NEWS FLASH – 07th Oct, 2015

SUGAR

Centre launches new system to assess crop yield, losses

The Centre has launched a new project, Kisan [C(K)rop Insurance using Space technology And geoiNformatics], to fasten the payment of crop insurance claims to farmers and improve estimations.

The project, through satellite and drone-based imaging and other geospatial technology, would get timely and accurate data on crop yield. The pilot study has been launched in rice and cotton fields of the ongoing kharif season in four districts, Kurukshetra (Haryana), Shimoga (Karnataka), Yavatmal (Maharashtra) and Seoni (Madhya Pradesh).

It will be carried into the 2015-16 rabi season in eight districts in same states to assess the yields of rice, wheat and shorghum, said Minister of State for Agriculture Sanjeev Kumar Balyan. The aim is to cover the entire country after assessing the results, he said.

The government also launched an Android-based app for collection of data of hailstorm with the support of Indian Space Research Organisation (ISRO) to assess large-scale damage to standing crops. The facility will be used by state agriculture officials to help the Centre arrive at quick assessment of damage to crops because of hailstorm. At present, there is no comprehensive approach to collect hailstorm data.

The app will collect real time data about hailstorm occurrences along with photographs and geographical coordinates (longitude and latitude). This will support in deciding the crop loss more objectively and in a very fast manner.

The app can be used through smartphones for collection of hailstorm data along with photographs and locations and can be uploaded on real-time to ISRO's Bhuvan server.

The programme envisages use of high resolution remote sensing data both from satellite and drone-based imaging, sophisticated modelling activity and other geospatial technology for improving the accuracy of crop yield estimation through more efficient crop cutting experiments.

Source: http://www.indiansugar.com/NewsDetails.aspx?nid=4828, dated 5th October 2015

Millers want cane prices linked to sugar

Hit by low sugar prices that do not cover cost of production, the Indian Sugar Mills Association has urged the Centre to link sugarcane price to sugar prices.

The government should move away from the conventional system of fixing a Fair and Remunerative Price based on estimates of sugar prices and opt for a revenue sharing model with 70 per cent of sugar price going to farmers, it said. Sugar prices in recent years have consistently ruled lower than estimates and hit the viability of sugar mills. The Centre should collect a cess on sugar from consumers and use the fund to pay the difference between price paid by mills and FRP to farmers for sugarcane, ISMA said in a release.

According to sources in the know, the Association has made the representation as sugar mills find it unviable to pay farmers the FRP for 2015-16 (October-September) sugar season.

Sugar price is ruling at a low of about Rs.2,500 a quintal while sugarcane FRP for 2015-16 is set at Rs.2,300 a tonne linked to 9.5 per cent sugar recovery. At current cost of production sugar price will have to be over Rs.3,200 a quintal for mills to pay farmers.

Last season the FRP had been pegged at Rs.2,200 which had resulted in huge arrears of about Rs.12,000 crore in sugarcane payments to farmers. Sugar had ranged around Rs. 2,600 a quintal then. Prices have dipped further since then.

Sugar industry representatives point out that even the Commission on Agricultural Costs and Prices, which fixes the sugarcane price, had suggested the creation of a sugarcane stabilisation fund. The Commission had said this fund could be used to make up the sugarcane price difference to farmers when sugar prices are low.

Creating a fund to support sugarcane prices is a pragmatic option to support farmers. Farmers too are suffering losses on low sugar prices and delayed payments.

The government has said the industry should export about 4 million tonnes of sugar in 2015-16 to bring down domestic surplus.

The Association data shows that sugar production in 2014-15 was about 2.8 million tonnes (mt) and the estimate for 2015-16 is about 2.7 mt against domestic consumption of about 2.5 mt. Also there is an available opening stock about 9.6 mt.

Source : http://www.indiansugar.com/NewsDetails.aspx?nid=4829, Dated 6th October 2015

Festive seasonal buying pushes up sugar futures by 1.59%

Sugar futures traded higher by 1.59 per cent to Rs 2,625 per quintal today as speculators widened positions, driven by pickup in demand in the spot market.

However, ample stocks in the spot markets on persistent supplies from millers, limited the rise.

At the National Commodity and Derivatives Exchange, sugar for delivery in far-month December was trading higher by Rs 41, or 1.59 per cent to Rs 2,625 per quintal with an open interest of 42,780 lots.

October sugar rose Rs 34, or 1.34 per cent to Rs 2,564 per quintal in 25,790 lots.

Analysts attributed the rise in sugar futures to uptick in demand in the spot market, particularly from bulk consumers, driven by ongoing festive and wedding season.

Source: http://www.indiansugar.com/NewsDetails.aspx?nid=4830, 6th October 2015

Sugar up 24% on deficit forecast

Sugar prices have jumped 24 per cent in the past two months on global forecasts of shortage during the next crushing season.

Global tracking agencies have forecast sugar supply to be deficient in 2015-16. The International Sugar Organisation has forecast a deficit of 2.5 million tonnes and the US Department of Agriculture reckons the shortage will be 3.8 million tonnes.

India, too, has cut its production forecast to 27 million tonnes in 2015-16, 2 per cent lower than last year.

The benchmark Sugar M variety is trading at Rs 2,856 a quintal at the Vashi Agricultural Produce Market Committee near Mumbai against Rs 2,307 a quintal in early August.

Sugar in the US is up 21 per cent to 13.63 cents per pound from 11.27 cents per pound on August 1. Global sugar prices have risen 27.50 per cent since September 1.

"Sugar prices have risen in India on hopes that mills will be able to export this season," said Abinash Verma, director- general of the Indian Sugar Mills' Association.

Trade sources said Brazil, the world's sugar largest producer, had changed its fuel import policy due to a sharp depreciation in its currency. The Brazilian real has slumped over 30 per cent in two months, prompting the government to encourage production of ethanol from sugarcane for blending with petrol.

Brazilian government sources said hydrated ethanol sales jumped by 45 per cent between January and August this year over last year. In August alone, hydrated ethanol sales jumped 56 per cent in Brazil.

"The government recognises the problems faced by sugar mills. So the permission for four million tonnes of exports will work alongside the subsidy as the industry is not in a position to incur losses on sugar exports," said Narendra Murkumbi, managing director, Shree Renuka Sugars.

Sugar mills have decided to finalise export tenders at a notional loss of Rs 6,500 per tonne of raw sugar and Rs 3,500 a tonne of white sugar. The government's sugar export subsidy has been of no use in the last two years as it was announced in the middle of the crushing season by which time mills sign contract for local sales.

Sugar mills plan not to wait for the government to announce the subsidy this year as experience shows the price fell Rs 9,000 a tonne during the three months they waited for the announcement. The prevailing price, however, is still Rs 4,000 a tonne lower than the average cost of production.

GLOBAL SUGAR BALANCE SHEET (mn tonnes)

Research firms	Production estimates	Consumption estimates	Surplus/ deficit
2014-15			
Czarnikow	187.1	184.1	(+)3.0
F O Licht	182.6	178.7	(+)2.1
ISO	173.8	169.4	(+)3.4
Kingsman	182.6	179.2	(+)3.4
USDA	174.3	170.6	(+)0.3
2015-16			
Czarnikow	186.0	187.7	(-)1.7
ISO	170.9	173.4	(-)2.5
Kingsman	-	-	(-)3.2
USDA	169.6	173.4	(-)3.8

Source : European Commission

Source: http://www.business-standard.com/article/markets/sugar-up-24-on-deficit-forecast-115100700044_1.html, Dated 6th October 2015

Sugar stocks spurt on festival prospects

Though long-term prospects appearto be hazy, signs of revival seen

Sugar company stocks gained sharply on expectations of improved demand during the festival season in the domestic market and the government announcing fresh sops for the ailing sugar sector in the season that started this month.

Widespread gains

Stocks of sugar companies, including Dhampur Sugar Mills, Dwarikesh Sugar Industries, Shree Renuka Sugars, Bajaj Hindusthan Sugar, Rana Sugars, Dalmia Bharat Sugar and Industries, Balrampur Chini Mills and EID-Parry India rose 2-20 per cent.

Some of these stocks have plunged to new lows in the last few months as the glut in supply led to low prices. The huge debt burden added fuel to the fire.

Despite the long-term prospects of the industry appearing to be hazy, there are signs of revival with the government showing special interest in the sector to support distressed farmers.

Govt's 4-mt export move

The government recently made sugar export of four million tonnes mandatory, though it is not clear whether it will extend the export subsidy of Rs. 4,000 a tonne paid for the last season (ended September).

Interestingly, global sugar prices have increased 27 per cent to 13.63 cents a pound from 10.69 cents a pound recorded in August due to financial and political crisis in Brazil — the world's largest producer of sugar. Similarly, sugar prices in India were up 9 per cent to Rs. 2,856 a quintal from Rs. 2,611 in August.

India is expected to produce 270 lakh tonnes of sugar this season that started this month against 283 lakh tonnes registered last season. The industry will be left with a supply of 366 lakh tonnes, including an inventory of 96 lakh tonnes, according to Indian Sugar Manufacturers Association data. The annual demand is pegged at about 250 lakh tonnes.

Supply overhang, big worry

Paras Bothra, Vice-President (Equity), Ashika Stock Broking, said the long-term trend of sugar industry stocks is still bearish given the supply overhang and the debt burden. However, he added, investors have to wait and watch as the government may announce a special package for the industry soon.

The Indian Sugar Exim Corporation, a private industry body run by the Indian Sugar Mills Association and cooperative sugar mills body National Federation of Cooperative Sugar Factories plans to export one million tonnes of the sweetener this month, within the overall mandatory export target of four million tonnes for the full year.

Country is expected to produce 270 lakh tonnes of sugar this season that started this month against 283 lakh tonnes registered last season.

Source: http://www.thehindubusinessline.com/todays-paper/tp-markets/sugar-stocks-spurt-on-festival-prospects/article7731820.ece, Dated 6th October 2015

Domestic demand sweetens sugar

Sugar prices at mill and naka level continued their uptrend with further rise of ₹ 70-90 a quintal while at spot market level it ruled steady. On hopes of export possibilities and higher domestic demand, producers started offering the commodity at higher rates.

Arrivals at Vashi market increased to 35-36 truck loads and local dispatches remained at 58-60 loads. On Monday about 18-20 mills offered tenders and sold about 90,000-95,000 bags at ₹ 2,545-2,630 (2,450-2,570) for S-grade and ₹ 2,625-2,720 (2,550-2,650) for M-grade.

The Bombay Sugar Merchants Association's spot rates: S-grade ₹ 2,680-2,812 (2,690-2,820) and M-grade ₹ 2,770-2,942 (2,792-2922). Naka delivery rates: S-grade ₹ 2,650-2,700 (2,550-2,650) and M-grade ₹ 2,750-2,800 (2,670-2,780).

Source: http://www.thehindubusinessline.com/economy/agri-business/domestic-demand-sweetens-sugar/article7730907.ece, Dated 6th October 2015

Sugar falls by 0.5% on profit-booking; higher supply

Profit-booking by speculators after recent gains amid pick up in supplies from mills at spot markets

Sugar futures slipped 0.49% to Rs 2,656 per quintal today as speculators locked-in gains at prevailing levels amid higher supplies from mills at spot market.

At National Commodity and Derivatives Exchange, sugar for delivery in far-month December eased Rs 13, or 0.49%, to Rs 2,656 per quintal with an open interest of 45,630 lots.

Likewise, the sweetener for delivery in October was trading Rs 11, or 0.42% down at Rs 2,600 per quintal in 25,950 lots.

Analysts attributed the fall in sugar prices at futures trade to profit-booking by speculators after recent gains amid pick up in supplies from mills at spot markets.

Source: http://www.business-standard.com/article/markets/sugar-falls-by-0-5-on-profit-booking-higher-supply-115100600248_1.html, 6th October 2015

Power

Coal producer CIL plans to harness solar power

If coal gets all the blame for pollution, the country's biggest producer of this fuel — Coal India Limited (CIL) — has plans on clean energy. The PSU mining company has drawn up plans to generate 1,000MW of solar power, starting with Madhya Pradesh. The project will be eventually spread to other states like Maharashtra, Jharkhand, Bihar, Orissa and Chhattisgarh, where CIL has its subsidiaries.

Going solar is an effort to offset the pollution which coal creates in general, said CIL chairman Sutirtha Bhattacharya. He was in the city to attend a seminar organized for young executives of the company. CIL is laying special stress on young manpower.

The Solar Energy Corporation of India is the consultant for the project. Wherever there is land available in mining areas, it will be used to fix photovoltaic panels for generating electricity. Most of the power generated in this way can be used for captive purposes within CIL itself, said Bhattacharya. The project may begin in 3-4 months.

About the cost, he said that by the current standards, a 1,000MW project requires over Rs630 crore or so. However, with the fast changing market dynamics it may happen that by the time the project is implemented, costs may come down, said the CIL chairman.

CIL is also stressing on providing better quality coal to its customers. Officials from the subsidiary companies will be meeting state government authorities to chalk out plans in this direction. Various methods of providing better quality of coal are being explored so that there is no scope for disputes. City-based Western Coalfields Limited (WCL), a CIL subsidiary, has already begun talks with Mahagenco, the major consumer of this company. There are plans to soon offer crushed coal to the consumer. The samples are already being tested through a third party to get an impartial opinion

Alternate routes to roadways also need to be explored for transport of coal, Bhattacharya said. Mahanadi Coalfields Limited (MLC), which is located in Orissa, can use the seaport from the eastern coast. A large amount of coal can also be transported through river route. The options are being worked out, he said. For example, WCL has established a conveyor belt for transporting coal from one of the mines. This not only reduces chances of pollution but also prevents transit losses to a great extent, he said.

IN A NUT SHELL

Solar panels will be fixed wherever land is available in mining areas

After Madhya Pradesh, the project to spread in other states where CIL has its arms

Work may begin in 3-4 months

Majority of the power may be consumed by CIL itself

Plan to explore routes other than road for transport of coal

Source: http://timesofindia.indiatimes.com/city/nagpur/Coal-producer-CIL-plans-to-harness-solar-power/articleshow/49249498.cms, Dated 6th October 2015

PFC Surges 10% on Buzz of Cabinet Meet on Discom Loan Recast

Shares of government-owned power sector lenders Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) surged today after Press Trust of India reported that the Cabinet is likely to meet this week to consider a proposal to recast Rs 4.3 lakh crore loans of nine state power distribution companies.

Press Trust of India, citing sources, said the debt restructuring proposal once approved would help the distribution companies in these states to access cheaper loans at an interest rate of around 9 per cent, compared to around 14 per cent that they are currently paying.

On account of subsidised tariffs, the state electricity distribution companies are facing cash crunch and are incurring annual losses of about Rs 60,000 crore.

In a note, Religare Capital Markets said that public sector banks with higher exposure to state electricity distribution companies and government owned infra-lenders like REC and PFC will benefit the most if the debt recast proposal is approved.

Finance secretary Ratan P Watal on Monday said that the government is closely working with the power ministry on reforms in the electricity sector.

PFC surged as much as 10 per cent while REC rose 8.5 per cent. Among PSU banks, Bank of Baroda, Andhra Bank and Canara Bank surged 3-4 per cent.

Source: http://profit.ndtv.com/news/market/article-pfc-surges-10-on-buzz-of-cabinet-meet-on-discom-loan-recast-1226271, Dated 6th October 2015

Maharashtra steps up efforts to revive Dabhol power plant

The Maharashtra government on Tuesday has announced a series of fiscal incentives for the beleaguered Dabhol power plant, which will enable it to start producing about 500 MW power by November 1. The incentives include waiver of local taxes and power wheeling charges.

Since the State Government holds 13.5 per cent equity in the Ratanagiri Gas and Power Pvt Ltd (RGPPL), the holding and operating company of the plant, it has a major say in the affairs of RGPPL.

State Energy MinisterChandrakant Bawankule told media persons that the State Cabinet has decided that the project would be given relief from Value Added Tax (VAT), Entry Tax and Octroi for two years. Similar to the waiver provided by the Centre for inter-state power transmission, the Maharashtra State Electricity Transmission Company has decided to knock-off the wheeling charges on power generated by the Dabhol plant. The State stands to lose Rs. 350 crore of taxes from RGPPL per year, he said.

RGPPL will be demerged into two separate companies, the main company will run the power project and LNG terminal, which is in the close vicinity of the plant. The Indian Railways is in the process of entering into a long-term power purchase agreement at Rs. 4.7 per unit cost.

Bawankule said the State Government could procure power from the plant only after two years, provided the plant gets stable gas from the Centre.

Across the country there are 14,300 MW of gas-fired power projects in the country, which are not functional and the 1,964-MW Dabhol plant is one of them.

The Centre has initiated Power System Development Fund (PSDF) to revive the plant and all stakeholders will have to bear some loss for reviving the plant, he said.

He said due to Rs. 7,800 crore debt, the plant is on the verge of being declared a non-performing asset by the banks.

Source: http://www.thehindubusinessline.com/todays-paper/tp-news/maharashtra-steps-up-efforts-to-revive-dabhol-power-plant/article7731823.ece, Dated 6th October 2015