

## NEWS FLASH – 5<sup>TH</sup> July, 2016

### SUGAR

#### Order slip halts sugar re-export

Thousands of tonnes of sugar meant for re-export after refining, valued at Rs 700 crore, are stuck at various ports due to a minor slip in a recent government notification.

An export duty of 20 per cent was levied in mid-June on locally produced sugar, to ensure adequate domestic availability and curb price increase. It has inadvertently also impacted export of raw sugar, imported for re-export, and Customs authorities are seeking a 20 per cent duty.

The notification sought to impose export duty of 20 per cent on (domestic) raw, white or refined sugar. However, it did not clarify that raw sugar imported for re-export needs to be exempted. It is learnt container-loads of sugar weighing about 200,000 tonnes from domestic refineries are awaiting this clarification and have been stranded at Kandla and Mundra ports for over a week. This refined sugar was bound for markets in West Asia and Africa. The ownership of these shipments could not be ascertained.

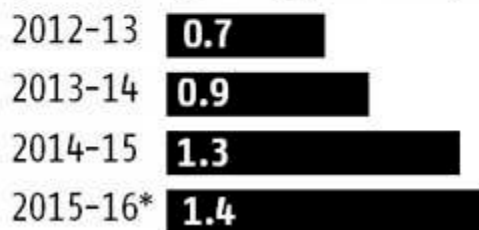
India has four sugar refineries, owned by three sugar companies. Renuka Sugars owns two refineries, at Kandla and Haldia; EID Parry has a refinery at Kakinada. Simbhaoli Sugars runs a refinery in Kutch, with London-headquartered global commodity trade house ED&F Man.

### SPOONFUL OF GROWTH

#### Export of refined sugar from domestic refineries

Sugar season

(Oct-Sep) Quantity (mn tonnes)



\*till date Source: Industry estimates

An executive at Renuka Sugars said: "The matter is being sorted out with the government and is expected to get resolved within a week."

These refineries import raw sugar to convert to premium white sugar. The imports take place under the Advance Authorisation Scheme and do not attract any duty. The condition is that this sugar cannot be sold in the domestic market; it has to be re-exported within six months of import. Refineries earn a margin in the process.

"They (now) say they will let you export, if a 20 per cent duty is paid but this is not feasible; buyers will not accept it," said another industry official.

Sugar is considered a 'sensitive' commodity and carries a weight of 1.73 per cent in the wholesale price index, used to capture overall inflation.

The country's sugar output in the 2015-16 sugar season (it ends on September 30) is estimated to have declined nearly 10 per cent for the year before, to 25.2 million tonnes. Prices in the past year are up 45 per cent to levels where mills are not incurring cash losses by selling sugar. Sugar output in the next season is certain to dip further, by an estimate of 10 per cent, owing to a water crisis in the largest producing state of Maharashtra.

(Source- <http://sugarnews.in/order-slip-halts-sugar-re-export/> published on 4<sup>th</sup> July, 2016)

## Monsoon Deficit Slips to 6% After Wet Weekend

**Rainy Days Ahead It's a significant milestone that signals a good kharif harvest to help lower food inflation and pave way for a cut in interest rates**

Heavy showers during the weekend have lifted monsoon out of the 'deficient' zone, the first real signal of a good kharif harvest that should lower food inflation and pave the way for a cut in interest rates.

The season's rainfall deficit has contracted to only 6% from a worrying 25% two weeks ago. The weather office, which regards seasonal shortfall of more than 10% as deficient, has forecast heavy showers in July, including above-normal rain in the north, where monsoon reached on Saturday.

Saturday's rainfall, 12.7 mm, was 48% higher than normal, while Sunday's showers surged 66% above average marking the wettest two days for the year as monsoon reached new areas in the north. It was particularly heavy in Punjab, with five times normal rain on Saturday.

This will speed up planting of crops in the agriculturally crucial areas of Punjab, Haryana and Uttar Pradesh. Planting of crops has already accelerated but it is still lagging behind the level reached last year, when rainfall was about 20% above normal towards the end of June before droughtlike conditions set in.

"Strengthening of monsoon circulation and above normal rain over the country as a whole is expected during July 1-14 -mostly over central and north-west India," the India Meteorological Department said in its latest advisory to farmers, advising them to continue planting.

For farmers, monsoon surge is a much-needed relief after two years of drought that has hit agricultural output and caused widespread rural distress. Prolonged dry conditions have also reduced water levels in 91 major reservoirs and caused a spike in food inflation.

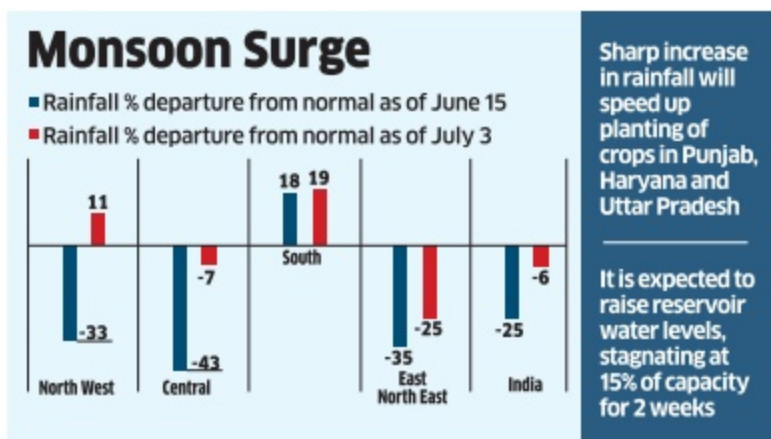
The Reserve Bank of India said in its recent monetary policy statement that good rainfall was important to contain inflationary pressures. "A strong monsoon, continued astute food management, as well as steady expansion in supply capacity, especially in services, could help offset these upward pressures," it said as it kept key policy rates unchanged after the higher-than-expected surge in inflation in April.

The RBI noted that "inflation in respect of vegetables, fruits, sugar, meat and fish rose sizeably from their prints in the previous month. Inflation in respect of pulses remained elevated; the recent decline in prices of pulses reversed, yielding a sharp increase in April".

Pulses have remained expensive because output declined for the second consecutive year.

Prices of edible oils and spices also rose. Traders say price of pulses is not likely to come down before kharif harvest.

The sharp increase in rainfall is also expected to raise the water level in reservoirs which has stagnated at 15% of capacity in the past two weeks. Heavy showers in Uttarakhand has bloated rivers close to the danger mark apart from causing widespread damage. The weather office said heavy rain is expected in Uttarakhand and Himachal Pradesh this week, which will further increase the flow of water in rivers and increase the level in reservoirs.



(Source- <http://www.indiansugar.com/NewsDetails.aspx?nid=5727/published on 4<sup>th</sup> July, 2016>)

## Karnataka: Cane growers' assn. flays 5.5 p.c. VAT on fertilizers

The Karnataka State Sugarcane Growers' Association has taken strong exception to the 5.5 per cent VAT (value added tax) being levied on chemical fertilizers in the State.

Speaking to The Hindu , Kurubur Shanthakumar, president of the association, said while the Union government was providing subsidy on fertilizers to lessen farmers' burden, the State government was imposing this tax. Most of the States, including Tamil Nadu and Kerala, do not impose any tax on chemical fertilizers, he said adding that this had manifested that the Congress government in the State was anti-farmer. Mr. Shanthakumar said that farmers in the State were using over 45 lakh tonnes of chemical fertilizers every year. He said because of the 5.5 per cent tax, farmers had to pay Rs. 100 extra per 50-kg bag of chemical fertilizer.

The State government, in stead of rushing to the rescue of the farmers affected by drought, was burdening them, he added.

He further said that middlemen from Kerala and other States sold fake fertilizers to gullible farmers in Karnataka for a lesser price. "Farmers of the State are either being burdened by the tax or cheated by the middlemen from other States," he said.

If the State government has real concern for farmers, it should withdraw the 5.5 per cent VAT and prevent traders from other States selling duplicate fertilizers, he said.

Farmers can avail crop loan of Rs.3 lakh through banks on the condition that they repay the amount within 12 months from the date of availing the loan.

Over 20 lakh farmers in the State are engaged in sugarcane and banana cultivation and they harvest only after 16 or 17 months, he said and asked how they could repay the loan within 12 months.

(Source- <http://sugarnews.in/karnataka-cane-growers-assn-flays-5-5-p-c-vat-on-fertilizers/> published on 4<sup>th</sup> July, 2016)

## TN: Exhibition of Sugarcane farm technologies

Exhibition of farm equipment and demonstration of latest farm technologies marked the sugarcane farmers' awareness meeting organised by the Subramania Siva Cooperative Sugar Mills, Harur, in Dharmapuri district in Kathiripatti village in Ayodhyapattanam block on Friday.

The Subramania Siva Cooperative Sugar Mill accounted for about 12,500 acres cane areas in the districts of Salem, Dharmapuri and Tiruvannamalai. Kathiripatti is a major cane supplying village to the factory.

V. Sampath, District Collector, inaugurated the awareness programme and the mini-exhibition of farm equipments brought up by the agricultural engineering department. N. Elango, Joint Director of Agriculture, said that the Subramania Siva Cooperative Sugar Mill provided Rs. 2,919 as cane procurement price per tonne, which was the highest by a

sugar factory in the State. Besides, the mill also sanctioned Rs. 100 as transport subsidy to the farmers.

Mr. Elango explained that government provided drip irrigation and micro irrigation subsidy to the cane farmers and called upon them to take advantage of the same to increase the cane area. The officials inspected the vermin compost unit set up from the subsidy provided by the Agriculture Department. Kavitha, managing director of the Subramaniva Siva Cooperative Sugar Mill, explained the achievements of the mill. Due to the good cane yield, the mill is expected to achieve 100 per cent capacity this season.

(Source-<http://sugarnews.in/tn-exhibition-of-sugarcane-farm-technologies/> published on 4<sup>th</sup> July, 2016)

## Co-gen/Power

### Power transmission sector sees growing interest from investors

Power transmission companies with assets that are up and running are seeing interest from buyers, who expect gains from the government's attempts to plug power leakage and attract investments.

Adani Transmission Ltd, India's largest private power transmission company, on Friday said it will buy a 74% stake in Maru Transmission Service Co. Ltd and a 49% stake in Aravali Transmission Service Co. Ltd. Both are subsidiaries of GMR Infrastructure. Adani also has the option to acquire 100% in the units for about Rs.100 crore.

The Indian power assets of Spain's Isolux Corsan are on the block, according to people familiar with the discussions.

More such deals are likely.

There will be more interest in power transmission and distribution (T&D) assets, said Ashish Agarwal, director (infrastructure) at Equirus Capital (P) Ltd, an investment bank.

"Power generation is not a concern today, with enough availability of coal," he said. "The issue is, the entire power produced does not reach the consumers due to 25% leakage in AT&C (aggregate technical and commercial) losses. The government is focused on plugging this leakage, which can be done by privatization of T&D to bring in efficiency. More T&D assets are expected to be privatized and investors could invest in creating T&D platforms expecting viable opportunities to deploy capital."

Apart from buying operational assets, more companies are looking to bid for projects, both for power grid EPC (engineering, procurement, construction) projects as well as for the PPP-BOT (public-private partnership on built, operate, transfer) projects, according to Vinayak Chatterjee, chairman of consulting firm Feedback Infra Pvt. Ltd.

"Because, there is clear understanding that the government is keen on the sector and has budgeted Rs.100,000 crore capex for the fiscal, of this 30% is for power grid and 70% for the private sector. That is a large market," he said.

(Source- <http://www.livemint.com/Industry/KJcUp4y0ioKWxdTNDrAT9L/Power-transmission-sector-sees-growing-interest-from-investo.html> /published on 4th July, 2016)

## 4,000 MW available in exchanges at around Rs 2 per unit: Piyush Goyal

With the power demand in summer at a peak, Power Minister Piyush Goyal said on Monday that electricity is available at exchanges across India, and without network congestion, at rates around Rs 2 per unit.

"Summer afternoon power check: 4,144 MW available at Rs.2.13/unit across India," Goyal said in a tweet.

"Check vidyutpravah.in," he added.

This site, notifying availability of electricity and its price, says a surplus 4,144 MW is currently available at power exchanges at the average market clearing price of Rs 2.13 per unit.

The minister also said power generation growth has risen to 9.5 per cent this year so far, as against 5.65 per cent during the ten-year period from 2004 to 2014.

The power generation growth was recorded at 5.65 per cent between 2004 to 2014, 5.02 per cent in 2012-14, 7.03 per cent in 2014-16 and 9.5 per cent in 2016-till date, Goyal said in another tweet.

"87% reduction in energy shortage in just two years (110 million units to 14 million units) vidyutpravah.in," he tweeted.

Meanwhile, the power ministry announced on Monday that a total of 152 villages in nine states were electrified during the week ended July 3 under the Deen Dayal Upadhyaya Gram Jyoti Yojna rural electrification programme.

(Source: <http://indianpowersector.com/2016/07/4000-mw-available-in-exchanges-at-around-rs-2-per-unit-piyush-goyal/> published on 5<sup>th</sup> July, 2016)

### Thought of the day

*'Life is only travelled once; today's moment becomes tomorrow's memory. Enjoy every moment, good or bad, because the GIFT of LIFE is LIFE itself.... .' -Anonymous*