minister said the government has put in place the roadmap for 24X7 affordable power supply to all. "I am very confident, with the achievement of the two years gone by and with the roadmap being prepared for next three years... (the government will achieve) transformational results," he said.

One of the transformations would be to bring clarity in the disocms turnaround plan - UDAY - with a view to extending the scheme's benefit to private discoms. "The government is looking at bringing in some amendments in the UDAY programme to accommodate those states which have privatised discoms," he said in reply to a query on states such as Odisha that had privatised distribution joining the scheme.

(Source- http://timesofindia.indiatimes.com/india/Government-may-introduce-instalment-scheme-for-new-power-connections/articleshow/52367093.cms, published on 20th May, 2016)

ETHANOL

UP excise policy puts ethanol blending programme in peril

The Centre's ambitious ethanol blending programme is on the brink of falling through, thanks mainly to the Uttar Pradesh government. The state is the country's largest producer of ethanol, producing 560 million litres in 2015. But recently, UP's excise commissioner imposed certain restrictions on sugar mills that have attached distilleries, based on a letter claimed to have been written by the Petroleum and Explosives Safety Organisation (PESO).

Citing PESO "guidelines", which sugar industry body Indian Sugar Millers Association (Isma) has described as "fake and forged", the excise commissioner stated in his letter dated December 31, 2015 that all distilleries need to necessarily obtain a PESO licence for storing ethanol.

Speaking to FE, Isma director general Abinash Verma said the state government restrictions on ethanol movement are based on forged documents and therefore should be withdrawn with immediate effect. "The 'guidelines' said to have been issued by PESO on October 1, 2015 are fake. They did not have any logo of the organisation, nor did they carry any notification number or date. Neither were they written on an official PESO letterhead and what is most important, they did not even have the signature of any PESO official. This raised our suspicion and we cross-checked with the PESO office in Nagpur, which wrote back to us that the so-called 'guidelines' referred to and circulated by UP have not been issued by them," he said, adding the state excise commissioner had been misled into believing a non-existent letter. Bringing this matter to the attention of chief minister Akhilesh Yadav, Verma said the "sudden action of the excise commissioner, without checking the genuineness of the said guidelines, which has resulted in disruption of alcohol production and supplies for a national programme, smacks of vested interests and connivance with such vested interests".

The Isma DG further alleged that "several people feel that this is not only a motivated step of a few officials of the state but is being sponsored by entities who want to derail the ethanol blending programme in India for their personal gains".

Replying to Isma's letter on the said guidelines, PESO chief controller of explosives S Kamal wrote back that his office "has not issued any guidelines related to storage and transportation of ethanol on October 1, 2015". Speaking to FE, excise commissioner Bhavnath cited PESO guidelines and said: "It is mandatory to obtain licence for storage tank and loading/unloading facility of ethanol as per the Petroleum Act. The circular ran into many pages and hence the first page, which carried the official letterhead, date and notification number, got lost. The date may not be October 1, 2015 but some other date. But that hardly matters. What is important is that a licence is mandatory."

It may be mentioned here that of the 32 distilleries attached to sugar mills in UP at present, only one has a PESO licence. Speaking to FE, UP Sugar Millers Association secretary Deepak Guptara clarified that the remaining 31 are in various stages of obtaining the licence.

(Source- http://sugarnews.in/up-excise-policy-puts-ethanol-blending-programme-in-peril/, published on 20th May, 2016)

Thought of the day

‘Correction does much, but encouragement does more.’ -Johann Wolfgang von Goethe