

NEWS FLASH – 1st March, 2016

SUGAR

Sugar prices may stay low as exports slacken

PUNE: Sugar prices may remain depressed unless India doubles the amount of the commodity exported so far in the current season, according to industry executives, who said Maharashtra's decision to back the demand from producers for reducing mandatory export obligation by about 40% may keep prices from going up.

"The reduced pace of exports has suppressed prices. The intention behind the central government's initiative was to lower stocks in the country and improve prices," said Tarun Sawhney, VP of Indian Sugar Mills Association.

The government has fixed a mill-wise target of exporting 12% of the average sugar production of previous three years.

(Source- <http://economictimes.indiatimes.com/markets/commodities/sugar-prices-may-stay-low-as-exports-slacken/articleshow/51183557.cms>, published in ET Bureau, February 29, 2016)

COGEN

Southern grid to get 4,000 MW more power in one year: Piyush Goyal

The southern grid will get an additional 4,000 MW of power in the next one year to mitigate the woes of electricity-deficit states, Union Power Minister Piyush Goyal said.

NELLORE (ANDHRA PRADESH): The southern grid will get an additional 4,000 MW of power in the next one year to mitigate the woes of electricity-deficit states, Union Power Minister Piyush Goyal said today. Power transmission capacity to the southern grid has been improved by 71 per cent in the last 18 months, thereby enabling transmission of more power from the north, Goyal said, addressing a meeting.

Earlier, the minister dedicated the 1600-MW super critical mega Damodaram Sanjeevaiah Thermal Power Station of the Andhra Pradesh Power Generation Corporation at Krishnapatnam, 20-km from here.

By 2020, an additional 18,000 MW of power would be made available to the southern grid, he said. According to Goyal, the Centre was working on a new policy to ensure adequate coal linkage to thermal power projects.

"Thermal plants have been forced to import coal at higher prices but now we will ensure linkages to cheaper domestic coal. This will eliminate need to import coal," said Goyal, who also holds the coal portfolio.

He said all agricultural pump sets would be replaced in the next three years with solar pump sets. "This will bring in revolutionary saving for farmers," he added.

Lauding Andhra Pradesh for taking rapid steps to improve the power sector, the minister said the state could ensure 24x7 power supply within seven months of the current government coming to power in 2014.

"Prime Minister Narendra Modi directed me to mitigate the power woes of Andhra Pradesh as it was reeling under a severe crisis following the state's bifurcation.

"Chief Minister Chandrababu Naidu's first wish was to supply 24x7 powers in 12 months but he could achieve it just seven months. And the state has been consistently doing it," Goyal pointed out.

Even in power conservation, Andhra was leading in the country with the use of energy-efficient LED bulbs, the minister added. Andhra Pradesh Chief Minister N Chandrababu Naidu, Union Ministers M Venkaiah Naidu, Prakash Javadekar, Y S Chowdary, state ministers and others attended the event.

(Source-<http://energy.economictimes.indiatimes.com/news/power/southern-grid-to-get-4000-mw-more-power-in-one-year-piyush-goyal/51174704>, published February 28, 2016)

DISTILLERY

Sugar-Cane Fuel Wins in Brazil as Cheap Ethanol Beats Gasoline

- Consumers have been choosing cheaper ethanol over gasoline
- Prices surge to a record high as inventories decline

Brazil's economic and political crises are proving to be a boon to one of the nation's most embattled sectors: ethanol producers.

Drivers, who used to switch between ethanol and gas depending on the price gap, are now just going for the cheaper, less-efficient ethanol as they try to cut short-term spending amid a battle with inflation as high as 10.7 percent, rising unemployment and an economy contracting at the fastest pace in a century. That's helping keep ethanol prices at a record high for more than three months.

Traditionally, drivers choose ethanol to fuel their cars when it's below 70 percent of the price of gasoline, as the biofuel extracted from sugar cane yields about 30 percent less energy per liter. Now, the difference at the pump -- it costs about 1 real (\$0.25) less per liter to fuel with ethanol at current prices -- is prevailing. Ethanol was consistently sold at 72 to 75 percent the price of gasoline from November to January, up from 66 percent a year earlier, data from the National Oil Agency show.

"Ethanol continues to get consumers' preference," Mirian Bacchi and Ivelise Bragato, analysts at University of Sao Paulo's Cepea, an agriculture research center, said in a report on Feb. 22. While the income restriction is an explanation, it's also possible that part of drivers "considers that the biofuel is still competitive above the 70 percent mark".

Sales of hydrous ethanol by fuel distributors in the last three months rose 10 percent from a year earlier, while sales of gasoline shrank 9.3 percent. Over the past 12 months, ethanol sales rose 36 percent to a record 17.8 billion liters as the biofuel became a more attractive option following a rise in gasoline taxes a year ago. Ethanol fell to as low as 60 percent of the gasoline price during the production peak in August, a move that led consumers to wipe out the nation's inventories.

Plinio Nastari, the president of consulting firm Datagro, expects hydrous ethanol inventories at the end of the current 2015-16 crop year will be about 300 million liters, down from 1.2 billion liters a year earlier, as consumption remains "surprisingly resilient."

The record demand has been helping sugar and ethanol producers recover from years of poor results. With an 85 percent increase in ethanol sales, Biosev SA, Louis Dreyfus Commodities Holdings's sugar unit and Brazil's second-largest producer, posted a net profit in the three months ended in December after eight consecutive quarterly losses. Biofuel sales from competitor Sao Martinho SA more than doubled in the same quarter, boosting net income to a record for the period.

Transport fuel demand is likely to decline with the consensus lowering of Brazil's 2016 GDP outlook, but analysts say they expect the sugar and ethanol industry to outperform all other sectors.

Hydrous ethanol output is projected to increase 4.5 percent to 17.6 billion liters in the season starting in April amid higher sugar-cane supplies, and sugar mills are expecting crushing to start in March in order to take advantage of record prices before production peaks, says Bruno Lima, an analyst at INTL FCStone in Campinas. While current demand levels are a positive sign, the persistent slowdown in the Brazilian economy may eventually curb biofuel consumption, he said.

"The question mark is if consumers will continue to demand more ethanol instead of the more expensive gasoline or if the crisis will lead to a general drop in fuel consumption," Lima said.

(Source- <http://www.bloomberg.com/news/articles/2016-03-01/sugar-cane-fuel-wins-in-brazil-as-cheap-ethanol-beats-gasoline>, published on March 1st, 2016)

THOUGHT OF THE DAY:

"You cannot escape the responsibility of tomorrow by evading it today."

- Abraham Lincoln