

## NEWS FLASH –1<sup>st</sup> April, 2016

### SUGAR

#### 15 Maharashtra mills get recovery notice over non-payment of cane dues

Even as the current sugar season is approaching its last leg, as many as 24 mills in Maharashtra continue to owe FRP dues of R199 crore to farmers for the 2014-15 season. According to top officials of the sugar commissionerate, around 15 factories have been issued revenue and recovery order certificates (RRC) and these mills stand to see their sugar stocks being auctioned.

This is perhaps for the first time in the state that such a large number of mills have been penalised for their inability to pay up dues. The state's sugar season is expected to end by the second week of April and till date atleast 119 factories have finished crushing operations.

Apart from the auction notices issued against these mills, mills owned by some politicians have been attached as well. These include Saikrupa Sugar Factory in Ahmedabad district owned by former NCP minister -turned- BJP leader Babanrao Pachpute for defaulting on dues. In December last year, the Punjab National Bank directed the factory and Allied Industries Limited to pay their dues that amount to a staggering R280 crore within 60 days.

Earlier, the Enforcement Directorate attached a sugar mill and over 290 acres of land worth R55 crore in Nashik in connection with a money-laundering case against the former Maharashtra deputy CM Chhagan Bhujbal. According to senior officials at the commissionerate, for the ongoing season of 2015-16, millers owed farmers FRP dues to the tune of R14,000 crore of which R10,628 crore has been paid leaving arrears to the tune of R3400 crore. As per the 80:20 formula, millers owe farmers around R824 crore. Officials pointed out that no serious action could be taken against millers for the ongoing season.

According to top officials of the Maharashtra State Cooperative Sugar Factories Federation (MSCSFF), stringent action being taken against mills could prove to be detrimental in the long run. Already cane shortage has been predicted in the coming season and the fact that action has been taken against 14 odd mills could mean lesser crushing next season, Sanjeev Babar, MD, MSCSFF said.

The federation has estimated 60-65 lakh tonne of sugar production for the season of 2016-17. Although sugar prices have increased to R3,300 per quintal, this has happened towards the end of the season and in the meanwhile, millers have to pay up their soft loan and excise loan dues in addition to FRP payments, he pointed out.

(Source- <http://sugarnews.in/15-maharashtra-mills-get-recovery-notice-over-non-payment-of-cane-dues/>)

## Drought in Maharashtra brings behatar din to UP sugar mills

Somebody's loss is somebody else's gain. This certainly holds true for sugar today where extreme drought has taken a heavy toll of Maharashtra's production, even as millers in Uttar Pradesh (UP) seem set for behatar (better) if not acche (good) din after an extended period of gloom.

Sugar output in Maharashtra is likely to fall to around 83 lakh tonnes (lt) in the current 2015-16 season, from the all-time-high of 105.14 lt for 2014-15. Moreover, it may drop further to 60 lt "plus or minus 2.5 lt" in 2016-17, according to Sanjeev Babar, managing director, Maharashtra State Co-operative Sugar Factories Federation.

Lower plantings from dry weather in Maharashtra and Karnataka which will impact cane availability even more in the ensuing season from October is what's been driving up sugar prices in recent months. Average ex-mill realisations have risen from Rs 26.30 per kg in October to Rs 32.50 this month in UP, while correspondingly going up from Rs 24.79 to Rs 30.50 in Maharashtra. On Wednesday, they ruled still higher at Rs 35 and Rs 33/kg respectively.

<b>THE BIG-TWO SUGAR STATES</b>				
Season (Oct-Sep)	Production (lakh tonnes)		Sugar recovery in %	
	Maharashtra	UP	Maharashtra	UP
2011-12	89.96	69.74	11.67	9.07
2012-13	79.87	74.85	11.41	9.18
2013-14	77.12	64.95	11.40	9.26
2014-15	105.14	70.90	11.30	9.55
2015-16*	80.57	64.88	11.23	10.57

\*As on 28.03.2016.

The benefits of this will, however, go primarily to UP mills. They are expected to produce 70-71 lt of sugar this season, the same as in 2014-15 notwithstanding a decline in cane area from 21.47 lakh hectares (lh) to 20.52 lh. In 2016-17, UP may displace Maharashtra as the country's top sugar producer, with output projected to cross 75 lt. Its mills, thus, stand to gain from both increased production and improved realisations which might even help the ruling Samajwadi Party in time for the state elections due in May 2017.

Abinash Verma, director general, Indian Sugar Mills Association (ISMA), attributes UP's robust production to two factors.

The first is favourable climatic conditions for higher sugar recovery from cane. Sugar accumulates in cane most when the gap between maximum and minimum temperatures is at least 50 per cent. While the

crop is in maturity phase, night temperatures should ideally not go below 15 degrees Celsius and day temperatures, too, must remain within 25-30 degrees. This optimal range is usually reached after mid-October till November-end.

But in sub-tropical northern India, including UP, the onset of peak winter from mid-December through January reduces sucrose accumulation. That is a key reason for sugar recovery in UP historically averaging 9-9.5 per cent of cane weight, as against roughly 11.5 per cent for Maharashtra and 12.5 per cent or more in the southern districts of Kolhapur and Sangli. This time, though, the northern cane belt experienced 'ideal' climatic conditions similar to that in southern Maharashtra and northern Karnataka (Belgaum, Dharwad, Bagalkot and Bijapur). The winter was relatively mild, with temperatures not dropping too low. This was accompanied by clear sunshine, thanks to no fog or cloud formation. Besides, dry weather and low humidity made the crop less vulnerable to pests (root borer, early shoot borer, top borer and pyrilla) and diseases (red rot, smut, wilt and grassy shoot disease). "Even the poor monsoon helped this time, as there are many low-lying cane-growing areas in central and eastern UP including Lakhimpur Kheri, Hardoi, Sitapur, Gonda and Basti normally prone to water-logging," notes Verma, while admitting that 2015-16 was a "one-off" year.

But a second, equally important, factor has been the spread in planting of new high-yielding varieties, especially Co 0238, Co 0239, Co 98014, CoLk 94184 and CoSe 01434. Till 2012-13, these varieties, which also give higher sugar recoveries, weren't cultivated by farmers. But in the 2015-16 season, they together covered nearly 30 per cent of UP's cane area. As a result, even with acreage falling by 3.71 lh or 15.3 per cent between 2012-13 and 2015-16, the state's sugar production has dropped only marginally from 74.85 lt to 70-71 lt: It is actually slated to rise to 75 lt in the 2016-17 season. The most significant development during this period has been the increase in average sugar recovery it is likely to be 10.6 per cent this season even while dipping in Maharashtra.

"Nobody ever thought recovery rates in UP would cross double-digits. The credit goes partly to favourable weather, but mainly to the new varieties that give minimum 9.5 per cent recovery even for 10-month cane crushed in mid-November. This minimum rises to 10.5 per cent for 11-month and 11 per cent for 12 month-cane," says Narendra Singh, former cane development advisor at ISMA and now with Balrampur Chini Mills Ltd. Singh, while in ISMA, played a major role in undertaking performance evaluation trials of the new cane varieties in 24 mills of UP, Bihar, Uttarakhand and Haryana during the 2007-08 to 2009-10 sugar seasons.

The effects can be seen even at mill level. Dwarikesh Sugar Industries estimates the average sugar recovery for its three mills at 11.60 per cent for 2015-16, up from 9.81 per cent in 2012-13. "It will be 11.90 per cent at our Bundki (Najibabad) factory, where over two-thirds of the cane crushed is accounted for by the Co 0238 variety whose share will climb to 80 per cent in 2016-17," claims Vijay S Banka, chief financial officer of the company.

Among individual mills, the highest cumulative average recovery for this season crushing is almost coming to an end has been recorded by the Seksaria Biswan factory at Sitapur (12.32 per cent). Balrampur Chini's Kumbhi (11.85 per cent) and Gularia (11.75 per cent) units in Lakhimpur Kheri have also registered impressive recoveries.

Improved realisations and recovery rates should also help UP's cane growers, who have since 2012-13 been receiving an unchanged Rs 280 per quintal state advised price (SAP). Worse, mills haven't been able to pay even this rate: As on March 28, they owed growers Rs 267.56 crore out of the Rs 20,646.02 crore value of cane that was crushed in the previous 2014-15 season. This is over and above the outstanding unpaid dues of Rs 4,033.60 crore for the current season. These arrears may well be cleared in the coming days as behatar din turn into acche din.

If there's one person to be credited no less for the UP sugar industry's turnaround in fortunes, it is Bakshi Ram, director of the Sugarcane Breeding Institute (SBI) at Coimbatore. The 56-year-old has bred Co 0238, the wonder cane variety covering about 5.25 lakh hectares (lh) in the 2015-16 sugar season. That includes 4.03 lh in UP, 0.60 lh Punjab, 0.36 lh in Haryana, 0.17 lh in Bihar and 0.08 lh in Uttarakhand.

Co 0238 has been a major contributor to sugar recovery from cane crushed by UP mills rising to an average 10.6 per cent this season, from 9.3 per cent over the preceding 10 years. The increase would be even more between 1.5 to 2 percentage points for factories where this variety constitutes a significant share of the total cane crushed.

A one percentage point rise in recovery rate isn't small. For mills in UP expected to crush roughly 670 lakh tonnes (lt) in 2015-16, it translates into 6.7 lt of additional sugar. That, at Rs 30 per kg, is worth Rs 2,010 crore.

But it isn't higher sugar recovery alone. Before Co 0238, the most widely cultivated cane variety, CoS 767, yielded 60-65 tonnes per hectare on most farmers' fields. Co 0238, by contrast, gives upwards of 75 tonnes, with many farmers harvesting 100 tonnes and more. Even taking a 10-15 tonnes yield gain, the extra income to the farmer, at the state advised price of Rs 280/quintal, works out to Rs 28,000-42,000 per hectare.

Bakshi Ram developed Co 0238 while heading SBI's regional station at Karnal. The variety was released in 2009. What makes Co 0238 different is that it is a 'medium-thick' variety. The average thickness of each cane stick is about 2.6 cm, going up to 3 cm. This was as opposed to the varieties hitherto grown in North India, which were all 'medium thin', ranging from 2 to 2.25 cm.

"I was clear from the start that cane yields in the North cannot go up without increasing thickness to the 2.5 cm levels of Maharashtra," recalls Bakshi Ram. This wasn't easy because higher yields by augmenting thickness also meant lower sugar recovery. "Breaking this negative correlation and breeding a variety combining both high yields as well as recovery was a challenge. Further, the variety had to be resistant to red rot (a major fungal disease that drastically retards yields and also juice content in the cane). The traditional medium-thin varieties are relatively red rot-resistant," he points out.

Co 0238 achieved the seemingly impossible by combining high yields with high recovery, alongside resistance to red rot. Moreover, it is early-maturing, attaining 18 per cent sucrose and 85 per cent juice purity even at 10 months. The last comparable variety North India had was Coj 64, released in 1977-78 and which farmers stopped growing after its susceptibility to red rot.

(Source- <http://sugarnews.in/drought-in-maharashtra-brings-behatar-din-to-up-sugar-mills/>)

## **Sugar stocks up on price rise in physical markets**

After a free fall over the past few years, the share price of sugar companies jumped sharply in March, amid expectations of an increase in their realisations in future. The upsurge continued on Wednesday, with the share price of most sugar companies increasing up to 19 per cent. Dwarikesh Sugar recorded a 97 per cent jump in its stock this month; it closed at Rs 201.1 on Wednesday. Upper Ganges Sugar had a 95 per cent spurt in its stock price, to end at Rs 111.1 apiece on Wednesday. Upper Ganges shot up 19.3 per cent, followed by Dhampur Sugar of 15.4 per cent, Bajaj Hindusthan 9.3 per cent and Balrampur Chini 7.8 per cent. Shree Renuka Sugar recorded a 25.1 per cent jump in its stock price in March and 4.8 per cent on Wednesday, to Rs 14.60 a share.

According to sources in the know, the cane commissioner had met food ministry officials to discuss production figure. India's sugar production will fall further to 25.6 million tonnes (mt) according to the government's revised estimates. Last year, overall sugar production was 28.3 mt.

"The International Sugar Organisation has estimated global sugar deficit at five mt for this year. This will be the first year of deficit after several years of surplus. This has helped a rebound in global sugar prices. In India also, sugar prices have been rising steadily. So, when India wants to export sugar, its prices need to follow the global move," said Abinash Verma, director-general, Indian Sugar Mills Association.

Sugar prices in Vashi wholesale market here have increased to Rs 3,607 a quintal, an eight per cent rise from the beginning of March. Experts expect the price to rise further in the weeks to come. Maharashtra's sugar output is estimated to decline to six mt in the 2016-17 crushing season from an estimated 8.5 mt in the 2015-16 season and 9.3 mt in 2013-14.

"Sowing of cane has been very low this year due to drought in most growing centres in the state. So, we estimate sugar output to decline to six mt in the next crushing season," said Sanjiv Babar, managing director of the Maharashtra State Federation of Co-operative Sugar Factories.

This raised hopes for a surge in sugar prices and realisation of sugar mills that have been reeling under severe profit pressure.

(Source- <http://sugarnews.in/sugar-stocks-up-on-price-rise-in-physical-markets/>)

## The Cane Man

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(Source- <http://www.indiansugar.com/NewsDetails.aspx?nid=5376>)

## CO-GEN/ POWER

### UDAY: the game changer in power sector value chain.

Minister of power, coal, new and renewable energy Piyush Goyal has scripted the Ujwal DISCOM Assurance Yojana (UDAY) to turn around highly indebted state power distribution companies, the weakest link in the entire electricity value chain. Efficient and healthy power distributors will be able to purchase more power from generators, while keeping consumer's power bills to the minimum.

It is never ever before in the history of India has such a comprehensive power sector reform, which has the potential to completely transform the sector into a vibrant, efficient and well-oiled state machinery, been undertaken. It has considered as a comprehensive because of its salient features mentioned below –

1. It covers the entire value chain in the power sector from fuel, to generation, transmission, renewable, distribution and consumers. It has a very vast canvas determined through a bottom-up approach. As an end outcome, the consumers, including farmers will be getting the availability of quality, affordable power 24×7.
2. Business will come to India only in a power-surplus situation. UDAY will bring down the cost in the entire eco-system of power, coal, and renewable energy by about 1.8 trillion every year by 2019 against a business-as-usual scenario. This will make distribution companies financially much better without stressing the consumer with tariff increases. Distributors will be able to buy more power to supply to consumers.
3. Very often, the state utilities do not buy electricity even if they need it, as every unit purchased increases their losses. UDAY is going to change this scenario to one where cost of power purchase is reduced and distributors are incentivized to buy more electricity and serve their consumers better. Also, the savings will enable distributors to invest in smart meters and other infrastructure. UDAY not only resolves the past mess in the sector, but also sets a very strong deterrent against discoms slipping back to losses in the future.

(Source- <http://indianpowersector.com/2016/03/uday-the-game-changer-in-power-sector-value-chain/>)

### NGT western zone cracks whip on enforcing clean coal norms

National Green Tribunal pulled up the Union Ministry of Environment, Forests and Climate Change (MoEFCC) for failure to implement its order to ensure power and coal companies in state followed the clean coal norms.

NGT's Pune-based western zone bench comprising Justice Jawad Rahim and expert member Ajay Deshpande issued a show-cause notice to MoEFCC on why punitive action shouldn't be initiated against it as per NGT Act, 2010. Expressing disappointment over non-

compliance of its October 15 order by which supply and use of clean coal with ash content below 34% was made mandatory for coal and power companies, the Western Zone bench warned the ministry that it wouldn't be granted any further time. MOEFCC is expected to issue a notification to reduce pollution in coal bearing and power generating regions.

The stern directive came while hearing an application by Koradi resident Ratnadeep Rangari who alleged blatant violation of MOEFCC norms that prohibit use of coal having more than 34% ash content by the coal and power utilities.

On October 15, NGT had directed these companies to strictly comply with the norms and asked the MOEFCC to modernize its infrastructure and conduct monthly inspection and sampling. It asked respondents, including MoEFCC, CPCB and MPCB to improve their scientific manpower and capability to undertake sampling and analysis, while making it clear that without capability to effectively enforce the norms, mere issuing notification would not serve any purpose.

**(Source- <http://indianpowersector.com/2016/03/ngt-western-zone-cracks-whip-on-enforcing-clean-coal-norms/>)**

***THOUGHT OF THE DAY:***

Too often we... enjoy the comfort of opinion without the discomfort of thought.  
- John F. Kennedy