NEWS FLASH – 23rd May, 2016

SUGAR

Sugar Sector Recovery: 10 ways govt helped

- The sugar sector comprises sugarcane farmers, mills, financial institutions and trade firms. Around 530 mills produce 25-28 million tons of sugar. The mills' main partners are the farmers that grow sugarcane on about 5 million hectares.
- The sugar industry was deregulated in 2013 – only the Fair and Remunerative Price (FRP) regulation remained. FPR is a measure to protect farmers. The FRP now is Rs. 230 per quintal of cane at a base sugar recovery of 9.5%. Farmers have to be remunerated in line with the FRP and sugar recovery rate. They also have to be paid within 14 days, failing which the mills have to pay interest on the arrears.
- From 2010, when sugar production exceeded demand, sugar mills were unable to make timely payments of FRP to cane farmers. After all, sugar prices fell to as much as of Rs. 20 a kilo in 2015. During the peak of the sector's troubles, sugar mills' arrears to cane farmers were Rs 18,648 crores and Rs 12.702 crores, in 2013-14 and 2012-2013, respectively. That was about 32% and 21% of total cane dues payable, respectively.
- The Central government decided it needed to do something. As a first step, the government decided on a soft loan to the mills – but essentially meant for the farmers – with no interest for one year. It made sure that farmers got the loans directly even though it was the mills that undertook the loans. As much as Rs. 4,305 crores were disbursed in 2015-16 towards payment of cane dues.
- The government also increased the amount of ethanol to be blended with petrol to 10 percent and fixed the price of ethanol. (Blending petrol with ethanol reduces vehicles' exhaust.) It waived central excise duties on ethanol. The result – ethanol supplied doubled year on year from 2013-14. EBP gave the sugar industry enough liquidity to help it reduce cane arrears.
- In a significant departure from before, the government also developed a national supply grid that linked sugar mills and fuel depots and said how much ethanol is to be supplied to the depots.
- The government introduced a performance-based production subsidy, at a rate of Rs. 4.50 per quintal of crushed cane. This was made payable to farmers against cane dues and was contingent on mills undertaking exports and supplying ethanol.
- After these measures were implemented, cane arrears for the 2014-15 sugar season have been wiped out. FRP dues have been settled with all cane farmers in all states but Karnataka and Maharashtra. The 2015-16 sugar season opened on time.
- These measures have also led to improved payments in the 2015-16 sugar season. Unlike in previous years, cane payment arrears are only Rs. 14,000 crores this season, down from Rs. 22,000 crores a year earlier. About 78% of cane dues have been paid.
- The government's measures have also helped boost sugar prices to Rs 32 a kilo from Rs. 19-20 a kilo in 2014-15. This, too, has increased the sugar industry's liquidity and has helped settle cane arrears.

(Source-http://sugarnews.in/sugar-sector-recovery-10-ways-govt-helped/, published on 20th May, 2016)

Centre withdraws subsidy for sugarcane farmers

The Union government has withdrawn its subsidy of Rs 45 per tonne to farmers for sugar export before it could benefit the large-scale farmers.

A decision regarding the matter was issued on Thursday evening, a copy of which is with TOI.

The Centre had asked mills to export sugar on priority and had given an assurance in November 2015 that it would transfer Rs 45 per tonne to the farmers' account as compensation, providing relief to mills and farmers as well.

The government withdrew its decision with immediate effect citing reasons like increased domestic prices for sugar demand in the current year. It said that sugar prices are in a better position, hence, there is no need for the subsidy. Mills have expressed their disappointment over the decision.

Sugar prices, which were hovering around Rs 19,000 per tonne in the wholesale market in December 2015 , have now sincreased to Rs 35,000 per tonne. The Centre pointed out that in such situation, there is no need to disburse the subsidy to the farmers since the mills can make the payment.

P G Medhe, consultant to Chhatrapati Rajaram Cooperative Sugar Mill in Kolhapur, said, "This is a major setback for mills. We were a bit relieved when our burden was partially shared by the government. The withdrawal of this decision will mean that mills will be suspicious about the Centre's every move. The excess supply of sugar in the country has already put a lot of pressure on the mills. There is no guarantee of good returns on current stock of produced sugar, and in such a situation, the government's subsidy of Rs 45 per tonne support to the farmers was a boost. Now, it is the mills' responsibility to make payment."

Raju Shetti, farmers' leader and member of parliament, said, "This means that mills will have to sell their sugar at the current market prices so that they can make payment to farmers. Mills were already pressurised by the state machinery to make payment to the farmers. Some mills have also faced suspension of their crushing licence. The new twist will put more pressure on mills and they will be forced to sell sugar, which will keep retail prices under check."

The Centre's production subsidy had come as an offset for mills which were stressing on their inability to pay sugarcane purchase price as per the fair and remunerative price (FRP) formula. "The subsidy shall be paid directly to farmers on behalf of the mills and be adjusted against the cane price payable to the farmers towards FRP including arrears for previous years. Subsequent balance, if any, shall be credited into the mill's account. Priority will be given to settling cane arrears of the previous years," read the official release after the cabinet committee of economic affairs had taken the decision. The idea was to clear old dues so that sugar mills will be eligible for fresh loans for the next crushing season.

(Source-http://sugarnews.in/centre-withdraws-subsidy-for-sugarcane-farmers/, published on 20th May, 2016)

EU cancels talks on sugar supply

The European Union canceled a plan to discuss boosting sugar supplies after some member states opposed the idea even though the region's stockpiles are headed toward the lowest in at least a decade.

Talks that were initially scheduled to take place at a May 26 meeting have been withdrawn from the agenda, Daniel Rosario, a spokesman for the European Commission, the bloc's regulatory arm, said by e-mail. The EU had considered allowing at least 300,000 metric tons of additional supplies in the region, people familiar with matter said earlier this month.

"Based on data currently available, there is no reason to change the previous assessment of the market situation," Rosario said. "But many stakeholders and member states do not support action from the commission at this particular moment in the marketing year."

Sugar inventories in the EU will fall to 716,000 tons by the end of September, the lowest since a sugar reform was implemented in 2006, European Commission data show. The figure may still be revised due to low imports, according to a summary of the April 28 management committee meeting. A sugar users' group last month warned that food makers would face shortages by July if no measures were taken.

Sugar Reform

The EU, once the second-biggest sugar exporter, spent years cutting output after the World Trade Organization ruled it was dumping subsidized sweetener on world markets. With local producers only allowed to sell a certain amount in the domestic market, that left part of EU demand to be met by imports from some countries with preferential access to the bloc.

Shipments from those nations are more than 300,000 tons lower than last season's level, EU data show. While seven member states were in favor of measures to boost sugar supplies, the same number were against, minutes of the April 28 meeting showed.

"We do not see any justification for the EU commission to table proposals to increase supply of sugar on the EU market," farm lobby Copa-Cogeca said in an e-mailed response to questions. "There is no risk that the EU will suffer from a lack of sugar."

The Committee of European Sugar Users wants talks to still take place. Stockpiles are too low and the commission shouldn't wait until the "last minute" to consider measures, Robert Guichard, the group's president, said by phone. Canceling proposals to boost supplies would be understandable if the commission determines demand is falling, he said.

Potential measures that the EU had considered included allowing domestic producers to sell more within the bloc and through import tenders at a reduced duty.

(Source- http://www.indiansugar.com/newsdetails.aspx?nid=5575, published on 20th may. 2016)

Maha issues orders to attach sugar mills' assets over FRP payments

Maharashtra's sugar commissionerate issued revenue and recovery certificate (RRC) orders against three sugar mills in the state on Wednesday after their failure to make fair and remunerative price (FRP) payments to farmers for the 2015-16 sugar season despite being given repeated extensions. The government has also issued showcause notices to some 80 mills in the state and has given them time until May 25, failing which top officials have warned of big action on the same day. Maharashtra's crushing season ended on May 10 this year.

In the last fortnight, the commissionerate had cancelled the crushing licences of three mills located in the Parbhanai, Yavatmal and Bhor regions of Maharashtra; after these mills still failed to make the payments, orders were issued for attachment of on Wednesday. This has been a year when the government has continued to maintain pressure on millers for making FRP payments to farmers. Till date, RRC orders have been issued to some 24 mills in the state. Maharashtra sugar commissioner Vipin Sharma has warned that if the millers do not make payments on time, strict action would be taken against them on May 25. The mills have been given enough time to make farmer payments, he said.

According to the latest estimates, the arrear position has come down from R2,672 crore in the last fortnight to R1,800 crore as on date, he said, adding that Maharashtra is leading in terms of recovery of FRP compared with other states. Around R900 crore has been collected in the last fortnight itself, he said. Sharma said that the three factories have been issued RRCs because of their failure to make the 80% FRP payments for the season. Their licences were cancelled and they were given time until now; after their failure to make payments, RRC orders have been issued, he said. This season, of 177 factories, around 16 factories have made FRP payments that are 100% or more. Eighty factories have made payments in the 90-99% region and 70 factories have made payments in the 80-90% range, he said. Therefore the commissionerate has issued show-cause notices to them and has asked them to make payments before May 25.

Last fortnight, revenue and recovery certificate (RRC) orders were issued to four mills, crushing licences of two mills were cancelled, two licences were suspended for the season. Hearings were held for some 26 mills, of which 10 mills made payments, while two mills made marginal payments and so were given more time. In the first week of May, RRC orders have were issued against six mills, crushing licenses of six mills have been cancelled and crushing licences of another eight mills have been suspended. Of the eight mills, four mills have made payments.

Season ends on a sweet note in Uttar Pradesh

The sugarcane crushing season that is nearing its end in Uttar Pradesh has in many ways been unprecedented this year. For a change, it's no more a summer of discontent. All the stakeholders are happy; the 40,000-odd farmers in the state are happy as their cane due payments are better this year, and sugar millers are happy as sugar prices have gone up from R2,578 per quintal in October to R3,239 per quintal in March, thereby helping them in not only clearing cane dues but also improving their bottomlines. And the Uttar Pradesh government is happy too. With an election year looming, the state machinery is all geared up to ensure that the farmer fraternity is kept in good humour.

Despite drought and water crisis, which forced the country's largest sugar-producing state, Maharashtra, to register a substantial dip in sugar production, Uttar Pradesh has been able to come within kissing distance of its last year's production of 70.42 lakh tonnes at 68 lakh tonnes. And what is more heartening is the fact that UP's sugar recovery has touched an all-time high of 10.61% as against 9.54% last year.

"It is really comforting to see UP increasing its acreage under the CO-0238 variety, which has given a much higher yield and highest ever sugar recovery. This has gone a long way in helping sugar factories clear their cane dues, thereby making our farmers happy," said UP cane commissioner Vipin Kumar Dwivedi.

Indeed, the cane due payments have shown a very healthy trend. While sugar mills in the state had been able to clear merely 60% of their cane dues by May 15 last year, this year they have already cleared nearly 79% of the dues. "Last year, mills owed a whopping R6,910 crore to the farmers at this time. This year, the figure is less than half of that at R3,154 crore. We are trying our best to get the remaining dues cleared at the earliest," said Dwivedi. In fact, the government has already started cracking the whip on errant mills which have not been clearing cane dues. Almost 25 FIRs have been filed against 22 sugar mills under the

Essential Commodity Act. These include 13 units of Bajaj Sugar, four of Rana Sugar, 2 of Mawana Sugars, and one each of Shamli, Simbhaoli and Modi Sugars.

Talking to FE, an official of the sugarcane department said that of the total 117 sugar mills in the state, including both private as well as UP Sugar Cooperative Federation mills, 116 have already closed down for the season and only one is running on the leftover cane. "This factory is also expected to close by the end of this week," he said.

(Source- http://www.indiansugar.com/NewsDetails.aspx?nid=5576, published on 20th May, 2016)

Co-gen/Power

Power connection on demand soon: GoI

In a bid to make electricity available to all, the government of India plans to launch a scheme under which consumers can pay for the new connection in monthly installments over a period of 5 years and will be able to avail the service on demand. "We are thinking of launching a campaign to make it compulsory to provide electricity connection to all. We want to provide this facility to everyone that if he or she asks for electricity connection then it must be provided," power minister Piyush Goyal said at a conference organised to mark the completion of two years of the NDA regime. The minister further said, "Poor people get electricity connection free of cost. But for those who are above poverty line, the amount paid for new connection will be charged through equated monthly installments in five years. We are working on such scheme and soon launch it."

On Wednesday, the minister had said, "We want to keep it (application for power connection) simple. Then we would ask our people to get the power connection. We won't wait for them to apply."

He had also said, "I am actually telling my officers that they have to go to peoples' homes, make a simple half-page format, (ask them to) just give Aadhaar number, e-mail, address and mobile number, and sign it, saying I am desirous of a power connection and follow all rules and terms. That is it."

(Source- http://indianpowersector.com/2016/05/power-connection-on-demand-soon-goi/, published on 22nd May, 2016)

Storing the Sun's Energy Just Got a Whole Lot Cheaper

With prices dropping rapidly for both renewables and battery storage, the economics of decarbonizing the grid are changing faster than most policymakers, journalists, and others realize. So, as part of my ongoing series, "Almost Everything You Know About Climate

Change Solutions Is Outdated," I will highlight individual case studies of this real-time revolution.

My Monday post discussed the Federal Energy Regulatory Commission's (FERC) report that in the first quarter, the U.S. grid added 18 megawatts of new natural gas generating capacity, but 1,291 MW of new renewables. But one of FERC's "Electric Generation Highlights" for March deserves special attention as a leading indicator of the revolutionary new economics of solar plus storage:

Half Moon Ventures LLC's 4.2 MW Minster Solar Project in Auglaise County, OH is online. This project includes an energy storage capacity.

The Minster "solar + storage system is the largest U.S. facility of its kind connected through a municipal utility," according to S&C Electric Company, which built and integrated the storage system. It combines a 4.3-MW photovoltaic systems and a 7-MW/3-MWh storage management system that provides power conversion with lithium ion batteries.

(Source- http://indianpowersector.com/2016/05/storing-the-suns-energy-just-got-a-whole-lot-cheaper/, published on 20th May, 2016)

ETHANOL

Prohibition: mills look for nod to scale up ethanol production

Farmers fear that implementation of total prohibition, even if in phases as proposed by the new Government, might not augur well for economic viability of sugar mills in the State.

Cane farmers

Mills with distilleries fear that they would incur heavy revenue losses since Indian Made Foreign Liquor manufacturers procure rectified spirit from them. Cane farmers wonder why the Government has not specified how the revenue loss would be recompensed, Subi Thalapathi, representative of Thadapalli-Arakankottai Ayacut Farmers' Association, said.

The AIADMK has promised phased implementation of prohibition by reducing working hours of Tasmac liquor outlets, reducing number of shops, closing down bars and opening of rehabilitation centres.

Future losses

Farmers say the State Government will have to raise the cap on ethanol production for sugar mills to make good future losses due to the prohibition policy. They have a reason to emphasise on this point since the Central Government has promised to pass on subsidy benefit of Rs. 4.50 per quintal of sugar in the event of the mills meeting 80 per cent target set for ethanol production.

Last year, oil marketing companies had announced intention to procure 2.66 billion litres of ethanol for their 10 per cent mandatory blending with petrol. The procurement price varies between Rs. 48.50 and Rs. 49.50. The realisation for the mills is Rs. 41 to Rs. 42 per litre, about Rs. 5 more than what was prevailing earlier.

But, scaling up of ethanol production was not possible in Tamil Nadu since the State had imposed a cap of 50 lakh litres, so as to make sure that rectified spirit, a pre-form of ethanol with 95 per cent purity, is made available for IMFL manufacturers. The mills are helpless though they have a cumulative capacity to produce 6.25 lakh litres of ethanol a day.

Cheaper costs

But, again, the imposition of 14.5 per cent VAT on alcohol has resulted in stagnation of the produce. Every month, the mills have an average monthly alcohol inventory of 2.75 crore litres. But, a large quantity stagnates since IMFL manufacturers are able to import alcohol from sugar mills in Karnataka at cheaper costs.

The mills, according to an official here, are keenly looking for a green signal from the newly-elected government for scaling up ethanol production and meeting the target set by the Centre, in the interests of farmers.

(Source- http://www.thehindu.com/news/national/tamil-nadu/prohibition-mills-look-for-nod-to-scale-up-ethanol-production/article8634584.ece, published on 23rd May, 2016)

Thought of the day

'The two most powerful warriors are patience and time.' - Leo Tolstoy