

NEWS FLASH –8th March, 2016

SUGAR

Sugar price to move up on supportive fundamentals

Sugar prices are likely to move up in local markets following global trends and the possibility of export incentives by the government of Maharashtra to move surplus stock out of the country.

“Of late, sugar prices in India have started following global trend. Over the last few months, sugar price has moved up significantly in global markets but lagged behind locally. So, sugar prices would certainly move up in local markets,” said an analyst with one of the largest trading firms.

While the price increase has begun, the quantum of jump remains relatively lower in India compared to global markets. Against a mere 4% increase to Rs 33.50 a kg in the local wholesale markets so far this calendar year, sugar prices have jumped a handsome 18% in the world market. On the benchmark InterContinental Exchange (ICE), sugar prices have shot up to 14.80 cents/lb on Monday from 12.67 cents/lb at the beginning of this calendar year.

The possibility of sugar price rise will come as a breather for crushing mills that have been reeling under price pressure for the past four years. Barring a couple of sporadic instances, sugar prices have remained way below cost of production in that period, resulting in a huge financial crisis for mills. Understanding the crisis, therefore, both central and state governments have announced incentives to prevent mills from bankruptcy.

Fundamentals have also been gradually supportive in the last few months. From a surplus estimate in the global markets, analysts have started forecasting deficit of over 2 million tonnes in the world market. Agencies like International Sugar Association along with a host of other research organizations have forecast a global deficit of 2 - 4 million tonnes in 2016 due to crop damage in Brazil on unfavourable climatic condition.

“So, this will give a chance to India to export large quantity of sugar this year to which the government has fixed a cap of 3.2 million tonnes. The quantity equivalent to export would reduce domestic availability and supply pressure thereupon. Since, we have forecast sugar output in India to remain lower at 26 million tonnes, exports are needed to reduce domestic supply pressure,” said Abinash Verma, Director General, Indian Sugar Mills Association (ISMA).

In fact, the sugar industry estimates 7.5 million tonnes of carryover stocks from the last year. With 26 million tonnes of output for this season as against an estimated consumption of 23 million tonnes, 3 million tonnes of surplus production will result in 10.5 million tonnes of overall supply for the current crushing season ending September 2016.

To reduce the supply pressure, therefore, the Centre has announced Rs 4.5 per quintal of cane crushed production subsidy which helped producers to contract around 1.25 million tonnes of white sugar for exports. Of this, however, around 1 million tonnes have moved out of factories.

Meanwhile, the central government has met with state chief and corporation ministers recently and briefed them about the lackadaisical performance of fulfilment of export quota by mills in Maharashtra. The state is the country's largest producer of sugar, contributing around 25% of national output.

Subsequently, the government of Maharashtra held a meeting with the sugar mills in the state where it was decided that mills which export 12% of the current season's production will be entitled to exemption of state purchase tax on sugarcane. In Maharashtra, sugar mills are required to pay purchase tax of 3% on the fair and remunerative price (FRP), which works out to around Rs 9 per quintal of sugarcane.

"Mills are, however, waiting for the notification in this regard. Following the notification, mills in Maharashtra would be able to achieve 1.12 million tonnes of export quantity cap allocated to them. Sugar mills in Maharashtra have contracted only 0.4 million tonnes for sugar exports. On achieving the exports quantity target, supply pressure would ease in local markets," said Verma.

Sugar mills have produced 19.95 million tonnes of the sweetener so far this season which stands almost similar to last year's output till date

(Source:http://www.business-standard.com/article/markets/sugar-price-to-move-up-on-supportive-fundamentals-116030800166_1.html, published on 8th March, 2016)

Sugar prices to improve in SS 2015-16

Sugar prices are expected to rise in SS 2015-16 on account of decline in sugar production in SS 2015-16. Sugar production, particularly in Maharashtra and Karnataka will decline as second consecutive deficient monsoon will result in fall in yields. Profitability of mills, both north and south will improve on account of relatively faster increase in sugar prices vis--vis sugar cane prices during SS 2015-16

(Source:<https://www.crisilresearch.com/industryasync.aspx?serviceld=38#storyId#118077#sectionId#3485#newsFeedId#undefined>, published on 7th March, 2016)

Industries with zero-pollution load need not take green clearance

The Environment Ministry said that 60 industries, including sugar, thermal power plants, paints and others, which have a pollution index score of 60 and above, will be in the red category

More than 30 industries that have zero-pollution load have been exempted from taking environmental clearance even as the Centre on Saturday released a new four-colour classification scheme for industries based on their pollution potential.

Under the new categorisation system, industries which pollute the most have been put in the red category while the moderately polluting units are classified orange.

Industries that have a significantly low pollution load have been placed in the green category while those that operate without causing any pollution have been categorised as white.

Terming it a “landmark” decision which gives a “fair picture” of the industries, Environment Minister Prakash Javadekar said the new system of re-categorization is based on an elaborate scientific exercise.

The existing system was creating problems because it did not reflect the actual pollution caused by the various units.

The Environment Ministry said that 60 industries, including sugar, thermal power plants, paints and others, which have a pollution index score of 60 and above, will be in the red category while 83 industries like coal washeries and automobile servicing which have scores ranging between 41 and 59 will be in the orange category.

Similarly, industries like aluminium utensil manufacturing and dal and flour mills, which have a pollution index score of between 21 and 40, have been kept in the green category.

A further 36 industries like air coolers and cotton and woollen hosiery, which have a pollution index score of up to 20, have been kept in the white category.

“The new category of white industries, which are practically non-polluting, will not require Environmental Clearance (EC) and Consent. That will help them get funds from lending institutions. The re-categorisation exercise was carried out over the last one year. This is a landmark decision to give a fair picture of the industries.

“Re-categorisation of industries based on their pollution load is a scientific exercise. The old system of categorisation was creating problems for many industries and was not reflecting the level of pollution caused by these. The new categories will remove this lacuna,” Javadekar said.

(Source: <http://www.thehindubusinessline.com/economy/industries-with-zero-pollution-load-need-not-take-green-clearance/article8318205.ece>, published on 5th March, 2016)

THOUGHT OF THE DAY:

“Know what you want to do, hold the thought firmly, and do every day what should be done, and every sunset will see you that much nearer to your goal. - Elbert Hubbard.”

Health Tip:

“Smoking cuts down on saliva, which normally flushes stomach acid out of the esophagus and contains a natural acid fighter, bicarbonate.”