NEWS FLASH – 31st Oct, 2015

SUGAR

Ample supplies weigh on sugar

Sugar prices ruled steady on routine demand and supply. On the Vashi market, S-grade rose by ₹ 10 a quintal at the higher side and declined by ₹ 40 at the lower side for M-grade. Naka and mill tender rates were unchanged.

Sources said as supply was ample due to lower retail demand, stockists stayed away from fresh bulk bets.

On Friday, arrivals at Vashi market were 61-62 truck loads and local dispatches declined to 57-58 loads. The Bombay Sugar Merchants Association's spot rates: S-grade ₹ 2,682-2,802 (2,680-2,792) and M-grade ₹ 2,792-2,902 (2,792-2,945). Naka delivery rates: S-grade ₹ 2,640-2,720 (2,640-2,720) and M-grade ₹ 2,750-2,850 (2,750-2,850).

Source: http://www.thehindubusinessline.com/markets/commodities/ample-supplies-weigh-on-sugar/article7823469.ece, dated 30st October 2015

'New output-linked cane subsidy is WTO-compatible'

The Commerce Ministry is in agreement with the new sugar subsidy scheme proposed by the Food Ministry which is linked to production of sugar cane.

The new scheme is to replace export subsidies that are disallowed under World Trade Organisation (WTO) rules and have given the country a lot of trouble recently at the multi-lateral forum.

"We have gone through the cabinet note circulated by the Food Ministry and given our green signal to the new sugarcane subsidy scheme which seems to be in tune with WTO norms," a Commerce Ministry official told BusinessLine.

The Food Ministry has circulated a cabinet note for inter-ministerial comments on the new scheme reportedly proposing direct payment of Rs. 47.50 a quintal to growers out of total cane price of Rs. 230 as production subsidy for 2015-16 season.

"As long as sugar subsidies are linked to production and India can prove to WTO members that it has no connection with exports, these cannot be challenged," the official said.

However, the government has to ensure that total production subsidies to cane growers do not cross 10 per cent of the value of sugar production – another stipulation under the WTO.

The subsidy will be paid directly to farmers that supply sugarcane to mills that not only produce sugar but also ethanol and electricity, according to the proposal.

The Cabinet Committee on Economic Affairs (CCEA) is likely to take up the proposal soon, the official said.

For the last two years, the Food Ministry has been announcing export subsidies for raw sugar leading to a lot of flak at the WTO. The subsidies were announced mainly to reduce the domestic glut and help millers pay cane arrears to farmers which stood at Rs. 14,000 crore at the end of August.

In February this year, the government raised the export subsidy for raw sugar to Rs. 4,000 a tonne for the 2014-15 season for up to 1.4 million tonnes (mt) of sugar, leading to a lot of protests from sugar exporting countries.

Fearing that India may be dragged to dispute by one of the agitating members at the WTO, the Commerce Ministry advised the Food Ministry not to extend sugar export subsidies in the new sugar year that started in October and instead come up with a WTO-compatible scheme.

There is a carryover stock of about 10.2 mt of sugar this season (started October) because of supply outstripping demand, according to industry estimates.

Source: http://www.thehindubusinessline.com/todays-paper/tp-agri-biz-and-commodity/new-outputlinked-cane-subsidy-is-wtocompatible/article7820154.ece, Dated 29th October 2015

NSI releases white sugar standards

National Sugar Institute, Kanpur (NSI) on Monday approved and released the plantation white sugar standards for the Indian sugar factories for the sugar season 2015-16. For this, a meeting of the expert committee was held at NSI under the chairmanship of the director of the institute.

The expert committee comprised of representatives from Bureau of Indian Standards (BIS), Indian Toxcological Research Institute, National Federation of Co-operative Sugar Factories, Indian Sugar Mills' Association, Indian Institute of Sugarcane Research and Sugar Technologists' Association of India, New Delhi. Representatives of ministry of food and public distribution also attended the meeting.

Talking to ToI, NSI director, Prof Narendra Mohan informed that the new set of plantation white sugar standards comprising seven sugar standards, L31, L30, M31, M30, S31, S30 and SS31 had been prepared on the basis of sugar crystal size and reflectance value of sugar. The L, M, S and SS denote crystal size as large, medium, small and super small respectively.

The no. 31 and 30 relates to sugar colour in solid state. "Numbers 31 and 30 are the colour series, and the better quality sugar comes under number 31 while a bit inferior quality comes under category 30", he explained.

Prof Mohan said that Indian sugar factories mark their product on the basis of these standards which are prepared every year by the institute. The marking on the sugar bags on this basis gives a fair idea about the quality of plantation white sugar to a common consumer. Hence, the sugar standards are issued to facilitate trade and protection of common consumer as well.

He said that these standards would remain effective for the upcoming sugarcane crushing season between October 1, 2015 to September 30, 2016, and after this again the new sugar standards would be released.

When asked how is the quality of sugar measured, NSI director said, "A US made equipment named 'Photo Volt Reflectance Meter' is used for this purpose. Higher the reflectance, better is the quality of sugar".

Source: http://timesofindia.indiatimes.com/city/kanpur/NSI-releases-white-sugar-standards/articleshow/49154677.cms

Will help sugar mills meet export targets: Centre

Addressing the major crisis faced by sugar farmers, Union minister of state (MoS) for agriculture Sanjeev Balyan assured 'all possible help' from the Central government to sugar mills in exporting 15% of their sugar stocks.

Talking to TOI, The minister said it would be difficult for sugar prices to rise unless the sugar stock of 11 million tons is reduced. Balyan added that the government needed to buy more crops for the same.

"There is a sugar stock of around 11 million tons. The problem is that sugar production far outstrips the demand. This is the reason that has caused the recent crisis in the industry. Unless we reduce the sugar stock, we cannot expect sugar prices to rise again. That is why we are encouraging export. We aim to export at least 30 lakh tons of sugar. We have given each sugar mill a target and have said that they have to export at least

15% of their sugar stock. We will provide all possible help to them in securing this target. We have even reduced the export duty on sugar," Balyan said.

Balyan added saying, "The government announces MSP for a total 22 crops but so far, only two crops were purchased by the government. Wheat and rice are the only crops that were bought. From next year onwards, the government will purchase pulses as well."

The government's immediate priority, the minister said, was to ensure farmers were paid cane arrears at the earliest. "The Centre has not forgotten sugarcane farmers. The issue of non-payment of sugarcane arrears to farmers is a serious one. Earlier this year, we had launched a soft loan package for sugar mills so that they can pay farmers. Ensuring that farmers get their dues is a priority for us," he said.

Earlier this month, however, Union home minister Rajnath Singh had admitted that the Centre's loan package was not successful. "Sugarcane farmers' issue (cane arrears) is a serious issue. The government approved a Rs 6,000 crore soft loan to facilitate mills make payment to farmers, but it has not been quite successful. We are discussing this issue and will find solution," Singh had told the press.

Speaking to TOI, a sugar industry source explained how the benefits of sugar export would ultimately "trickle down" to farmers. "Right now the sugar industry is surviving on borrowed money, either from farmers or from banks. Right now, the stock is around 11 million tons. The consumption requirement of the entire country is around 24.5 million tons. Even before the new season has begun, we have enough sugar to cater to nearly half the population. Unless this stock is liquidated and converted into capital, the industry cannot survive. Once we have surplus cash, we can pay off our debts and be free of such obligations. That includes the money we have to pay to farmers. The perception that mills and farmers have contradicting interests is wrong. That will send a positive signal to the market and the prices are very likely to rise."

When asked what kind of support millers are expecting from the government, the source said, "The government has currently removed central excise duty on sugar. However, it is only for one year. They should ensure that they stand with the industry till it comes out of the crisis and not impose such tariffs. They should also keep our paying capacity in mind when deciding the fair and remunerative price (FRP) for sugarcane. A revenue-sharing agreement, whereby we pay farmers more as we earn more profits, is a viable solution for this."

Vinod Jatoli, district president of the Bhartiya Kisan Union (BKU), said, "Farmers have no problem if the central government provides mills with help as long as they are the eventual beneficiaries. The problem is that mills often don't share profits. The Centre gave an interest-free loan to sugar mills and they still haven't paid farmers fully. If exports bring them profits, we don't have a problem with it. We will, however, have an objection if they don't use those profits to pay farmers."

Source: http://timesofindia.indiatimes.com/city/meerut/Will-help-sugar-mills-meet-export-targets-Centre/articleshow/49605175.cms, Dated 31st October 2015

Sugar mills seal 200,000 T exports, eye incentives

Mills have contracted to export 200,000 tonnes of white sugar, taking advantage of a surge in global prices and more deals could be sealed if the government approves incentives, industry officials said.

The latest export deals have coincided with a rally in world raw sugar prices, which hit an eight-month peak of 14.80 cents a pound on Wednesday.

India, the world's second biggest sugar producer, has been pushing mills to sell sugar on the international market and use proceeds to clear huge debts they owe farmers for sugarcane.

The country announced new rules last month making it compulsory for sugar producers to increase exports to at least 4 million tonnes of locally produced sugar, both raws and whites, in the 2015/16 crushing season to cut stockpiles.

European trade sources said India appeared unlikely to meet the target.

"If the Indian mills got close to 4 million tonnes, the domestic price would start to rally sharply," a enior Western analyst said, estimating that Indian mills would export around 2.7 million tonnes of sugar in 2015/16.

A Mumbai-based dealer said: "Export compulsion and a liquidity crunch are prompting mills to sign new deals. But not all mills are in a hurry."

"Local prices have improved and mills are waiting for overseas prices to rise further."

Shipments from India will put pressure on global sugar prices , and will help India to trim its vast inventory that has depressed local prices.

Mills in Maharashtra and Karnataka have contracted sugar produced in the previous season for exports to countries such as Myanmar, Afghanistan and Sri Lanka at $390 to $410 a tonne, free on board, for shipment in October to December.

European traders said some of the Indian sugar exports were likely to be smuggled into China via Myanmar, as exporters took advantage of tight supplies of Thai white sugar in the current inter-crop period.

Uncertainty remained over the structure and timing of raw sugar export subsidies that could be renewed in 2015/16, most likely after elections in Bihar, India's third most populous state, expected to be finished by mid-November.

"Still there is no clarity over exports. Once we have that clarity, more mills could sign export deals," said B.B. Thombre, president of the Western India Sugar Mills Association.

India could for the first time pay sugarcane farmers in part for produce sold to debt-laden mills.

Source: http://economictimes.indiatimes.com/articleshow/49597428.cms?prtpage=1&utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst, Dated 30th October 2015

POWER

India to give 100 MW more power to Bangladesh

India will start transmission of fresh 100 MW electricity from Tripura to Bangladesh by January and the government-owned company is working round-the-clock to erect the transmission line by December, an official said.

The decision was taken following a three-day (October 26-28) meet in New Delhi of the Indian and Bangladesh officials, Tripura State Electricity Corporation Limiited (TSECL) Deputy General Managar Mahananda Debbarma said.

“The Indian Government-owned Power Grid Corporation of India (PGCIL) working round-the-clock to erect the 47 km transmission line from western Tripura to southern Comilla (in eastern Bangladesh) by December this year.

“The PGCIL initially would invest Rs.250 crore to set up the 400 kv (kilovolt) double circuit transmission line and subsequently the Bangladesh government would reimburse the cost,” the official added.

Mr. Debbarma, who attended the meet, said though power tariff was not yet decided but was discussed. However, it would be decided soon.

India’s power ministry’s director (Transmission) Ghanshyam Prasad led the Indian delegation while senior officials of Bangladesh power ministry and Power Grid Company of Bangladesh (PGCB) were present in the meeting.

“Of the 47 km transmission line, 18 km line would be raised in the Indian (Tripura) territory and remaining in the Bangladesh portion. Altogether 143 transmission towers (67 in India and 76 in Bangladesh) would be set up,” the official added. Electricity-starved Bangladesh will begin receiving 100 MW of power from Tripura to meet the energy crisis in the eastern part of the country.

The 100 MW power will be in addition to the 500 MW Bangladesh already receives from the West Bengal and a like amount that is on the cards from the State, as the two neighbours enter a new phase of bilateral cooperation for regional benefit.

Prime Minister Narendra Modi discussed the power supply from Tripura with his Bangladeshi counterpart Sheikh Hasina during Dhaka-visit last June.

He had declared that India would enhance the supply of power to Bangladesh from the existing 500 MW to 1,100 MW.

Tripura Power Minister Manik Dey after holding meetings with PGCIL engineers and officials said: “I have asked the PGCIL authorities to expedite the works to fulfil our commitment given to Bangladesh about supplying 100 MW of power.”

“While erecting new power transmission lines from (western Tripura’s) Surjyamaninagar power grid to Comilla power grid (in eastern Bangladesh) to supply the electricity, human habitations, forests and other vital installations would be avoided,” Dey added.

M.K.Chowdhury, the TSECL’s director (Technical), said the Indian government has submitted a proposal to send power from the north-east region to others parts of India via Bangladesh. “No formal decision has been taken so far in this regard,” he added.

Tripura Chief Minister Manik Sarkar had earlier said that after completion of a new 101 MW gas-based power projects at Monarchak (10 km from the Bangladesh border) in western Tripura, at least 200 MW of power would be surplus in Tripura. The Central government-owned Oil and Natural Gas Corporation has commissioned its biggest ever 726 MW commercial power project at Palatana, 60 km from Agartala, while the State-run North East Electric Power Corporation is setting up a 101 MW project at Monarchak in western Tripura, 70 km from Agartala.

The gas-based Palatana project, which supplies power in seven of the eight north-eastern States, is a hallmark of the cooperation between India and Bangladesh, which ensured the smooth passage of heavy project equipment and turbines to Palatana through its territory by road and waterways from Haldia port in West Bengal.

India had begun supplying 500 MW of power to Bangladesh in 2013 after the government-run Bangladesh Power Development Board and India's NTPC Vidyut Vyapar Nigam Ltd (NVVN), a subsidiary of NTPC, signed a deal Feb 28, 2012, following an agreement signed during Hasina's visit to New Delhi in January 2010. – IANS

Government agency working round-the-clock to erect the transmission line by December

Source: http://www.thehindu.com/news/national/other-states/india-to-give-100-mw-more-power-to-bangladesh/article7824912.ece, Dated 31st October 2015

Indian giant Reliance Power's shift from coal to clean energy

In further signs of the staggering pace of transformation in global energy markets, Indian power behemoth Reliance Power, one of the three largest private power groups in that country, is urgently seeking to change the fundamentals of its business strategy.

A detailed analysis of public statements, annual reports and press reports relating to the company by the Institute for Energy Economics and Financial Analysis (IEEFA) all point to a major strategic refocus away from thermal to renewable electricity generation by this Indian power conglomerate.

In the last decade Reliance Power has received approval to build five of the world's largest thermal power projects. It is telling that only one of these proposals has been commissioned, and even this one has been problematic. The other four are not even under construction.

This is another massive participant in the Indian electricity sector who has clearly realised that their business strategy needs to fundamentally change to be consistent with the policy direction and efforts of the Indian Government to transform the country's electricity sector.

Such a shift by one of India's largest private power groups appears another pivotal moment in India's electricity sector transformation, a strategic plan that gathers pace with every day.

Just last week one of these major projects, Reliance Power's Sasan Project at Jharkhand, India sat at the centre of a flawed, leaked International Energy Agency (IEA) branded Coal Industry Advisory Board (CIAB) Report, which we found to be an embarrassing litany of errors and false assumptions, clearly written as a disinformation tools. This IEA / CIAB report fails to mention Reliance Power recently tried to sell the project back to the Indian government.

Sasan, one of only two 3,960 megawatt (MW) plants built under the prior Indian Government's failed Ultra Mega Power Project (UMPP) program, has already sought a second tariff bailout to restore viability, despite only being commissioned in March 2015. Bullish forecasts for global thermal coal demand erroneously assume most of these 16 proposed UMPP are built.

Reliance Power is listed on the Bombay stock exchange and 75% owned by Anil Ambani, one of the wealthiest people in India. Reliance Power is one of the few private Indian power generation firms that has consistently remained profitable in recent years, having delivered an increasing profile of earnings before interest, tax and depreciation over the last four years as projects have been progressively brought online.

Notably, this has not been sufficient to allow Reliance Power to deliver for its shareholders - Reliance Power was listed in 2007/08 at Rs450 per share (at the time the largest IPO in Indian history), and currently trades at Rs49 per share, just a fraction of the original listing price.

Reliance Power has delivered a three year return on equity averaging 5% p.a., less than half of its target rate. The current market capitalisation of US$2.1bn has declined by more than 30% over the last year, underperforming the Indian equity market by a similar 35%. Over the last five years, Reliance Power has underperformed the Indian market by 75%.

At its recent 2015 annual general meeting of shareholders, Reliance Power highlighted its new strategic growth plans entailed 6 gigawatts (GW) of solar and 5.2GW of hydro project developments in India. Reliance also has a potential US$3bn 3GW imported gas plant proposal for Bangladesh (this being an attempt to internationally relocate the half-built, stranded Samalkot gas-fired plant in Andhra Pradesh, India).

The company concluded by stating: "Reliance: Committed to becoming India's largest integrated power generation and coal mining company with emphasis on clean and green power."

The company's 2014/15 annual report outlined its 'quest to become one of India's largest renewable energy companies.'

In October 2015 it was reported that Reliance Power has appointed a new Chief Executive Officer, Shri N Venugopala Rao. Concurrent with this, media reports suggested Reliance Power was effectively ceasing almost its entire Indian thermal electricity capacity expansions to now pursue a rapid renewable energy expansion strategy.

Companies open to a low carbon future are looking to the opportunities and strategically managing for potential stranded assets risks. Like ENEL Group's announcement last month to invest €9bn in a 7GW global renewable energy program over 2015-2019, Reliance Power has demonstrated how quickly a leading power company can pivot, rather than blindly believing that the market in the years ahead will simply resemble the one from the years before.

Reliance Power's strategic shift towards a dramatically lower emissions intensive electricity profile is a wise and sensible move. Accepting that the strategy of the last decade has failed to deliver for shareholders, Reliance Power is radically realigning its structure to match the vision that has been clearly and consistently articulated by Energy Minister Piyush Goyal.

Source: http://www.businessspectator.com.au/article/2015/10/30/energy-markets/indian-giant-reliance-powers-shift-coal-clean-energy, Dated 30th October 2015

Coal India forays into power generation

Public sector giant Coal India Ltd will soon make foray into thermal power generation with its first plant to be set up by subsidiary Mahanadi Coalfields Ltd in Sundargarh district of Odisha, MCL's chairman-cum-managing director-designate Anil Kumar Jha said here on Tuesday.

Besides its plans to set up the 1,600MW (2x800) power plant, MCL is gearing up to meet a target of producing 150 million tonnes of coal production during the current fiscal, according to Jha. Currently working as director (production) with Manganese Ore India Ltd (MOIL) he will be relinquishing the post to join as CMD of MCL at its Sambalpur headquarters on November 1.

CIL has set for itself a target of 550MT during 2015-16 up from last year's 494.MT. Mahanadi is to ramp up its production from current 121 MT to 150 MT making up for more than 25% of the CIL production. At the same time most of the 28 washeries that CIL is setting up will come under MCL area for providing better quality coal with lesser ash content.

According to Jha the best coking coal is available in Jharia area of Dhanbad coal belt. But the area is thickly populated and only a complete rehabilitation of population can help in increasing output there. A draft rehabilitation plan is ready. Once it is implemented so much coking coal can be taken out there will be no necessity for imports. Jharia has vast reserves of high quality coking coal. India last year imported coal worth Rs93,000 crore, much of it coking coal used in steel industry.

He lauded Union shipping and transport minister Nitin Gadkari's proposal for using waterways to transport coal. If coal is transported through sea and river routes it would go a long way in overcoming congestion of rail traffic, non-availability of dedicated freight corridor and rakes to transport coal.

"If Gadkari's dream comes true, it will be a big relief to coal industry as coal production is curtailed because of infrastructure problems," he added. Jha said that in his last two years with MOIL not a manday of work was lost because of good work culture here.

MOIL had succeeded in acquiring additional 1,200 hectares of land and made a rapid progress on all fronts right from ore extraction, expansion of mines, equipping with latest mining technology and in corporate social responsibility under which a modern school was established at Chikhla.

Source: http://timesofindia.indiatimes.com/city/nagpur/Coal-India-forays-into-power-generation/articleshow/49558123.cms, Dated 30th October 2015