NEWS FLASH –23rd August, 2016

SUGAR

Haryana: Cane-farmers to get their dues

The Haryana Government has given Rs 77 crore to cooperative sugar mills in the state for making payment to cane growers for their sugarcane purchased by them in 2015-16. The amount will take care of the problem of dues, reports Punjab News Express.

State Minister of State for Cooperation said a total sum of Rs 315.21 crore had so far been released to the cooperative sugar mills. These mills had procured 294.98 lakh quintals of sugarcane for Rs 906.73 crore during the 2015-16 crushing season.

The welfare of farmers is a priority for the state government and the cane growers would not have to face any difficulty, he said.

The government had earlier released Rs 238.21 crore for payment of dues to the cane growers in March, 2016, the minister added.

(Source-http://sugarnews.in/haryana-cane-farmers-to-get-their-dues/, published on 20th August, 2016)

Not much upside for sugar from here

Sugar with over 32 per cent Y-o-Y growth in its wholesale prices has been one of the major culprits behind a sharp rise in food inflation by 11.82 per cent in July from 8.18 per cent in June. Sugar future prices have gained almost 50 per cent from a year before. The main reasons for the sugar price surge have been the expectation of production shortfalls and higher exports incentivised by the government. Diversion of more sugar for ethanol blending, and the forecast of global supply deficits have made a bad situation worse.

However, the upside in prices seems to have halted since April. Sugar prices have remained at ₹ 3,600-3,850 per quintal on account of need-based demand and sufficient stocks.

With the festive season approaching fast, the government is keeping a close watch on sugar prices. Also, NCDEX has raised buying margin for sugar futures to 45 per cent to reduce the speculative long positions. The extent of rise in sugar prices seems to be driven more by the panic created out of supply shortage caused by back to back droughts, which have severely impacted the cane plantings in major cane producing regions of Maharashtra (Solapur, Nashik and Marathwada) and northern Karnataka in 2015-16 growing season.

ISMA estimates sugar production to remain at 25.1 million tonnes (mt) for the 2015-16 sugar season with total supply being 34.1 mt (opening stock of 9 mt) against the domestic demand of 25.5 mt and export of 1.6 mt, thereby leaving a surplus of 7 mt for sugar season 2016-17.

However, the expectation of good cane yields due to above- normal monsoon till now should reduce the fear of supply shortage. The opening balance of 7 mt and expected production of 23.26 mt take the total sugar availability to 30.26 mt for 2016-17 — enough to meet the expected domestic sugar demand of 26 mt. The Government's decision to re-impose excise duty of 12.36 per cent on ethanol (increased burden of ₹ 5/litre for mills) may divert more sugarcane for sugar production in the upcoming season.

However, we may face minor supply shocks in 2017-18 because of the reduced sugarcane acreage to 4.99 MHa by June end, 5.5 per cent, lower than that of 2015-16. Increased acreage in UP and Tamil Nadu has somewhat compensated the acreage loss of Maharashtra and Karnataka. The estimated opening stock of 3 mt for sugar season 2017-18 may create supply deficit in meeting the monthly demand of 2.2 mtduring the initial starting months of the crushing season.

Developments in Brazil

Global sugar prices have hardened because of expectations of demand outstripping supply in 2016 and 2017 on reduced production numbers from drought-affected India and Thailand as well as harvest interruptions in Brazil due to heavy rains. As per USDA's latest biannual report for 2016-17, global consumption is forecast at a record 173.6 mt, exceeding production at 169.3 mt.

With the return of favourable dry weather in Brazil and mills' preference for sugar production over ethanol, the total sugar output during April-July '16 has been at 16.9 mt, higher by 26 per cent Y-o-Y. Brazil is expected to produce 37.1 mt for 2016-17, 2.4 mt higher than 2015-16. Weak real, ample sugar production and expectation of continuity in Brazil's supply will put a check on global sugar prices.

Trade policy developments

In view of the unprecedented price hike in sugar, triggered by the fall in production for 2015-16 and projection of a further decline in output for the 2016-17 season, India imposed an export duty of 20 per cent to curb exports and improve net domestic supply. Though India still maintains a prohibitive import duty of 40 per cent on sugar, the option of decreasing it to allow imports remains.

Sugar prices are not likely to rally much from the existing levels (retail: ₹ 42/kg; ex-mill: ₹ 36-37/kg), prices will remain firm in general. The festive season demand and supply crunch scenario of sugar season 2017-18 may influence millers to hold stocks and we may see temporary spikes in prices. However, with elections due in UP (leading producer) and Punjab, the Centre will try its best to control further price hike in sugar.

Thus, the fear of stock limits on mills, fixation of open market sales quota for mills, the option of reduction in import duty, and ban on futures will check price spikes. Higher sugar production from Brazil and the EU is expected to compensate for shortfalls from India and Thailand. Helped by a cheaper currency and higher domestic production, Brazil is expected to keep its supply to the world market robust.

The UP Government, eyeing elections, may go for an upward revision in State Advised Price of sugarcane that may push sugar prices a bit from the cost side.

(Source- http://sugarnews.in/not-much-upside-for-sugar-from-here/, published on 21st August, 2016)

This festive season, confectioneries to cost more on back of higher sugar prices

Confectionery items are set to become dearer in the run up to the festival season, driven up primarily by higher sugar prices, said food industry executives.

The sugar and confectionery segment has seen persistent inflation, with prices on an upswing since February. Blame it on the drought in sugarcane growing regions where production has seen a massive fall, inflation in this category of the consumer basket has soared to 21.9% in July from a 0.5% in February.

The higher sugar price is spilling over into candies, sauce, jam, jelly and ice cream, making them costlier as well. "We expect prices of confectionery items to firm up with the festive demand peaking in September-October," said Akshay Bector, chairman of Cremica Food Industries that sells sauce, condiments and snacks. He expects any price correction to happen only after Diwali, which this year is on October 30.

Rajesh Gandhi, managing director at ice cream major Vadilal IndustriesBSE -1.52 %, said any correction in the ice cream industry would be only in February-March. Manish Aggarwal, executive director at Bikanervala Foods, said his company marginally increased the prices of savouries from snacks to sweets because of the rising prices of sugar, pulses and oilseeds. He doesn't see any major drop in prices immediately.

The sugar and confectionery category, with a weight of 1.36% in the consumer price index and 3.49% in the food index, has seen the second highest inflation rate after pulses for the last six months. While they are facing cost pressure, food companies get extra room to raise their product prices at this time of the year, with festivals providing guaranteed demand.

" Festive season is the time when product prices can go up. Companies can afford to increase prices based on this assured festive demand ... this is where they can exercise their pricing power," said Upasna Bhardwaj, senior economist at Kotak Mahindra Bank

Sagar Kurade, president of the All India Food Processors Association, said as soon as the sugar crushing season begins by mid-October, there could be a correction in the price. The sugar industry has predicted output in 2016-17 at about 23.3 million tonnes, compared with 25.1mt the previous year.

According to agriculture ministry data, cane acreage as on August 19 was lower at 45.55 lakh hectares against 49.60 lakh hectares last year.

But the food ministry expects enough sugar supplies in the market. In June, it predicted the closing stock at the end of the sugar marketing year in September at 7-7.5 mt and the estimated production next season at 23-24 mt, which would be more than enough to meet the domestic demand of about 26 mt.

(Source- http://economictimes.indiatimes.com/industry/cons-products/food/this-festive-season-confectioneries-to-cost-more-on-back-of-higher-sugar-prices/articleshow/53802158.cms, published on 22nd August, 2016)

Co-gen/Power

Green Banks: Easing India's Clean Energy Finance Barriers

Momentum is building as India moves towards meeting its nationally determined climate targets and becoming a leader in clean energy. India's Power Minister Piyush Goyal recently announced that India's solar installed capacity crossed 8 gigwatts (GW), trebling in under just two years. Recognizing the tremendous growth potential, India's Ministry of New & Renewable Energy convened policymakers, regulators, investors and key clean energy stakeholders at the World Renewable Energy Technology Congress in New Delhi this week to deliberate on accelerating the market and achieving India's goals of installing 175 gigawatts of clean power by 2022. Delivering the keynote on the need for innovative finance, NRDC's India Initiative Director, Anjali Jaiswal released *Greening India's Financial Market: Opportunities for a Green Bank in India* and *Setting Up A Green Bank: A Solution to India's Clean Energy Finance Barriers,* in partnership with the Indian Renewable Energy Development Agency and the Council on Energy, Environment and Water (CEEW) at the Congress today. The newly released report and factsheet come just shortly after IREDA's announcement of its intention of becoming India's first green bank.

(Source- http://indianpowersector.com/2016/08/green-banks-easing-indias-clean-energy-finance-barriers/, published on 22nd August, 2016)

India readies plan to improve renewable power storage

As lithium-ion batteries take centre-stage in the global pursuit for efficient energy storage systems, India has quietly readied a plan aimed at creating systems that can store up to 10,000 mw of intermittentlygenerated renewable power at a fraction of the cost the West will bear.

The about Rs 80,000-crore plan entails setting up hydel pump storage systems in several states over the next five to six years, said SD Dubey, chairman of Central Electricity Authority. He was speaking to reporters on the sidelines of an Energy Conclave organised by CII in Kolkata on Saturday.

A pumped storage facility consists of two large water tanks at two levels— one at the base of a hill and the other at the top of the hill. During the day, when solar power is generated, a portion of the power will be used to pump water from the lower tank to the higher one. At night, when solar power isn't available, water from the elevated tank will be released to work aturbine and generate power.

These 'pumped' storage systems can store 1,000 mw or more of power for any duration at a fraction of the cost entailed using lithium-ion batteries. Solar energy can be generated only during the day. If this power is stored in lithium ion batteries and supplied at night, the process will entail an additional cost of. Rs 10 per unit —the storage cost. In contrast, pumped storage power will entail an additional cost of 30-40 paise per unit, according to Dubey.

"Cost of setting up such hydel pumped storage systems is anything between.Rs 6 crore and. Rs 8 crore per megawatt. Cost of setting up solar generating stations is between. Rs 5 crore and.Rs 6 crore per megawatt. In fact, the Central Electricity Authority has already identified plans of setting up 10,000 mw of pumped storage systems," said Dubey.

(Source- http://economictimes.indiatimes.com/industry/energy/power/india-readies-plan-to-improve-renewable-power-storage/articleshow/53802021.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst, published on 22nd August.2016)

MNRE to hold stakeholders' meet on 1,000 MW wind power auction

Ministry of New and Renewable Energy has invited stakeholders next week for consultation to firm up norms for auction of 1,000 MW grid connected wind power capacity.

"It is proposed to hold another round of consultation on August 23, 2016 with stakeholders on the revised draft guidelines for the scheme for setting up 1,000 MW wind power capacity through tariff based competitive bidding," a senior official said.

The official said the Solar Energy Corporation of India (SECI), which is the nodal agency for implementing the scheme, would float tenders next month for setting up wind projects with cumulative capacity of 1,000 MW to supply power to non-windy states.

The ministry had sanctioned the scheme on June 14, 2016 and prepared a draft guideline for its implementation. These were placed on the ministry website for comments/suggestions/views of the stakeholders.

A committee was constituted to examine the comments and suggest changes in the guidelines.

(Source- http://indianpowersector.com/2016/08/mnre-to-hold-stakeholders-meet-on-1000-mw-wind-power-auction/, published on 22nd August, 2016)

ETHANOL

PM wants ethanol blending in petrol ramped up to 10%

Prime Minister Narendra Modi on Monday said that ethanol blending in petrol should be increased to 10 per cent over time.

Public sector oil marketing companies are expected to supply four per cent ethanol blended petrol by procuring 120 crore litre of bio-fuel by September 2016.

The issue was raised at a performance review of the first quarter of key infrastructure sectors that was taken by the Prime Minister.

At present, the bio-diesel and ethanol industry in India is worth ₹ 6,000 crore but it is expected to touch ₹ 50,000 crore by 2022, based on the demand of petrol and diesel in the country. Currently, the bio-fuel market is mainly driven by ethanol procurement.

"Reviewing the progress in the petroleum and natural gas sector, the Prime Minister sought to know the steps being taken to ramp up ethanol blending of petrol," said an official release.

Meanwhile, Amitabh Kant, Chief Executive Officer, NITI Aayog, in a presentation to the Prime Minister said the country's oil and gas sector will receive $10 billion worth of investments.

The Prime Minister is understood to have also directed all Secretaries to reduce processes, enhance efficiency and focus on technology improvement.

"Incremental change will not help achieve India's transformation. A big, transformational jump needed," he said.

The Prime Minister was also briefed on plans and strategies to further ramp up solar energy production, including through rooftop generation.

"In the new and renewable energy sector, the cumulative installed capacity has crossed 44 GigaWatts," said the release.

Solar energy in transport

He also sought a report on deployment of solar energy in the transport sector, on lines of solar powered engines in railways and underlined the potential of roof-top solar. Meanwhile, at the meeting the Prime Minister was also informed that over 15 crore households have been included in Direct Benefit Transfer for cooking gas in 2015-16.

The meeting also reviewed the progress in railways, aviation, ports and rural housing.

The Prime Minister was also briefed on steps being taken to further boost regional connectivity, and further improve customer satisfaction indices at airports.

"In the rural housing sector, 6.94 lakh rural houses have been completed in the first quarter of the current fiscal year, as compared to a target of 6 lakh houses," said the release.

(Source- http://www.thehindubusinessline.com/economy/pm-wants-ethanol-blending-in-petrol-ramped-up-to-10/article9018174.ece, published on 23rd August, 2016)

Quote of the day

'Action may not always bring happiness; but there is no happiness without action.'

- Benjamin Disraeli