NEWS FLASH – 9th December, 2016

SUGAR

Cash crunch a bitter pill for sugarcane farmers

At 3 p.m. on Tuesday, the queue outside the small building that houses the Punjab National Bank at Satla village on the outskirts of Meerut only got longer with each passing minute.

Jasbeer Singh hopped on to his tractor in the hope of finally getting his hands on some cash from the nearest bank, located a kilometre away from his home at Bahadurpur village. When the 45-year-old finally reached the bank at 11 a.m., 40 other farmers were already in queue.

Tempers run high

In fact, some of them had been waiting long before the bank opened for the day. By the time the clock struck 2, tempers were running high and patience low. A fight broke out when someone tried to jump the queue. When Jasbeer's turn came, he was given just Rs.5,000 instead of the Rs.24,000 he was expecting. This infuriated the sugarcane farmer, who recently got lakhs of rupees as purchase price for his crop. The money was transferred directly to his account by the mill.

It has been a month since the Narendra Modi government announced demonetisation and limited withdrawal of cash. Going by what the farmers in western Uttar Pradesh have to say, the situation looked distressing, to say the least.

"How do I survive on just Rs.5,000? How is Rs.5,000 enough for a farmer to run his family and do farming," asked Jasbeer, who has a wife and three sons, while on the way back to his village. He added that his tractor alone drank fuel worth several thousands when used for ploughing. He went on to list the various problems faced by farmers due to demonetisation.

"Extremely frustrating"

"This is extremely frustrating. There is simply no cash in the bank. Every time we complain, the bank manager asks us to approach Modi*ji*. How are the farmers supposed to work when it is getting extremely difficult to run the house itself?"

Rambeer Singh, another farmer from his village, said sugarcane farmers needed to access the money transferred to their account by the sugar mills "as soon as possible".

"The money is crucial for the next season, but farmers are unable to access it right now. Because we are unable to withdraw our money, which we got after selling the sugarcane to the local mill, it will adversely affect our ability to sow the next crop. This will affect the production of sugarcane as well," said Rambeer.

Rambeer sold 600 quintal of sugarcane as per the State Advised Price of Rs.315 per quintal and got Rs.1.89 lakh in his account. Though unable to withdraw the money for the next season's crop, he is still able to manage thanks to his sons, who work in the National Capital Region.

"My sons gave me some money, which I used to sow the next season's crop after cutting sugarcane from the field. But not every farmer is as lucky as me," he asserted, adding that there is no ATM in his village.

"One of the worst steps for farmers"

"Thousands of villages in western Uttar Pradesh don't have an ATM and people are forced to travel one to five km just to access their money. Even then, there is no guarantee that they will get the money," says a visibly agitated Rambeer, who called demonetisation "one of the worst steps for the farmers".

Far away from Satla, serpentine queues running into several kilometres can be seen outside a sugarcane mill in Baghpat.

Sugarcane farmers have been waiting to get the crop weighed and sell it to the mill. The crushing season started in November. The money was transferred to their account last month itself. However, they have been unable to withdraw the money.

"Farmers were dying anyway"

"Demonetisation couldn't have come at a worst time. Farmers were dying anyway. They can't even get whatever little cash they had at their disposal, which has made their plight worse," said 52-year-old Satveer Singh, who was waiting with a tractor full of sugarcane outside the mill.

"A farmer needs cash at every stage of farming. It is a tragedy if he can't access the meagre amount he has at his disposal," said Satveer, who is yet to start sowing the next season's crop.

"Boon" for middlemen

"The delay in sowing the next season's crop even by a day affects the final productivity. We have to do it by November 15. If we delay the sowing by a week, it decreases productivity by as much as 30 per cent. So you can understand how the cash crunch will affect the productivity of the next season's crop," he explained.

Adding to the farmers' woes is the fact that cash crunch has come as a "boon" for middlemen and brokers, who have been doing their best to exploit sugarcane farmers and buy their crop at a much cheaper rate in cash.

"The cash crunch has made middlemen extremely prosperous, while the farmers are more vulnerable. The brokers have been offering a rate as low as Rs.225 per quintal in cash. Farmers who don't want to stand in line and need money urgently had no choice but to sell their produce to the brokers," he said.

(Source-http://sugarnews.in/cash-crunch-a-bitter-pill-for-sugarcane-farmers/, published on 8th December, 2016)

Global sugar takes a break from price rally

A downtrend in global sugar prices is something domestic investors in sugar shares need to keep a watch on. While local market conditions continue to favour sugar producers, a continued deceleration in global sugar prices can pose a risk. Raw sugar prices (the ICE #11 contract) have fallen by 12.4% over a month ago and are down by 16.1% from the start of the current quarter. White sugar prices have fallen too, but to a lesser extent. Domestic sugar prices are doing much better in contrast, with wholesale rates of white sugar down by only 3.5% over a month ago.

What ails global sugar prices? Fund selling of sugar contracts due to breaches of technical levels, a fall in the Brazilian real and fears of abundant supply in the next season were factors, according to a 2 December Reuters report. Generally speaking too, commodity prices of softs have eased upon the strengthening of the dollar. A decline in Brazil's currency versus the dollar (down 8.6% since 9 November) gives the country's domestic producers an edge.

On top of this, attention has shifted to the supply side now. One of the factors mentioned in the Reuters report is European Union (EU) reforms to its quota system. While this will be implemented in September 2017, this factor has been known for years. At best, it can have a limited role in explaining falling sugar prices. The lifting of quotas on EU sugar output could see the region's imports decline and exports increase, which means more sugar in the market.

However, other fears of higher output may have some merit. Rising sugar prices by itself gives more incentive for sugar cane farmers to cultivate more. Even now, white sugar prices are up by a third over the start of 2015. Consider Brazil, for example. Data from Unica (the country's sugar industry association) shows sugar cane output in the south-central region between 16 April and now is up 3.7% but that of sugar is up by 17% as output has shifted away from ethanol. The share of sugar has risen to 46.8% to date, against 41.7% a year ago. However, Thailand's output is expected to be down by 5%, according to estimates made by the US department of agriculture. Higher realizations could lead to higher planting for the next crop season in major growing countries.

Back home, the latest update from the Indian Sugar Mills Association (Isma) shows that sugar output till 30 November is up by 17%, but it is early days, considering the season started in October, and mills started crushing early this season. Due to bad weather, India's sugar output is projected to be lower than last year. Isma also said that lower despatches of sugar from mills have led to a fall in ex-mill prices across the country. Even with the recent dip in prices, rating agency Icra Ltd expects sugar mills, especially in Uttar Pradesh, to benefit from higher realizations.

Although sugar imports attract a duty of 40%, giving ample protection to the domestic industry, a continued bearish trend in global sugar prices can be a dampener for the local industry. It could see a threat emerge from imports or at least act as a sentimental cap on prices.

(Source-http://sugarnews.in/global-sugar-takes-a-break-from-price-rally/, published on 7th December, 2016)

Dip in extent of sugarcane cultivation a cause for worry

Skyrocketing input costs and labour charges, coupled with absence of adequate manpower and remunerative price for the produce, have been forcing sugarcane farmers in East Godavari district to switch over to horticulture and paddy cultivation.

In the last five years, the extent of land earmarked for the crop has been reduced to nearly one-third, posing a challenge to the survival of the two sugar factories in the district.

Sugarcane was cultivated in 17,000 hectares in 2011. The extent has been reduced to a mere 6,106 hectares this year, as per official statistics.

The trend is quite alarming as both the farmers and officials are anticipating a further dip in the area of sugarcane cultivation in the years to come.

"Though we are offering a daily wage of Rs. 600 per head, labourers are not tuning up for harvesting. Instead, they prefer to attend to work under the MGNREGS, where they need not toil much for drawing a decent wage," observes Muppana Surya Prakash, president of the Samalkot Sugarcane Growers' Association.

A major chunk of sugarcane from the district goes to crushing at the factory owned by the Navabharat Group at Samalkot, while the remaining harvest to the Sarvaraya Sugars at Chelluru.

"Despite several measures being taken by the factory managements to retain sugarcane, more and more farmers are opting for cultivating paddy and vegetables, which are comparatively cost-effective," points out V. Venkata Rao, Assistant Commissioner (Sugarcane).

"The input costs are about Rs. 80,000 per acre and the average return is about 40 tonnes. This year, the price has been fixed at Rs. 2,800 per tonne. We should not forget the fact that most of the farmers are tenants and they should pay the tenancy. What else they will get at the end of a year-long toil?" asks Mr. Surya Prakash, who demands inclusion of agriculture in the MNREGS and revival of the pricing system.

The sugar factories have been doling out mobilisation advances to the farmers under their purview, besides arranging them expert advice on the crop pattern from time to time.

"Notwithstanding the initiatives, the yield is dwindling year after year. We registered crushing of cane weighing 1.7 lakh tonne last year, whereas the expected produce this year is just 1.5 lakh tonne," says G. Koteswara Rao, general manager of Sarvaraya Sugars.

(Source-http://sugarnews.in/dip-in-extent-of-sugarcane-cultivation-a-cause-for-worry/, published on 8th December, 2016)

Cane prices up Rs 10 to 30/quintal for '16-'17 crushing season

The price at which sugar mills can purchase premium variety cane from farmers has been increased by the state government from Rs 270 in 2015-16 to Rs 300/quintal in 2016-17. "The avowed aim is to promote cultivation of this variety in a big way," said cane commissioner Girijesh Prasad Srivastava.

The price of the medium variety cane has been upped from Rs 260 to Rs 280/quintal while the lowest grade cane can now be purchased by sugar mills at the rate of Rs 260/quintal, up Rs 10 from Rs 250/quintal last crushing season.

There are 11 private sugar mills in the state, which will require estimated 57,000 tonnes of cane during the 2016-17 cane crushing season. "The estimate is based on the production capacity of the mills," Srivastava said and added the rates were revised in consultation with the Bihar Sugar Mills Association.

Cane farmer in Bihar are spread over West Champaran, East Champaran, Gopalganj, Siwan, Sitamarhi, Sheohar, Darbhanga, parts of Madhubani and Samastipur districts, as well as Muzaffarpur, Begusarai and Khagaria districts.

The sugar mills are located at Bagaha, Harinagar, Narkatiaganj, Manjhaulia, Sasamusa, Gopalganj, Sidhwalia, Riga, Hasanpur, Lauria and Sugauli.

Each sugar mill has its reserved area from where it gets the cane supplies. There are also certain "free" or non-reserved areas. Around four lakh sugarcane farmers, including 2.88 lakh belonging to the reserved areas, will benefit from the revised rates.

(Source-http://sugarnews.in/cane-prices-up-rs-10-to-30quintal-for-16-17-crushing-season/,published on 8th December, 2016)

ETHANOL

MoUs to set up five ethanol plants inked on last day of Petrotech 2016

The last day of Petrotech 2016 saw 11 memorandums of understanding (MoUs) being signed to further India's hydrocarbon sector. The Ministry of Petroleum and Natural Gas also launched the Web portals of three start-up funds at the event.

IOC, BPCl, HPCL ink pact

A consortium agreement between IOCL, BPCL and HPCL to set up India's largest oil refinery-cum-petrochemical complex along the western coast in Maharashtra was also part of the MoUs signed. The MoUs to set up five second generation ethanol generation plants were also signed today.

MoUs were also signed between Oil India (OIL) and ONGC for supporting the start-up initiatives of oil companies. OIL signed an MoU with the Technology Incubation Centre of IIT Guwahati, while ONGC forged one with IIT Mumbai. A statement of understanding for a production enhancement contract was signed between ONGC and Halliburton for the Kalol field in Gujarat. Another statement of understanding for a production enhancement contract was signed between ONGC and Schlumberger for the Geleki field in Assam.

Praj Industries forged two MoUs with Indian Oil for a cost sharing agreement for development of Ligno-Cellulosic ethanol plants. A 100 KL/day second generation biomass-to-ethanol plant at Dahej, Gujarat, and another at Panipat, Haryana, will be realised from these MoUs. The Dahej plant is expected to yield around 3.3 crore litres of ethanol per year, while the Panipat plant will yield 3.20 crore litres of ethanol per year.

BPCL and the Institute of Chemical Technology have forged an MoU for technology transfer for setting up a similar second generation biomass ethanol bio-refinery at Bina, MP. The refinery will process 400 tonnes/day of biomass (equivalent to 100 KL/ day of ethanol generation capacity). The plant is expected to produce around 3.20 crore litres of ethanol annually. BPCL and Praj Industries have signed an MoU for technology transfer for setting up a second generation Biomass Ethanol Bio-refinery at Bargarh, Odisha. The Bargarh Bio refinery can process 400 tonnes/day of biomass (equivalent to 100 KL/ day of ethanol generation capacity). The Odisha plant is expected to be commissioned in December 2018.

HPCL and the Punjab government's Department of Investment Promotion have signed an MoU for setting up a second generation Ethanol Bio-refinery of 100 KL/day capacity in Bhatinda, Punjab. This plant will also yield 3.2 crore litres of ethanol.

(Source-http://sugarnews.in/mous-to-set-up-five-ethanol-plants-inked-on-last-day-of-petrotech-2016/, published on 7th December, 2016)

Quote of the day

"The purpose of art is washing the dust of daily life off our souls."- Pablo Picasso