

NEWS FLASH – 30th April, 2016

SUGAR

Karnataka: No sweet news, 30% dip in sugarcane production

Around 240 sugarcane farmers committed suicide in the state in the past one year apparently due to mounting debts and low returns on sugarcane crops. It is estimated that the drought destroyed at least 30% of sugarcane crops, leaving lakhs of farmers in a precarious position.

As Maharashtra and Uttar Pradesh face major drop in production due to drought, the Karnataka government has also revised its estimates to 30% less than 2015-16 harvest. However, Sugarcane Farmers' Association president Kurbur Shanthakumar says the dip in sugarcane production will be worse.

"The drought has been severe this year; 50% of the crops have already been lost. There is no water for the crops to survive," he said. According to Shanthakumar, of the 25 lakh borewells drilled by sugarcane farmers, at least five lakh have dried up. And the operational ones are not yielding enough for the water intensive sugarcane crops. While the last three years saw a problem of plenty, with prices of sugar crashing, this year the sugar prices are likely to go up due to shortage. Farmers say sugar prices will touch Rs 45-50 per kg from the present Rs 30-35.

"The production has come down by 18%. The next year's production, which is dependent upon this year's crop, will see a possible dip," sugar commissioner MK Aiyappa pointed out.

(Source-<http://sugarnews.in/karnataka-no-sweet-news-30-dip-in-sugarcane-production/>, published in the Times of India on 29th April, 2016)

Sugar prices end steady in thin trading

Steady conditions prevailed at the wholesale sugar market in the national capital today as prices moved in a tight range in the absence of worthwhile activity and settled at previous levels.

Marketmen said scattered demand from bulk consumers amid increased supplies from mills mainly kept sweetener prices unchanged.

Following are today's quotations (in Rs per quintal):

Sugar retail markets – Rs 33.00-39.00 per kg.

Sugar ready: M-30 Rs 3,620-3,700, S-30 Rs 3,610-3,690.

Mill delivery: M-30 Rs 3,380-3,450, S-30 Rs 3,370-3,440.

Sugar millgate (including duty): Mawana Rs 3,400, Kinnoni Rs 3,450, Asmoli Rs 3,400, Doralá Rs 3,390, Budhana Rs 3,390, Thanabhavan Rs 3,380, Dhanora Rs 3,380, Simbholi Rs 3,420, Khatuli Rs 3,420, Dhampur Rs 3,380, Ramala Rs 3,420, Anupshaher Rs 3,420, Baghpat Rs 3,430, Morna Rs 3,430, Sakoti Rs 3,380, Chandpur Rs 3,380, Nazibabad Rs 3,420 and Malakpur Rs 3,400.

(Source-<http://sugarnews.in/sugar-prices-end-steady-in-thin-trading/>, published in the Economic Times on 29th April, 2016)

Maharashtra government asks sugar mills to donate Rs10 lakh each

Maharashtra government has asked all private and co-operative sugar factories in the state to donate Rs10 lakh each in the chief minister drought relief fund. This money will be utilised to tackle drought in the Marathwada region.

The circular issued by the state co-operative and marketing department said it is mandatory for all sugar factories to pay the donation. The co-operative and private sugar mills will shell out Rs 10 lakh, state level co-operative institutions between Rs10-20 lakh, co-operative banks and non-agriculture and urban co-operative institutions will have to donate Rs10 lakh each in the chief minister drought relief fund.

There are more than 300 private and co-operative sugar factories in Maharashtra and most of them are located in the western Maharashtra. These sugar factories are controlled and owned by the politicians mainly from the Congress and the NCP.

"These said institutions have to pay the donations by Demand Draft in Mumbai. Besides, the donation, the sugar mills can also spend Rs15 lakh on Jalyukta Shivar and other drought relief work," stated by principle secretary, co-operative SS Sindhu in the circular.

The circular also spoke about the steps taken by the state government to help people in the drought-affected areas. "Around 33.5% discount for this year's electric bill of agriculture water pumps, waiving off the colleges and schools admission fees, supplying water tankers and realignment of the agriculture loan are some of the steps taken. Besides, the government has also warned to the local authority not to disconnect the electric supply of the farmers water pump if the drought-affected farmers are on defaulters list. Ahead of monsoon, the government has also asked the banks to give crop loans," stated the circular.

Babasaheb Patil, chairman of the Sahyadri co-operative Sugar mill, in Satara said that it is the need of the hour to extend help to the drought-affected people. "NCP chief Sharad Pawar had also appealed few days ago to all sugar factories to come out and help the crisis ridden farmers. Apart from donations, we are also sending our sugar factory machinery to develop the check dams in Marathwada and other regions. The government has taken the good initiative and we are ready to help at any time for the right cause," Patil said.

A senior NCP leader said that government can ask the sugar mills to contribute during the crisis but it should not blatantly say that they will shut down the sugar mills. "Maharashtra

contributes almost 40% sugar in the total production of the country. If Maharashtra stops producing sugar, then sugar prices will go up not only in India but across the world. We can put emphasis on the drip or sprinkle irrigation," he said requesting anonymity.

Source-<http://sugarnews.in/maharashtra-government-asks-sugar-mills-to-donate-rs10-lakh-each/>, published in Daily News and Analyses on 29th April, 2016)

Sufficient sugar stock available to meet domestic consumption: Govt

Government has said, there is no shortage of sugar stock in India, and the stock is sufficient to meet the domestic consumption. An official release said, India had a carryover stock of 9 million tonnes of sugar during the current Sugar season.

The production of sugar has been estimated at about 25.3 million tonnes in the current season. While the domestic consumption is estimated at about 25.5 million tonnes and exports being low at about 1.5 million tonnes, the stock position at the close of the current sugar season in September will stand at 7.3 million tonnes. This will be carried forward for the next sugar season.

The Cabinet had, on Wednesday, decided to allow states to impose and enforce stock limits on sugar to check its price rise in the market. It was noticed that wholesale and retail prices had gone up in spite of sufficient availability of sugar stocks with the Sugar Mills.

(Source-<http://sugarnews.in/sufficient-sugar-stock-available-to-meet-domestic-consumption-govt/>, published on 29th April, 2016)

Sugar stocks decline after cabinet allows states to levy stock limits on sugar

Shares of three sugar companies declined 0.86% to 1.78% at 12:20 IST on BSE after the government decided to allow states to impose and enforce stock limits to check the price rise in sugar.

The announcement was made after market hours yesterday, 27 April 2016.

Meanwhile, the S&P BSE Sensex was down 173.27 points or 0.67% at 25,890.18.

Bajaj Hindusthan (down 1.78%), Balrampur Chini Mills (down 0.86%) and Shree Renuka Sugars (down 1.04%) declined.

The Union Cabinet chaired by the Prime Minister Narendra Modi has given its approval to bring sugar under the purview of imposing stock holding limits on dealers of sugar, keeping in view the recent upward trend in sugar prices. The government has noticed that in spite of sufficient availability of sugar stocks with the sugar mills, the wholesale and retail prices have shown a spurt.

The government took stock of the availability of sugar and different factors contributing to rise in market prices of sugar across the country. In order to check the inflationary tendencies in sugar and to reduce hoarding by wholesalers and retailers, government felt an immediate need to bring sugar within the purview of stock limits. The decision will empower state and central agencies to impose stock limits and regulate supply, distribution, storage and trade of sugar to bring down sugar prices at reasonable level by curbing unscrupulous trading.

(Source- <http://sugarnews.in/sugar-stocks-decline-after-cabinet-allows-states-to-levy-stock-limits-on-sugar/>, published on 29th April, 2016)

Govt sees no sugar shortage in 2016-17

Government said there will not be sugar shortage in the country in the 2016-17 season starting October despite lower domestic output, as the total availability at 30-31 million tonnes would be suffice to meet the demand.

The government's supply estimate for 2016-17 comes amid reports that India, the world's second biggest sugar producer after Brazil, might become a net importer due to likely fall in domestic sugar output in the wake of expected decline in cane production due to two consecutive years of drought.

"As such, notwithstanding any shortfall in sugar production during 2016-17 sugar season (estimated 23-24 million tonnes), the total availability in India (30-31 million tonnes) would be sufficient to meet the domestic consumption," the Food Ministry said in a statement. About 7.3 million tonnes will be carried forward for the 2016-17 season. "There is, therefore, likely to be no shortage of domestically produced sugar in India," it said.

In the ongoing 2015-16 season, India had started with a carryover stock of 9 million tonnes of sugar. The production this year is estimated at about 25.3 million tonnes, as against the demand of 25.5 million tonnes.

"Exports this year being low at about 1.5 million tonnes, the stock position at the close of the current sugar season will stand at 7.3 million tonnes which will be carried forward for the next sugar season 2016-17," it added.

It may be noted that sugar production in the ongoing 2015-16 season (October-September) is estimated to be lower at 25.3 million tonnes, as against 28.3 million tonnes in the previous year.

As per the industry data, mills have manufactured 24.3 million tonnes of sugar till April 15 of this season.

(Source- <http://sugarnews.in/govt-sees-no-sugar-shortage-in-2016-17/>, published on 29th April, 2016)

CO-GEN/ POWER

UDAY scheme to effect state finances over medium term –RBI

The UDAY scheme launched by central government to affect a turnaround in the financial viability of state owned Discoms and improve operational efficiency is likely to affect the state finances over the medium term, as per Reserve Bank of India report. Under the Ujwal Discom Assurance Yojana (UDAY) scheme launched by the central government, states that opt for the scheme are mandated to take over 75% of the liabilities of their power distribution companies by converting loans into state guaranteed Discoms bonds. The outstanding loans of all power Discoms in the country were Rs.4.3 trillion as of September.

RBI's report 'State Finances: A Study of Budgets of 2015-16' states that although the effect may not be instantaneous, state finances might come under stress in the coming years on account of burgeoning liabilities due to takeover of 75 per cent of the existing debt of Discoms. This would considerably reduce the fiscal space of states which might lead to curtailment of capital expenditure with an adverse effect on impact of growth. As per RBI report the central government promulgated financial restructuring plan in October 2012 and the opting state governments committed to ensuring the Discoms eliminate the chronic gap between the average cost of supply and average revenue required within the moratorium period. The inability of state governments to implement tariff hikes resulted in growth of average cost of supply outpacing average revenue required imposing a severe constraint on debt servicing ability of Discoms. Furthermore faulty meters, billing on average consumption, delay in revenue collections and unauthorized usage of power by agriculture and rural consumers also contribute to heavy commercial losses. The overall AT&C losses moderated from 26.4% in 2010-11 to 22.7 % in 2013-14 but they are still at an elevated level.

Another reason for poor financial performance of Discoms is the delay and nonpayment of subsidy by state governments. The subsidy burden for Discoms is increasing due to higher costs and cheaper tariff for farm sector. Discoms suffer from the fundamental problem of under pricing with their selling price set significantly lower than the procurement price of electricity.

Electricity is a concurrent subject and state government's inability to implement commercial decisions has created an impasse for reforming the power sector reforms. UDAY scheme holds the potential to reduce the vulnerability of banks by strengthening their balance sheet through an improvement in asset quality. With improvement in the financial health of state Discoms, the counter-party risk for banks may also come down.

(Source-<http://indianpowersector.com/2016/04/power-regulator-to-waive-off-surcharge/>, published on 28th April, 2016)

Solar Business Models for Growth: the Private Sector Needs to Lead on India's Rural Electrification Deficit

The Indian state of Uttar Pradesh is home to the country's largest population of un-electrified villages. According to data collected by the Council on Clean Energy, Environment, and Water (CEEW), more than seventy percent of Uttar Pradesh's two hundred and twenty million residents still depend on kerosene lamps and diesel generators for lighting and electricity.

Much of the problem is rooted in the lack of commercial viability: in the absence of subsidies, it's difficult for both utility distribution companies and for small-scale energy providers to earn returns in a market where the primary consumers fall near or below the poverty line.

CEEW also found that almost half of households without electricity were connected to the grid, showing that lack of infrastructure is only one layer of inadequate power delivery. Coupled with unclear regulatory policies and the high cost of capital, small-scale energy developers face a high barrier to entry in India's off-grid power market.

In February, Uttar Pradesh's state government launched the first minigrid policy in India aimed at easing some of those barriers for private developers, and the state's regulatory commission ratified it earlier this month with specific guidelines on implementation and compliance from the utility.

(Source-<http://indianpowersector.com/2016/04/solar-business-models-for-growth-the-private-sector-needs-to-lead-on-indias-rural-electrification-deficit/>, published on 28th April, 2016)

Thought of the day

'Strive not to be a success, but rather to be of value.' -Albert Einstein