NEWS FLASH –27th September, 2016

SUGAR

Telegana: Sugarcane cultivation turns bitter

Sugarcane cultivation is proving to be an unpleasant experience for farmers, as there is no remunerative price and encouragement from both the government and also the sugar factories is lacking. As a result, the crop area during the last one year has fallen.

The situation has come to such a pass that the country which was exporting sugar now has to purchase it from foreign countries!. This is because sugar production during the last five years was down by one crore tonnes. This explains the grave crisis the industry is facing.

From 3.5 crore tonnes last year it fell to three crore tonnes in 2016. The government is to be blamed for the crisis as, instead of encouraging sugarcane cultivation to meet the country's needs, it is importing sugar. With sugarcane output falling steeply 150 of the 540 sugar factories closed shop.

The extraction of alcohol from sugarcane is now being limited through curbs to only five per cent, as against 25 per cent in Brazil, world's no.1 sugarcane producer. The country is no.2.

The revenue secured from alcohol production is being utilised for paying pension to farmers, sugarcane subsidy and loan/tax waiver. The other required alcohol is being imported, thus proving to be a disincentive for sugarcane production.

The government has virtually opened the door for sugar import, severely impacting the interests of farmers. In this scenario sugarcane factories are giving more importance to import of raw sugar raw rather than crushing. They are refining it before marketing, without bothering to purchasing sugarcane from farmers.

Even if purchased the factories decide the price, which the ryots are forced to accept (Rs.2,650 for a tone, whereas Rs.4,000 is remunerative). Farmers are also severely affected by non-receipt of seed subsidy, bank loans and denial of cutting/transport charges. Keeping this in view, farmers' rganisations want the government to frame the import policy to suit farmers' interests, rather than that of factories.

Point out Sarampalli Malla Reddy, Rythu Sangham leader and Viju Kishan, vice-president, All-India Kisan Sangh, that the sugar factories don't pay the farmers on time, of 15 day, for the purchased sugarcane.

They told The Hans India that last year's dues from factories to ryots total Rs.16,000 crore, despite the Centre providing funds for the payment of interest-free payments.

The factories appear to have made it a practice not to pay dues to farmers, who want the government to provide encouragement by re-opening the closed factories and paying Rs.4,000 a tonne as the minimum support price. They favour the factories to bear the cutting and transportation charges and urge the government to offer interest-free loans. If these steps are not forthcoming, they warn, sugarcane cultivation has to be given up.

In Telangana the sugarcane farmer faces many hardships, as he has to bear the labour cost of transporting the stock to the factories (which have to meet them in the normal courese).

The government has to pay Rs.60 a tonne as transport charge and recover the amount from the factories. Since the government has not issued orders farmers have to incur heavy loss, point out farmers from Khammam.

Besides, they are also hit by non-receipt from factories of permits after transporting sugarcane. With the purchase dragging for days, the stock gets dried up and lose weight of at least two tonnes for each tractor trip. Another factor causing losses to farmers is that as against expenditure of Rs.80,000 for producing sugarcane in an acre, they get in return Rs.66,000, at the current rate of Rs.2,650 per tonne, Satyanarayana Reddy of Khammam told THI.

In the case of Medak farmers the problem is exclusion from loan waiver. They want the government to incorporate sugarcane in the scheme. They grumble that the bills are not being paid by factories on time (of 15 days).

They are not being paid even for four months, that too in installments, without adding interest. Farmers also lose on account of the companies collecting interest right from day one on the sold seed and fertilizers, say farmers Sardar and Srisailam.

Ryots in Karimnagar are suffering a heavy loss following the closure of sugar factories like one in Motpalli, last year, because of which they are forced to shift their stocks to a neighbouring district.

They are forced to pay additional amounts for transport and toll. They also face opposition for sale from local farmers. Keeping this in view, farmers Mamidi Narayan Reddy and Kandi Buchi Reddy want the Nizam's Sugar Factory to be re-opened.

(Source- http://sugarnews.in/telegana-sugarcane-cultivation-turns-bitter/,published on 26th September, 2016)

Maharashtra sugar mills irked by Central government's 37 per cent sugar quota bar

The Union government, in a letter dated September 8, has asked every sugar mill in the state to keep only 37 per cent of its stock, thus pushing them to offload the rest by September 30.

Sugar mills in Maharashtra are miffed with the Centre's directive to reduce their sugar stocks to 37 per cent by this month-end, a measure aimed at keeping retail sugar prices under control.

The Union government, in a letter dated September 8, has asked every sugar mill in the state to keep only 37 per cent of its stock, thus pushing them to offload the rest by September 30.

The sugar stock limit (37 per cent) allowed under this quota would not include exports. There are 177 sugar mills in Maharashtra.

"The sugar sale in the state, on an average is 6-7 lakh tonnes. Going by the Union government's directives, mills will have to (over) sell up to 10-12 lakh tonnes of sugar before September 30 (to meet quota obligations). It means sugar will be sold at lower rates and mills would incur losses," Managing Director of Maharashtra State Cooperative Sugar Factories Federation Ltd (Sakhar Sangh) Sanjeev Babar told PTI.

When asked about the likelihood of other states facing a similar situation, Babar said, "Some states neigbouring Uttar Pradesh — the largest in terms of sugar mills — do not produce sugar. Hence UP (sugar) mills get better rates (even during heavy selling). However, the neighbouring states of Maharashtra such as Gujarat, Andhra Pradesh and Karnataka are major sugar producers. Thus, the state would not fetch better rates like UP.

Besides, he said, the Centre has already withdrawn its export subsidy to mills, which has come as a setback to them. Now, the government is forcing mills to sell their sugar at lower rates compounding their problems.

Also, the fresh directive has brought down wholesale sugar prices by Rs 150-200 per quintal. At present, sugar is traded in the wholesale market at Rs 3,200 per quintal, he said.

The sugar rates were around Rs 3,400 a quintal a couple of months back, but downfall began with various restrictions introduced by the Union government, Babar claimed.

Sugar mills in Maharashtra have already exported 10 lakh tonne sugar so far.

(Source- http://indianexpress.com/article/india/india-news-india/maharashtra-sugar-mills-irked-by-central-governments-37-per-cent-sugar-quota-bar-3049226/, published on 25th September, 2016)

Karnataka: 'Buy power, help us pay cane farmers'

State private sugar mills want govt to bail them out of financial distress, ask govt to buy power at remunerative rates.

About 30 private sugar mills in Karnataka have approached the government offering to sell 500 MW of power.

The offer is laced with a veiled threat. A few of them have conveyed that they may find it difficult to buy sugar cane from growers if the government does not support them by buying power at a remunerative rate, ET learnt from multiple sources.

South Indian Sugar Mills Association's energy committee chairman Ravindra Singh Singhvi said: "We are requesting the government to buy power from us on a long-term basis through power purchase agreements (PPA). We are hopeful the government will consider it".

Many of Karnataka's sugar mills are owned by political bigwigs be longing to all parties, and close ranks when it comes to business interests.

Sugar prices, meanwhile, have remained firm, and experts believe the trend will continue for another two years.

There are divergent views, tho ugh. Should utilities pay a steep rate for power from sugar mills when tariffs elsewhere are falling?

On the flip side: How will mills pay the cane growers unless their own finances are healthy?

Energy minister DK Shivakumar told ET: "We have financially weak utilities on the one hand, and the interest of farmers (cane growers) on the other. My thin king is to help sugar mills as it in volves farmer interest."

The minister, however, added that he is placing the subject befo re the Cabinet for a view as the re cent tenders have elicited bids be low Rs 4 per unit.

The recent bids he mentioned referred to the JSW Energy's quote of Rs 3.87 per unit for 300 MW of po wer it has offered to supply in re sponse to a recent tender from Po wer Company of Karnataka (PCKL). This is also the lowest discovered price for electricity this year. Another recent tender for 1000 MW has elicited a quote of Rs 4.36 per unit from JSW Energy for 700 MW and rest by other firms.A government official said they will go ahead buying 1000 MW once the High Court clears the tender.

The KERC, last month, fixed Rs 4.67 as the tariff payable for the short-term power the utilities bought from private generators, including sugar mills, for the period between Sep 2015 and May 2016.The utilities bought 700 MW of power during this period at a provisional rate of Rs5.08 per unit after the government invoked emergency provisions, last year, forbidding power producers from selling power to outside buyers. This tariff now stands slashed by 41 paise.

The order will help consumers as one paise reduction in power purchase costs translates to a saving of Rs87.6 lakh a year for utilities for every 100 MW of power bought.

Some of the sugar mills, a power sector official said, stopped selling power to the grid a few years ago when open market prices rose far above the agreed rates, citing delayed payment by utilities. Now they want to return to the grid because the open market prices are falling, and utilities still promise a stable revenue.

(Source-http://sugarnews.in/karnataka-buy-power-help-us-pay-cane-farmers/, published on 22nd September, 2016)

Co-gen/Power

Power tariff for industries needs to come down: NTPC chief

On September 20, when Chairman and Managing Director of NTPC Gurdeep Singh addressed the company's shareholders, he said that on September 9 the actual energy demand met in the country was at an all-time high -- 3,539 MU and NTPC (along with group entities) contributed 866 MU. "Thus, green shoots are visible as far as upswing in power demand goes and this is in line with our long held expectations of growth," he had informed the shareholders. The challenge before Singh is not generation, but to see that the electricity reaches the end consumers – both industrial as well as individual – 24x7 and at right price. But, Singh cannot do this alone. In conversation with BusinessLine, Singh shared his views on real cost of electricity, health of the DISCOMs, and NTPC's growth prospect. Excerpts:

Today India's power sector suffers more from lack of infrastructure and demand issues than the supply problems experienced earlier. Has UDAY (Ujwal Discom Assurance Yojna) addressed the existing problem?

Our first quarter results are an answer. There was a 10 per cent increase in our power supplies. Put together with our subsidiaries, it was nearly 12 per cent. This is partly due to UDAY. The health of the DISCOMs seems to be relatively better than before and they have been able to purchase more power and paying for it. So, UDAY is showing some results.

Some States have not announced tariff orders. Isn't it distorting the market?

The regulators have to find whether the real cost of electricity is being recovered from the customers and what can be the different kind of tariffs. Some states have finalised the tariff orders, some haven't, and this could be due to several reasons.

But, one thing is clear that tariff for industrial sector needs to come down, otherwise DISCOMs will not come out of the stress. Industries need to be supplied electricity at some kind of competitive rates.

Do we need differential tariffs?

The problem is that the peak industrial tariff has gone very high. However, this is a subject which needs detailed discussion and needs to be studied -- how electricity sector is treated by the individual States.

Are solar tariffs which are around ₹ 4.5-5/unit suppressed ? Can projects be sustained at this price?

I don't think it is suppressed. Everyone has to see what kind of returns they expect. Many of the private sector players are trying their own financial engineering. I think any tariff around ₹ 5 a unit is sustainable.

Our combined generation has an average tariff of around ₹ 3.04 a unit. But if we put in a new thermal power plant, the capital cost itself is coming at around ₹ 2-2.5 a unit. Fuel cost is a function of the distance from the mine.

Talking about new projects, what is next on NTPC's radar?

Already 24,000 MW of capacity is under construction. Several projects are close to commissioning, several orders are being placed. What we are looking for is commissioning and ordering 2,000-2,500 MW annually for the next few years.

This is on the coal side. Solar and wind is separate.

The renewable side we are still drawing up the plans. The objective is 10,000 MW of renewable capacity by 2022.

We need to revisit our business plan which will be revealed very soon. The focus is on the renewable side. Along with the coal-based generation, we are finally investing into renewables and mainly solar. That is a big change.

Is it a government mandate to get into renewables or is it your own strategy? If the portfolio is divided will your mainstay be thermal or renewable will get higher weightage?

At the end, we are a power generation company. We were predominantly coal-based, but now our portfolio will see a significant jump in the renewable side. Only last year, we commissioned our hydro plant. We are also commissioning two more hydro plants, so our portfolio is going to undergo a lot of diversification.

We are lacking in wind so far. But very soon, we should be there. Perhaps, this will happen over the next year and half. In the first tranche, we are looking for 100 MW, but the overall target is around 1,000 MW for wind.

Will your power trading business get a booster?

The margin in the power trading business is a little squeezed, so the only thing to play on is the volumes. In the recent past, we started trading our URS (unrequisitioned) power, in addition to whatever we were trading already.

Most of our capacities are contracted, but some remains unrequisitioned.

This is traded. The other thing is the cross border trading. We are selling a lot of power through NVVNL (NTPC Vidyut Vitaran Nigam Ltd) to Bangladesh and Nepal.

The point is how much risk we can take because trading is predominantly dependent on the working capital. We are trying to balance out the risk. We are well equipped right now. Total trading on the exchanges is still 3 per cent. We are stable in this segment.

(Source-http://www.thehindubusinessline.com/companies/power-tariff-for-industries-needs-to-come-down-ntpc-chief/article9150684.ece, published on 20th September, 2016)

WTO ruling on DCR: a blessing in disguise

The World Trade Organisation (WTO) has rejected India's final appeal and upheld its previous ruling against Domestic Content Requirement (DCR) provision for solar projects in India (refer). But India has already built a pipeline of around 1,800 MW of DCR projects as against operational cell manufacturing capacity of only about 600 MW. Demand from these projects should provide breathing room to the existing manufacturers and avoid any immediate repercussions.

• The Indian government has unnecessarily wasted time and money pursuing a protectionist policy and its repeal may in fact be helpful in the long-term;

• India already offers extremely attractive subsidies under M-SIPS and other such schemes but all such measures have failed to produce desired results because of the formidable challenges faced by manufacturers in India;

• India has a competitive advantage in manufacturing of solar inverters and balance of system components, the country should focus on becoming a leader in those areas;

BRIDGE TO INDIA has always maintained that investment in manufacturing cannot and should not be based on short-term protectionist measures such as DCR. The Indian government has unnecessarily wasted time and money pursuing a flawed policy. The ruling should compel it to create a more sustainable roadmap for a viable domestic manufacturing sector.

It is worth noting the challenges faced by manufacturing in India – poor infrastructure, high financing and energy costs, inflexible labour laws and unrelenting bureaucratic obstruction. To offset these, India already offers extremely attractive subsidies to manufacturers under the Modified Special Incentive Package Scheme (M-SIPS) and the Special Economic Zone (SEZ) policy. But these policies are extremely rigid and their poor implementation has failed to produce desired results.

(Source- http://indianpowersector.com/2016/09/wto-ruling-on-dcr-a-blessing-in-disguise/, published on 27th September, 2016)

Reliance and ONGC Face 18% Cut in India Natural-Gas Price

India will probably cut the price of natural gas by about 18 percent in a setback for explorers, a survey by Bloomberg News shows.

The government-set price will track a global decline and fall to less than $2.5 per million British thermal units for October through March from $3.06 currently, according to the average of 12 industry estimates. India reviews the rate half-yearly, using a formula capturing international trends. The announcement is due this week.

Such a reduction would take the price to less than half the $5.05 per million British thermal units the government set when it first rolled out the formula in 2014. That could put pressure on the margins of explorers such as Oil & Natural Gas Corp. and billionaire Mukesh Ambani's Reliance Industries Ltd., while benefiting users including fertilizer companies and power generators.

"We're highly concerned about the fall in prices," said Ashu Sagar, the secretary general at the Association of Oil & Gas Operators, whose members include the biggest explorers and gas producers. "The formula now doesn't offer any floor."

(Source- http://indianpowersector.com/2016/09/reliance-and-ongc-face-18-cut-in-india-natural-gas-price/, published on 27th September, 2016)

Quote of the day

'God sleeps in the minerals, awakens in plants, walks in animals, and thinks in man.'

-Arthur Young