

NEWS FLASH – 28th April, 2016

SUGAR

Fall in India's Sugar-Cane Output Could Be Sweet for Industry

Sugar output in India is estimated to fall more than 9% this season, after production dropped in the country's top cane-growing state, potentially providing relief to the industry by trimming huge stockpiles and lowering exports.

India is expected to produce 25.6 million tons of sugar in the cane-crushing season that began in October and ends September 2016, compared with 28.3 million tons a year earlier, as a drought in the western state of Maharashtra has cut crop plantations "by almost half," an official at India's agriculture ministry said.

The fall in output could come as a relief to India's beleaguered sugar industry, as it tries to clear large stockpiles and payoff huge debts owed to cane farmers.

A decline in India's sugar stocks is "positive" as it will help draw down the country's inventories to around 7.6 million tons this year from around 9.5 million tons a year earlier, ratings agency ICRA said.

A smaller harvest in India could mean good news for global sugar prices as it would reduce exports next season, analysts said.

India has been looking for ways to dump its excess sugar supplies. In September, New Delhi demanded that sugar refiners release at least 4 million tons of excess stock onto international markets.

"India cannot export much if it has a shortage," said Chowda Reddy, an analyst at Inditrade Derivatives and Commodities.

India, the world's second-biggest consumer and producer of sugar after Brazil, produced 24.34 million tons of the commodity from October to April 15, compared with 26.46 million tons in the same period a year earlier, according to the Indian Sugar Mills Association, a sugar producer's body.

(Source-<http://sugarnews.in/fall-in-indias-sugar-cane-output-could-be-sweet-for-industry/>, published on April 27, 2016)

India likely to become net importer of sugar as drought dries fields

India is likely to become a net importer of sugar in 2016/17 as back-to-back drought years dry irrigation channels and ravage cane fields, with output in the country's biggest producing state seen dropping over 40 percent.

That would mark the first time the nation has been a net importer of the sweetener in four years, with the switch likely to support global prices that have already been rising this year.

It would also give rival producers such as Pakistan, Thailand and Brazil the chance to boost shipments from their ports.

“India will need to import next year due to a production shortfall,” Ashok Jain, president of the Bombay Sugar Merchants Association (BSMA), told Reuters.

“Drought has severely affected cane plantations in Maharashtra. The government should stop exports now to reduce import requirements in the next season.”

The El Nino weather phenomenon, which brings dry conditions to many regions, has stoked the worst drought in decades in some parts of India, with thousands of small-scale sugar cane growers in Maharashtra state failing to cultivate crops for the next marketing year, starting October.

“Even for drinking water we are relying on water tankers. It wasn’t possible for anyone from our village to cultivate cane,” said Baban Swami, a farmer standing in a parched field in the Latur district of Maharashtra, around 500 km southeast of Mumbai.

That could help push overall output below consumption for the first time in seven years.

“Next year, Maharashtra’s production could drop below 5 million tonnes. This may pull down the total output to 22.5 million tonnes,” said B.B. Thombre, president of the Western India Sugar Mills Association. Next season’s local consumption is pegged at around 26 million tonnes.

The world’s biggest sugar consumer is set to churn out 25.7 million tonnes in the current season, with Maharashtra contributing 8.5 million tonnes. Indian mills are contracted to export nearly 1.5 million tonnes this season.

“I think there is a possibility we could see imports to India next year,” said Tracey Allen, a commodity analyst at Rabobank in London.

Indian imports have in the past boosted global sugar prices, traders said.

“The global supply deficit is going to rise with the Indian shortfall. This could trigger a rally, although a lot depends on how much sugar India needs to import,” said a Singapore-based dealer with a global trading firm. He declined to be identified as he was not authorised to speak with media.

Meanwhile, analysts were divided over whether India would cut its 40-percent import duty on raw sugar.

Some said mills would ask for the tax to remain unchanged so domestic prices would rise further, while others said the food ministry could push for a duty-cut to relieve inflationary pressures.

"Duty free imports are required to arrest price rises," said Jain at BSMA.

(Source-<http://sugarnews.in/india-likely-to-become-net-importer-of-sugar-as-drought-dries-fields/>, published on April 27, 2016)

Crushing season ends, one of the shortest in Maharashtra

Just seven mills have paid 100 per cent FRP this season.

With only five sugar mills operational in Pune region, the 2015-16 crushing season has virtually come to an end in the state. This would be one of the shortest seasons the state has ever seen, with last year's crushing season ending well past June.

Of the 177 mills that had started to operate last year, on Tuesday, it was found that only five mills remain operational. Of the five operational mills, one is in Satara, whereas Pune and Sangli have two mills each. While mills in Marathwada had started shutting operations from January, all the 38 mills in sugarcane-rich Kolhapur region have long ceased operations also. Likewise, mills in Ahmednagar, Nashik and Amravati have finished their crushing for the season. Last year, mills in Kolhapur and Pune had continued operations well past May with the last mill ending its crushing in June.

The current crushing season had seen 740.76 lakh metric tonnes of sugarcane being crushed and 836.88 lakh quintal of sugar being produced. The average recovery for the current season is around 11.3 per cent, a tad bit higher than that of last year when the recovery was 11.27 per cent. The crushing season of 2014-15 had seen 178 mills being operational with 911.6 lakh metric tonnes of sugarcanes being crushed and 1027.17 lakh quintals of sugar being produced.

After two consecutive years of record production, the current season had started under the pall of drought and unpaid dues. Sugar prices had crashed last year, resulting in millers defaulting in their payment of fair and remunerative price (FRP) to the sugarcane growers. The season had started with payment arrears of over Rs 1,000 crore. The sugar commissioner had ordered auction for the sugar stock of 11 mills over their failure to pay the sugarcane growers for the season 2014-15. For the current season, 12 such orders were issued, of which stock of only two mills were auctioned as the rest had either obtained stay from the minister of cooperation or from the courts. The current season had also seen suspension of crushing licence of 14 mills for non clearance of their dues — a first of its kind in the state.

Mills till date have crushed sugarcane worth of Rs 16,012 crore, of which payment to the tune of Rs 12,856 crore was made. The payment made adheres to the 80:20 payment schedule fixed at the start of the crushing season with the payment of Rs 3,156 crore yet to be made.

Swabhimani Shetkari Sanghathana has demanded payment by May 1, which the millers say is not possible. The season has seen 43 lakh tonnes of sugar being sold, a bit lesser than the previous year's figures.

Just seven mills in the state have paid 100 per cent FRP this season. The next crushing season, the millers have said, would see far lesser cane area and lesser mills going for crushing. BB Thombare, the chairman of Western Indian Sugar Mills Association (WISMA) has said that most of the mills in Marathwada would not be going for crushing. "There would not be enough sugarcane," he said.

(Source- <http://sugarnews.in/crushing-season-ends-one-of-the-shortest-in-maharashtra/>, published on 27th April, 2016)

Sugar price at Rs 40, Sharad Pawar says cane growers will protest if govt depresses rates

Retail sugar prices have been rising since October due to estimates of lower production at 25.6 million tonnes for 2015-16 marketing year (October-September) as against 28.3 million tonnes a year ago. (PTI)

Former Agriculture Minister Sharad Pawar today threatened that cane growers will come out on the streets to protest if the government takes steps to depress retail sugar prices.

Pawar's warning comes a day before the scheduled Cabinet meeting to approve a proposal to empower state governments for imposing stock holding limits on sugar in order to curb hoarding and contain retail prices, which are ruling at over Rs 40 per kg.

"Attempts to depress sugar prices will be injustice to cane growers. They will come to streets and agitate," Pawar told PTI, a day after All India Sugar Traders Association made a presentation before senior officials of Food Ministry and the Prime Minister's Office (PMO), proposing scrapping of the export subsidy and calling for stock limit of 1,500 tonnes for Kolkata and 750 tonnes for rest of India.

The stock limits on sugar traders were last imposed during 2009-2011.

According to the sources, Consumer Affairs Ministry has moved a Cabinet proposal seeking approval to empower state governments to impose stock holding limits on sugar traders to check hoarding and black marketeering.

Last week, Union Food Minister Ram Vilas Paswan had asked the state governments to impose stock holding limits on sugar.

Retail sugar prices have been rising since October due to estimates of lower production at 25.6 million tonnes for 2015-16 marketing year (October-September) as against 28.3 million tonnes a year ago.

The prices crossed Rs 40 per kg at the beginning of this month compared with Rs 30 per kg last October. At present, prices are ruling at Rs 45 per kg, according to the government data.

Sugar prices were depressed during 2014-15 marketing year on record production and huge carryover stock that led to sharp rise in cane arrears of about Rs 21,000 crore.

However, the prices have been inching up on expectation of lower output and the government's order to mandatorily export 3.2 million tonnes in the ongoing marketing year.

Mills have exported only 1.3 million tonnes of sugar so far and are likely to ship 7,00,000 tonnes more by September.

Sugar production fell 8 per cent to 24.3 million tonnes till April 15 of this year.

(Source-<http://sugarnews.in/sugar-price-at-rs-40-sharad-pawar-says-cane-growers-will-protest-if-govt-depresses-rates/>, published on 27th April, 2016)

Maha to seek ED inquiry in selling of sugar factories

While speaking to media persons after the Cabinet meeting, Patil said that Lok Sabha MP and SSS leader Raju Shetti has raised the issue during his meeting with Shetti on Monday.

Echoing the sentiments of Swabhimani SDhetkari Sanghatana leader Raju Shetti, the Minister for cooperation Chandrakant Patil on Tuesday said that the state Government would also write a letter to Enforcement directorate seeking inquiry in to the selling of 35 cooperative sugar factories in the state at throw away price during the tenure of previous Government.

While speaking to media persons after the Cabinet meeting, Patil said that Lok Sabha MP and SSS leader Raju Shetti has raised the issue during his meeting with Shetti on Monday. He said that Shetti has submitted his memorandum to him and the state Government since his complaint is true would also approach ED.

Patil informed that during the previous Government rule, 35 sugar factories were sold to just Rs. 1000 crores. He said that the land of one of the sugar factories which is 250 acres was sold at just Rs. 30 crores that too along with the machinery of the factory. There are many such deals and that is the reason State Government would also approach ED seeking inquiry in to the same, added Patil.

Sugarcane on drop in 3 years – Patil

Making it clear that it was not possible to prevent sugarcane cultivation in the state, Minister for Cooperation Chandrakant Patil said that the cooperative sugar factories would be asked to bring cane cultivation in their areas under drip irrigation in next three years. Patil said that it is true that sugar cane as a crop is consuming more water in the state but it is due to inefficient use of water. He said that there is a need to bring cane under drip irrigation. He

said that the state Government would bring all the cane cultivation on drip irrigation in next three years.

(Source-<http://sugarnews.in/maha-to-seek-ed-inquiry-in-selling-of-sugar-factories/>, published on 27th April, 2016)

CO-GEN/ POWER

Delhi: Private power discoms push for fresh tariff hike

Delhi's private power discoms are again pushing for a fresh tariff hike.

The petition filed by the three private power distribution companies has shown a revenue gap of almost Rs 2200 crore in last financial year in total.

The separate petitions by these three companies have been already submitted to Delhi Electricity Regulatory Commission (DERC).

Although Delhi's power regulator has not accepted these petitions as of now. But in case the petitions will be accepted then Delhi power consumers might have to cough out additional 10 to 15 percent as the increased power bill.

The three distribution firms – BSES Rajdhani Power Ltd (BRPL), BSES Yamuna Power Ltd (BYPL) and Tata Power Delhi Distribution Ltd (TPDPL) – have reportedly submitted their petitions related to annual power tariffs for 2016-17 earlier this month.

Although the companies have not asked for any specific hike in power tariff but if the revenue gap in the Annual Revenue Receipt (ARR) will be accepted then the hike will be necessary.

(Source-<http://indianpowersector.com/2016/04/delhi-private-power-discoms-push-for-fresh-tariff-hike/>, published on 28th April, 2016)

Parl panel seeks forensic audit of shareholding in IEX

A Parliamentary panel today sought forensic audit of the shareholding pattern of Indian Energy Exchange (IEX) to check whether Financial Technologies India Ltd (FTIL) holds any stake in the company through cross holding, buy-back arrangement or any other means.

“Implementation/execution of the order of CERC regarding dilution of FTIL share holding in IEX need to checked thoroughly. It is the duty of the (Power) Ministry/Regulator (CERC) to see that no cross holding/holding through share companies/buy back arrangement/control/cross control by promoter of FTIL is allowed in any form,” the panel said.

Parliamentary Standing Committee on Energy in its report tabled in Lok Sabha said that, "Forensic audit must be ordered to check such cross control/non-transparent control/share holding of IEX by promoter of FTIL in the IEX."

Central Electricity Regulatory Commission (CERC) is the power sector regulator.

The panel also said that after interaction with a section of stakeholders, it felt monopoly on power exchange should be avoided as this is corrosive to the health functioning of the system.

(Source-<http://indianpowersector.com/2016/04/arl-panel-seeks-forensic-audit-of-shareholding-in-iex/>, published on 28th April, 2016)

ETHANOL

Ethanol Blended Petrol to cut Emissions

Numerous countries including India have adopted the practice of blending ethanol with petrol so as to reduce exhaust emissions from vehicles. This practice also helps to reduce the import burden on account of crude petroleum from which petrol is obtained.

By conservative estimate it is said that even five percent blending can help replace around 1.8 million barrels of crude oil.

Benefits of ethanol blending:

Ethanol content is a byproduct in the conversion of sugar cane juice to sugar. It is mainly derived by sugarcane molasses. It results in a net reduction in the emission of carbon dioxide, carbon monoxide (CO) and hydrocarbons (HC).

Ethanol burns cleaner and burns more completely than petrol.

History of ethanol blending in India:

Ethanol blending started in India in 2001.

In 9 States and 4 Union Territories, government made it mandatory to blend five percent ethanol with petrol in the year 2003. In November 2006 it was made compulsory to blend five percent ethanol with petrol in 20 states and 8 union territories.

In 2006 it was seen as an attempt to reduce the under-recovery of public sector oil marketing companies.

Recent developments:

The Minister of State for Petroleum & Natural Gas Mr. Dharmendra Pradhan recently said that the Government has permitted Oil Marketing Companies (OMCs) to sell Ethanol blended

petrol with percentage of ethanol up to 10 percent as per BIS Specification to achieve five percent ethanol blending across the country as a whole. During the sugar year 2014-15, OMCs have achieved a blending percentage of 2.3 per cent.

The Government has fixed the price of ethanol. As petrol has been decontrolled with effect from June, 2010 OMCs take appropriate decision on pricing of petrol as per international prices and market conditions.

Ethanol blending in Petrol results in saving of Petrol to the extent of its blending and consequent foreign exchange. The potential foreign exchange earnings for the Sugar Year 2014-15 amounts to around USD 285 Million.

In order to improve the availability of ethanol and encourage ethanol blending, the Government has taken following steps:

The Government has fixed the delivered price of ethanol in the range of Rs.48.50 per litre to 49.50 per liter.

Ethanol produced from other non-food feedstocks besides molasses, like cellulosic and ligno cellulosic materials including petrochemical route, have been allowed to be procured.

Ministry of Petroleum and Natural Gas, on 1st September, 2015, inter-alia has asked OMCs to target ten percent blending of ethanol in Petrol in as many States as possible.

The procedure of procurement of ethanol under the EBP has been simplified to streamline the entire ethanol supply chain.

Excise duty has been waived on ethanol supplies to OMCs for EBP by sugar mills during 2015-16. Above initiatives to incentivise Ethanol Blended Petrol (EBP) Programme are expected to increase blending of ethanol in the near future.

(Source- <http://sugarnews.in/ethanol-blended-petrol-to-cut-emissions/>, published on 27th April, 2016)

Thought of the day

The function of education is to teach one to think intensively and to think critically. Intelligence plus character - that is the goal of true education. -Martin Luther King, Jr.