NEWS FLASH –2nd November, 2016

SUGAR

Centre keeps options open for excise duty exemption to millers

The Union government, which had in August this year rolled back the 12.5 per cent excise duty exemption given to ethanol producers, is not ruling out the possibility of a roll back, an official in the Ministry of Consumer Affairs suggested. This is likely to bring some hope to the millers who had invested nearly Rs 400 crore for ethanol production at their distilleries since 2012 but failed to recover their investments due to roll back of excise duty exemption, reduction of prices by Rs 3 (per litre of Ethanol) and low uptake by the oil marketing companies (OMCs).

Jitender Juyal, Under Secretary, Department of Food and Public Distribution, Ministry of Consumer Affairs, told ET "Nothing can be ruled out at this moment though a final decision on whether to reinstate the excise duty exemption will take time." While the decision is jointly taken by the Ministry of Petroleum and Ministry of Finance, it is generally preceded by the recommendations from the Ministry of Consumer Affairs.

An email query sent to Hasmukh Adhiya, Revenue Secretary, Ministry of Finance was not answered till the time of going to the press.

The government had waived the 12.5 per cent excise duty for a contractual period from December 2015 to November 2016 to encourage ethanol blending. However, it was rolled back in August this year seeing improved liquidity position of the sugar millers.

T. Sarita Reddy, vice-president, ISMA and managing director of Hyderabad-based Gayatri Sugars said, "The roll back has led to an increase in costs by Rs 5 (per litre of Ethanol) for the millers and the recent reduction (Oct 14) of prices at which it is supplied to the OMCs by Rs 3, has put an additional burden of Rs 8 on the millers making ethanol production unattractive, defeating the purpose of encouraging ethanol production for the mandatory blending program."

Also, "the government has stopped the excise duty exemption months before the completion of contract period in November, leaving the millers to suffer," said Tarun Sawhney, president, ISMA and vice-chairman and managing director of Triveni Group.

Nearly 40 millers had made additional investments to the tune of Rs 400 crore for ethanol production since 2012 when the government increased the mandatory ethanol blending from 5 per cent to 10 per cent, taking the total ethanol producers to 130 of the 530 sugar millers registered with the Indian Sugar Millers Association (ISMA).

"We had made an additional investment of Rs 7 crore in our distillery for ethanol production expecting higher demand when the government increased the mandatory blending program and gave the duty exemption. But now it's not viable to produce as the realisations have come down. Also, the uptake by the oil marketing companies has been very poor," said Reddy.

The government had in 2012 raised the ethanol blending program from 5 per cent to 10 per cent after which several millers had made additional investments for ethanol production expecting high demand, which several of them have not been able to recover.

(Source- http://sugarnews.in/centre-keeps-options-open-for-excise-duty-exemption-to-millers/, published on 31st October, 2016)

Sugar prices touch new high, set to remain firm

The conclusion of the festival season hasn't dampened the prospects of sugar with prices hitting a new high during October. After remaining stable at 36,000 per tonne in September, sugar prices increased to a new high of 36,500 per tonne in October.

Supported by an expected decline in the sugar production during the 2016-17 sugar season (October-September), actual decline in the domestic sugar stocks during the 2015-16 season, and a global sugar deficit scenario, which drove up international sugar prices, prices are still ruling high.

Sugar prices are likely to remain firm in the next 3-4 quarters given the tight supply situation in the domestic market, analysts tracking the sector said.

Prices have surged by 15.9% since March this year. Sugar prices have been on an uptrend since hitting a three-year low of 23,000 per tonne last July. Sugar production is estimated to have declined 11% to 25.2 million tonnes in 2015-16 season.

Ratings agency ICRA expects domestic sugar production to decline by about 8% to 23.2 million tonnes during the 2016-17 season.

This is largely on account of lower cane availability in Maharashtra and Karnataka due to poor monsoon rainfall last year.

Although the monsoons are better this year, the impact on the cane output would be seen only in the 2017-18 season as sugarcane is a long gestation crop.

While sugar mills in Maharashtra and Karnataka are likely to benefit from the rising sugar prices and the stagnant cane costs, cane pricing in UP, which is yet to be fixed for the 2016-17 season, will be crucial for the sustainability of the profitability for the UP-based sugar mills going forward.

The union government imposed sugar stock limits in April this year in order to boost availability of sugar in the open market and help control the price rise. The limit on stock holding was approved for a period of six months and fixed at stock limit of 500 tonnes and a turnover limit of 30 days for sugar traders in the country.

In a recent notification, the government has extended the limit for another six months i.e. till April 2017.

"The extension of stock holding limits for sugar mills and traders by six months till April 2017 is unlikely to have any significant negative near term impact on sugar prices," ratings agency ICRA said.

"This move in conjunction with earlier measures such as imposition of a 20% export duty on sugar and withdrawal of incentives on sugar exports is likely to however restrain any further hike in the near term," said Sabyasachi Majumdar, senior vice president, ICRA.

(Source- http://sugarnews.in/sugar-prices-touch-new-high-set-to-remain-firm/, published on 1st November, 2016)

Maha: Committee to resolve deadlock over sugarcane instalment

The deadlock over the issue of the first instalment for sugarcane crop remains with just four days to go for the crushing season to begin.

A meeting of farmer's organisations and sugar factory representatives ended without any concrete decision on Tuesday. Revenue minister Chandrakant Patil said the issue will be discussed again on Wednesday by a committee comprising representatives of farmers' organisations and sugar factories and representatives of the Kolhapur District Central Co-operative Bank.

Member of Parliament and farmers' leader Raju Shetti has demanded Rs 3,200 per tonne as the first instalment for the sugar cane crop. Addressing a huge conference of farmers in Jaysinghpur last month, Shetti had said that no sugar factory will be allowed to start crushing till they declare the first instalment. The factory owners have stated that it is difficult for them to pay the amount.

After the meeting on Tuesday, Patil said there was a positive development in the meeting on Tuesday and everyone has resolved to arrive at a solution. "To save time and avoid confusion, we have decided to form a committee that includes four members from farmers organisations, four from sugar factories, a member of KDCC bank and two experts from sugar cane sector," he said, adding that they have to find out a solution soon as the crushing season starts from November 5.

Shetti said, "We are firm on our demand but we are not adamant. We are ready to make change in our demand provided the sugar factories show proof of why they are not unable to pay the rate we are demanding. From the last two years, farmers were suffering losses and we will not bear it this year."

He added that the fair and renumerative price has not changed from last two years and sugar factories can pay the price they are seeking. It has been Rs 2,300 per tonne for 9.5% recovery, but the production cost, prices of fertilizers and other costs including power and labour has increased enormously. Only if farmers get Rs 3,200 per tonne, they will be able to earn some profit, he said.

In the past, Shetti has taken on sugar barons over the sugarcane prices. The agitations of his Swabhimani Shetkari Sanghatana have even taken violent turn. However, he has faced allegations of mellowing his stand ever since he supported the BJP-led state government.

Refuting the allegations, he had said that he was set to start the agitation again. "It is the duty of sugar barons to accept our demands or we will take to the streets and not allow a single piece of sugarcane crop to be cut till our demands are met," he said.

(Source-http://sugarnews.in/maha-committee-to-resolve-deadlock-over-sugarcane-instalment/, published on 2nd November, 2016)

Cong takes dig at Shetti over his demand from sugar factories

Taking a dig at Swabhimani Shetkari Sanghatana (SSP) leader Raju Shetti for demanding Rs 3,200 per tonne as the first instalment from sugar factories, Congress leader Radhakrishna Vikhe-Patil said he should explain the rationale behind the demand to the ruling BJP.

The Leader of Opposition in the Maharashtra Legislative Assembly also claimed that the sugar industry was staring at a deplorable future.

Shetti while addressing the 15th Annual sugarcane conference organised by the SSS at Jaysingpur in Shirol tehsil of Kolhapur district last week had announced that no sugar factory will be allowed to start crushing till they declare the first instalment of Rs 3,200 to farmers.

"Shetti needs to explain to the BJP government the mathematics behind his demand of Rs 3,200 instalment. Sugar industries in the last two years are working on the debts taken by the Centre to pay the Fair Remunerative Price and to adjust variations in sugar prices," Vikhe-Patil said in a statement issued here.

He said the Centre needed to intervene and create favourable financial conditions for the factories.

"Instead of misleading sugarcane farmers, Shetti, whose party is an ally of BJP should rather explain the rationale behind his demand as barring a few private owned factories, most factories belong to farmers," he said.

Meanwhile, referring to Chief Minister Devendra Fadnavis's statement to a section of media that he has made Maharashtra the number one state in the last two years of his tenure, Vikhe-Patil said said the CM was "blatantly lying" to the people.

"The state is not progressing but is digressing. In which sector does the state hold a numero-uno position? The government is not serious about issues ranging from farmer suicides to everyday problems plaguing people," he alleged.

The state is number one in supporting corrupt practises, Vikhe-Patil alleged.

The BJP-Shiv Sena combine has only failed the expectations of people and showed them false dreams, the Congress leader added.

(Source- http://sugarnews.in/cong-takes-dig-at-shetti-over-his-demand-from-sugar-factories/, published on 31st October, 2016)

Maha Sugar millers ready to give more amount than prescribed FRP: Patil

Maharashtra Revenue and District Guardian Minister Chandrakant Patil today said that sugar mill owners have in-principle agreed to give more than prescribed FRP (fair andremunerative price) set by the state government and also to make a one-time payment to cane farmers.

While making an announcement in a news conference regarding the decision taken in a meeting with representatives of sugar mill owners, different Shetkari Sanghatanas and political leaders at government guest house here this evening, he said that in today's meeting which was second in past three days, sugar millers expressed their resolve that they were ready to give more amount than FRP in a range of Rs 200 to Rs 300 per tonne and also to make a one-time payment instead of in two parts to cane farmers.

"However, we would meet again tomorrow afternoon to discuss the issue," he said.

Mr Patil said that a committee of representatives of factory owners and Sanghatana leaders, constituted to study the issue, would recommend on how much extra amount over FRP be paid to cane farmers.

He added that Swabhimani Shetkari Sanghatana leader and MP Raju Shetty would give a presentation in tomorrow's meeting on how it is possible for sugar millers to give an FRP of Rs 3,200 pertonne to cane farmers.

(Source-http://sugarnews.in/maha-sugar-millers-ready-to-give-more-amount-than-prescribed-frp-patil/, published on 2nd November, 2016)

UP govt mulls 10% hike in cane price

In order to attract sugarcane farmers, the Uttar Pradesh government is mulling a 10 per cent increase in the state advised price (SAP) of sugarcane for the crushing season 2016-17 (beginning October).

SAP is paid over and above the Fair and Remunerative price (FRP) announced by the Centre to incentivise cane farming in the state. The UP government has not revised SAP for the past three years due to the deteriorating economic health of mills, following a sharp decline in sugar prices. But, being the election year, the ruling Samajwadi Party government does not want to lose any opportunity to strengthen its hold on cane farmers.

"Cane farmers have urged the government to consider a hike in SAP in the state this year. The government might announce a Rs 30 per quintal increase in SAP," said two senior industry officials in the know.

The state government had last revised SAP three years ago and fixed it at Rs 280 a quintal. With this revision, SAP for sugarcane would be Rs 310 a quintal for the crushing season 2016-17.

Meanwhile, three sugar mills have already started cane procurement and crushing, and others are expected to follow suit by November 10.

Officials said that a formal announcement of the cane price hike will be announced later. But, this will not deter mills from commencing operations, they added.

"Normally, labour availability in the state begins after Diwali. Being harvesting, transportation and procurement of cane labour intensive, sugar mills in Uttar Pradesh are set commence operations by November 10 this year. In Maharashtra, however, mills have announced to start crushing by November 5," said Abinash Verma, Director General, Indian Sugar Mills Association (ISMA).

Owing to lower cane availability across the country largely in Maharashtra, meanwhile, sugar mills are expecting this crushing season to be the shortest in five years. Crushing of cane, therefore, is expected to end early i.e. by March-end.

The industry body ISMA forecasts India's sugar production at 23.37 million tonnes for the crushing season 2016-17, 7 per cent lower than the 25.1 million tonnes reported in the previous crushing season.

On the basis of the September 2016 satellite images, ISMA had estimated the total cane acreage at 49.99 lakh hectares, about 5 per cent less than 2015-16 SS on pan India basis, the first advanced estimates of ISMA said.

(Source-http://sugarnews.in/up-govt-mulls-10-hike-in-cane-price/, published on 30th October, 2016)

Co-gen/Power

Coal India Ltd Apr-Oct output at 274 MT; misses target

CIL produced 43.51 MT of dry fuel last month, against the target of 51.88 MT, the PSU said in a filing to BSE.

State-owned Coal India Ltd (CIL) produced 273.57 million tonnes (MT) of coal in the first seven months of the ongoing fiscal, lower than the target of 307 MT, even as the demand for fossil fuel started picking up. CIL produced 43.51 MT of dry fuel last month, against the target of 51.88 MT, the PSU said in a filing to BSE. The offtake of fossil fuel by the coal PSU in April-October period was 292.16 MT, lower than the target of 331.76 MT. Despite incessant downpour hampering coal production, the government had last month said there were no plans to scale down state-owned CIL's output target for the ongoing fiscal as the demand has started picking up. Coal Secretary Anil Swarup had said there were no plans to cut down output because the demand has already picked up now. In October, the demand has started picking up for both coal and power sectors, the secretary had said. CIL, which accounts for over 80 percent of the domestic coal production, is eyeing 598 MT production in 2016-17. CIL has a target to produce one billion tonnes of fossil fuel by 2020.

(Source- http://www.moneycontrol.com/news/business/coal-india-ltd-apr-oct-output-at-274-mt-misses-target_7870321.html, published on 2nd November, 2016)

Power may join list of India's Chinese imports

State Grid Corp. of China is considering how to build links to India, South Korea, Japan and Southeast Asia, a move that would require billions of dollars of investment in long-distance, high-voltage power lines

China is seeking to build up export markets for its power amid signs the nation has invested too much in new generation plants.

State Grid Corp. of China, which runs the majority of the nation's electricity distribution network, is considering how to build links to India, South Korea, Japan and Southeast Asia, a move that would require billions of dollars of investment in long-distance, high-voltage power lines.

Interconnections would allow grid managers throughout the region to more flexibility use variable supplies coming from wind and solar farms cropping up from Vietnam to Mongolia.

For China, the links would provide customers for power from hundreds of power plants finished in the past few years as demand in its domestic market stagnates.

“We can export to India and Southeast Asia where the power supply is inadequate,” Zhang Qiping, chief engineer of State Grid, said on Tuesday at a conference hosted by Bloomberg New Energy Finance (BNEF) in Shanghai.

China, which is the world’s biggest investor in fossil-fuel generation, started more than 70 gigawatts of new coal projects last year and had 200 gigawatts under construction at the end of April, the Paris-based International Energy Agency said in September. At the same time, most plants are sitting idle more than half the time, and low-carbon sources of electricity including nuclear and renewables are covering additional demand.

That report added weight to concerns voiced by environmental groups such as Greenpeace that China is apt to waste 1 trillion yuan ($148 billion) on excess power capacity by 2020.

At the BNEF conference in Shanghai, energy policymakers from China, Thailand and Mongolia spoke about the merits of building a regional network of power interconnections, which would help reduce the cost of electricity and make grids more flexible in dealing with renewables. The issue is biggest for China, which has the largest power network in the region.

“Asia will be an important part in the global energy interconnection,” Wang Min, vice general manager at State Grid, said at the BNEF meeting. The region, he said, “has the biggest potential in energy economic growth and is a region with the most and fast-growing energy demand.”

Shift indicated

The remarks at the BNEF conference are the fullest indication yet that the bid for interconnections has backing from the Chinese government. Wang said the effort fits with president Xi Jinping’s effort launched in September 2015 to reduce pollution in China’s power utility industry, part of the nation’s commitment with the US to hold back greenhouse gases damaging the climate.

Regional interconnections will help each nation achieve targets to cap carbon emissions under the United Nations climate deal agreed in Paris last year, said Yao Qiang, vice general manager of Power Construction Corp. of China Ltd. The effort to replace fossil fuels with renewables is an “unstoppable trend,” he said.

Signals pointing toward the priority that China places on inter-connectors emerged in March. Then, State Grid joined Tokyo-based wireless carrier SoftBank Group Corp., Korea Electric Power Corp. and Russian grid company Rosseti Pjsc in agreeing to research and plan for interconnected power grids in Northeast Asia as part of a plan dubbed “Asia Super Grid.”

State Grid’s Wang has also proposed an ultra-high-voltage global power network to transmit electricity from country to country and continent to continent, with costs estimated at $50 trillion to develop by 2050.

Other steps

There’s indications that more nations in the region are sympathetic to China’s effort program.

“There are lots of engineering challenges,” Michael Liebreich, founder of Bloomberg New Energy Finance, said on a panel discussion about the issue at the event in Shanghai. “The longer distance you’re moving the power, the more exposed to interruption and catastrophic implications. These are issues that need to be addressed,”

For China, interconnections would combine smart grids, ultra-high voltage and clean energy, said Wang Yimin, who is currently the secretary general of the Global Energy Interconnection Development & Cooperation Organization. Created in March, Wang’s organization is designed to promote links throughout the region.

“It’s doable in technology,” said Wang, adding current ultra-high voltage lines can transmit as much as 15 gigawatts of power through 5,000 kilometers.

The organization is planning to draft a plan by the end of this year for transmitting power from East China to South Korea and then to Japan, Wang said.

(Source-http://www.livemint.com/Politics/4pUmCT9dmsowX2fbkz4ohL/Power-may-join-list-of-Indias-Chinese-imports.html, published on 1st November, 2016)

Quote of the day

The bond that links your true family is not one of blood, but of respect and joy in each other's life. Richard Bach