NEWS FLASH – 9TH July, 2016

SUGAR

Sugar refineries breathe easy over export duty concerns

In a relief to export-focused sugar refineries, the government has clarified that export of imported raw sugar, after refining, will not attract any duty. This paves the way for movement of various shipments that were stuck at ports, due to ambiguity on this.

The government last month slapped an export duty of 20 per cent on locally produced sugar, to ensure adequate domestic availability and curb price increase. The June 16 notification inadvertently impacted export of raw sugar after value addition, imported by domestic refineries for this purpose.

As a result, about 200,000 tonnes of refined sugar were stuck for days, worth around Rs 700 crore and meant for markets in West Asia and Africa.

The clarificatory amendment, announced on Wednesday, said sugar exported in proportion to raw sugar imported against a valid advance authorisation would not attract any duty.

India has four sugar refineries. Renuka Sugars owns two, at Kandla and Haldia; EID Parry has one at Kakinada. Simbhaoli Sugars runs a refinery in Kutch with London-based commodity trade house ED&F Man.

These import raw sugar for conversion to premium white sugar. The imports take place under the Advance Authorisation Scheme and do not attract any duty. However, this sugar cannot be sold in the domestic market and has to be re-exported within six months of import.The quantity of refined sugar exported from domestic refineries has doubled from 700,000 tonnes in the year ended September 30 (when each sugar season comes to a close) of 2013 to about 14,00,000 tonnes so far in the ongoing season (October ’15-September ’16).

Sugar is considered a ‘sensitive’ commodity and carries a weight of 1.73 per cent in the wholesale price index. The country’s output in the 2015-16 season is estimated to decline nearly 10 per cent from a year before, to 25.2 million tonnes. Prices are up 45 per cent.

(Source- http://sugarnews.in/sugar-refineries-breathe-easy-over-export-duty-concerns/published on 8th July, 2016)

Media Release- PRELIMINARY ESTIMATES OF SUGAR PRODUCTION IN 2016-17

Based on the satellite images procured in the latter part of June 2016, the total acreage under sugarcane in the country is estimated to be around 49.91 lakh hectares in 2016-17 SS, which is 5.5% lower to 2015-16 sugar season's cane area of around 52.84 lac ha.

· Uttar Pradesh, the leading sugarcane producing State in the country, is estimated to have a slightly higher area under sugarcane at 23.35 lakh hectares, as against 23.02 lac ha. last year. ISMA is expecting a better yield in 2016-17 SS due to a substantial increase in area under the high yielding cane variety CO0238. That will increase the sugarcane production and availability for crushing by sugar mills. Further, unlike Maharashtra and North Karnataka, the weather has been good in U.P. with adequate rainfall. Thus, sugar production in U.P. in 2016-17 SS is estimated to be around 75.40 lakh tons, which was 68.22 lac tons in 2015-16 SS.

· The other major sugar producing State, viz. Maharashtra's cane area has declined in 2016-17 SS, which is mainly due to drought like situation last year, poor rainfall and lesser water availability for irrigation. As against the cane area of 10.5 lac ha. in 2015-16 SS, area is expected to come down to 7.80 lac. Ha in 2016-17. Sugar production is, therefore, estimated to be around 61.5 lac tons in 2016-17 SS, as against 84.08 lac tons produced in 2015-16 SS.

· Similar to Maharashtra, due to lesser rainfall and drought like situation, sugarcane area in Karnataka has also declined in 2016-17. Area under sugarcane in 2016-17 SS is expected to be about 4.15 lac. Ha as against 5.10 lac ha. in 2015-16 SS. Sugar production in 2016-17 SS is estimated to be around 32.2 lac tons, as against 40.71 lac tons expected to be produced in 2015-16 SS.

· Sugarcane area in Tamil Nadu in 2016-17 SS has increased to 2.65 lac ha. as against 2.50 lac ha. in 2015-16 SS. Due to better rainfall and expected improvement in yield, sugarcane production will also increase, resulting in better sugar production of 15.6 lac tons in 2016-17 SS as against 13.93 lac tons produced in 2015-16 SS.

· During 2015-16 SS, till 30th June, 2016, about 248.15 lakh tons of sugar has been produced and another 2.75 lakh tons is expected to be produced in the special season till September, 2016 in Tamil Nadu and Karnataka, taking total sugar production in 2015-16 SS to 251 lac tons. During Oct-May SS 2015-16, about 169 lakh tons has been despatched and another 85-86 lakh tons is expected to be despatched by mills. With expected sugar exports of 15 lac tons in current season, the closing balance would be 71 lac tons.

· As per above, ISMA estimates production of 232.6 lakh tons of sugar in the season 2016-17. This is about 18-19 lac tons less than the current 2015-16 SS production of around 251 lac tons.

· With an estimated opening balance on 1st Oct, 2016 of 71 lac tons, and estimated production of 232.6 lac tons, the sugar availability during the 12 months of next season will be 303.6 lac tons, enough to meet the domestic sugar consumption requirement of 260 lac tons in 2016-17 SS.

· For the sugar season 2017-18, the opening balance of about 43 lac tons as on 1st October 2017, will be sufficient to meet the country's domestic requirement for the two months of October-November, 2017 next to next year, during which time new season's sugar production including the sugar produced in October-November 2017, would have comfortably come into the market.

· The above is a preliminary estimate of sugarcane and sugar production in 2016-17 SS. After considering rainfall in July – September, 2016, which is already expected to be above normal, water situation in reservoirs and second set of satellite images in September 2016 for across India, ISMA will review the analysis in end of September, 2016 and will release their 1st advance estimates for 2016-17 season. By that time, the crop will be more mature and there will be more clarity on the rainfall and water availability.

(Source- http://www.indiansugar.com/EventDetails.aspx?Nid=189/ published on 8th July, 2016)

Co-gen/Power

Domestic equipment policy only for transmission and distribution projects, clarifies CEA

In what would clear the air for coal-based power developers, the technical arm of the power ministry, Central Electricity Authority (CEA), has clarified that its advisory for use of domestically manufactured equipment for government-funded power projects is limited to transmission and distribution equipment and does not cover generation machinery.

The ambiguity in the notice had put several power developers in a bind. They argued that the country lacked capacity to meet the domestic demand for generation equipment. The coal-based capacity in the country has grown by an annual 20 gigawatt over the past 4 years. This is not matched by the domestic boiler, turbine, generator (BTG) makers, with the largest company, state-run BHEL, has struggled in maintaining delivery schedules. BHEL has an annual capacity of about 20 GW.

The authority issued a correction to its earlier advisory released in May which exhorted state-run agencies, both transmission and distribution utilities, to use equipment from local manufacturers citing under-utilisation of such capacity that had invested heavily in expanding capacity and developing indigenous technology.

(Source- http://indianpowersector.com/2016/07/domestic-equipment-policy-only-for-transmission-and-distribution-projects-clarifies-cea/ published on 8th July, 2016)

Business quote of the day

"If you focus on results, you will never change.

If you focus on change, you will get results." – **Jack Dixon**