NEWS FLASH –8th September, 2016

SUGAR

Stock limit on producers may tame sugar prices

Stock limits on sugar producers, which industry lobby ISMA termed "unprecedented," drove the December 2016 and March 2017 futures contracts on NCDEX up 0.7 per cent and 2 per cent each at the time of going to press.

Consumer Affairs minister Ram Vilas Paswan tweeted over the weekend that each sugar mill should not hold over 37 per cent of total sugar available with it during the 2015-16 sugar season (Oct-Sept). Further, holding limit should not exceed 24 per cent of sugar available with mills during the 2015-16 season.

Abinash Verma, DG, Indian Sugar Mills Association (ISMA), who said he was awaiting a notification from the government, believes that the government was keen on keeping prices of the sweetener in check.

Verma added that 90 per cent of the 530 sugar mills across the country would have no difficulty complying with the order but that the rest might face pressure which could see prices dip a tad.

Sugar at the retail level in Mumbai and Delhi is up 52 per cent and 40 per cent year on year respectively at Rs 41 and Rs 42 a kilo. Verma termed total sugar availability as opening balance plus production during the season minus exports.

(Source- http://economictimes.indiatimes.com/markets/commodities/news/stock-limit-on-producers-may-tame-sugar-prices/articleshow/54043263.cms, published don 7th September, 2016)

Sugar mills: the bittersweet taste of rising prices

What impact stringent stock limits will have on rising sugar prices can be debated, but the government's desire to keep a check on prices is clear. The timing is not by chance. The festival season has started, peaking with Diwali in October and Christmas in December. Low supply and high demand can see prices and tempers both flare. Add important state elections to the mix and that makes for bad headlines, explaining the government's desire to ensure adequate supplies.

Actually, sugar prices have been calm since end-April when the government imposed stock limits on dealers. Of course, they have gained significantly before that. Domestic sugar prices are up 17% since January and by 41% over a year ago. Sugar mills are finally making money on sugar, after years of losses or low profitability, in addition to what they earn on co-generation of power, alcohol and ethanol.

What is not clear is if the government is pre-empting an increase in prices or wants them to fall. The government has asked sugar mills to offload stocks in excess of 37% of the total sugar available in the 2015-16 sugar season by end-September, and 24% by end-October. The sugar season starts in October. Availability can be defined as opening stocks plus production less closing stock.

Now, mills may have been holding on to stocks, waiting for prices to peak in the next few months. That's good business sense. But the government is having none of it. A report in the Times of India, dated 6 September, says factories in Kolhapur district have stocks of up to 57% and those in Sangli district 44%, and a total of 3.2 million tonnes of sugar will hit the market in September.

Factories will scramble to unload stock on to dealers, who in turn may push it out to the market immediately, if their stock limits don't permit them to hold more.

There could be regional variations here, such as Maharashtra showing a different trend from Uttar Pradesh. North-based Balrampur Chini Mills Ltd's management told CNBC TV18, according to a report on moneycontrol.com, that they don't expect an adverse impact due to this development. Market prices in the next one to two months should give a good idea of the ground impact.

The broader issue is, of course, whether the government should interfere with sugar prices. What kind of decontrol is this? Earlier, in April, this column had raised a red flag that rising sugar prices may force the government to intervene. Not because that's the right thing, but because the government feels it has the right to do so. When the industry was in trouble, with sugar prices falling as the cane price remained constant, the government stepped in to support them.

Mills don't need the support now that prices are up but the government is asking them to return the favour. The bigger question facing the industry is what will happen next season. Latest Kharif sowing data shows a 7.7% decline in the area under sugarcane cultivation. A lower crop means farmers will ask for higher cane prices and they will cite higher sugar prices as a valid reason.

Governments may have no choice but to agree. The Central government fixes the fair and remunerative price while some state governments also offer a higher state advised price. Also, UP goes to elections next year. In an election year, its farmers may get what they want. Worse, with sugar prices having gained so much, the government may offer fewer sops to sugar mills.

Investors are already fearing the party is about to lose its momentum. Sugar shares are down since early August, with Balrampur Chini's stock down by 19.8% and Bajaj Hindusthan Sugar Ltd's down by 13.7%. Apart from sugar prices, investors should keep their eyes on other government moves to control prices, and developments in the next season such as the cane price and continued government support.

(Source- http://sugarnews.in/sugar-mills-the-bittersweet-taste-of-rising-prices/, published on 7th September, 2016)

Karnataka: Sugar factories to face severe shortage of sugarcane

Sugar factories in the district are looking at a severe shortage of sugarcane following a three year drought and scarce rainfall this Kharif season.

The district has three cooperative factories, two private factories and around 10 Khand Saris or mini factories that crush around 25 lakh tonnes of sugarcane every year. But this year, they are faced with the challenge of readjusting their schedules for crushing half or one third of that quantum.

Sugarcane, the only cash crop in the district, is grown on 8-10 per cent of the 3.5 lakh hectares of land cultivated every year, depending on the rainfall. Output per hectare has wavered from 60-80 tonnes per hectare depending on the year of cultivation, type of soil and cultivation practices of individual farmers. The ambitious `250 tonne per hectare' initiative to increase yields has not achieved much.

This year however, Sugarcane stands only on around 19,000 hectares of the 3.6 lakh hectares sown in the five taluks. This, farming experts say, is because farmers were discouraged by the low rainfall between 2013 and 2015. Area under Pulses has increased as they can tolerate low rainfall and cost of cultivation is less compared to sugarcane, says Ravi Deshmukh, training coordinator in the Krishi Vigyan Kendra. This is expected to yield only around 8-10 lakh hectares of sugarcane, thanks to the low rainfall in August and first week of September.

Umakanth Nagamarapalli, Naranja Sahakari Sakkare Karakhane president, performed the boiler Pooja that signals the start of maintenance and overhaul operations two days ago. "We are definitely looking at crushing less than average sugarcane. We don't know by how much," he said. He appealed to farmers to repose their trust in the factory by selling it their produce.

Mahatma Gandhi Sahakari Sakkare Karakhane that crushed between 3-4 lakh tonnes in the last few years, says it is planning crushing. Officials did not deliberate on the amount of sugarcane to be crushed and their schedule. Cooperation department officers suspect Bidar Sahakari Sakkare Karakhane, which is facing debt and other issues, may not start crushing at all.

But then, what will happen to the three private factories- Bhalkeshwar, Kisan and Bhavani sugars? How will they source their raw material?, asks a senior officer. He points out that the Khand Saris that crush around 5-6 lakh tonnes per year, will have to compete with the bigger players by offering higher prices, which would not be easy.

"Farmers always tend to suffer — whether they produce more or less. Why is that? The government should focus on the solutions," says Vishwanath Patil Koutha, Karnataka rajya raitha sangha leader. He said the factories should crush all the sugarcane in the district, without resorting to buying from neighbouring states of Telangana or Maharashtra.

(Source-http://sugarnews.in/karnataka-sugar-factories-to-face-severe-shortage-of-sugarcane/, published on 7th September, 2016)

Maharashtra mills, sugar mills, stock limit of sugar mills, Ram Vilas Paswan on sugar mill stock

Food and consumer affairs minister Ram Vilas Paswan tweeted over the weekend that each sugar mill should not hold over 37% of total sugar available with it during the 2015-16 sugar season.

Sugar mills in Maharashtra are opposing the Centre's decision to impose stock limit on the amount of sugar they can hold.

Food and consumer affairs minister Ram Vilas Paswan tweeted over the weekend that each sugar mill should not hold over 37% of total sugar available with it during the 2015-16 sugar season (Oct-Sept). The move is aimed at taming sugar prices ahead of the festival season.

"After deregulating the sugar industry, the Centre is indirectly trying to put stock limits on sugar factories. Because of this, the sugar rates have fallen down by R150 to R200 per quintal. The government should urgently intervene to provide relief to the sugar industry, which is in dire straits," said Jayprakash Dandegaonkar, vice-chairman, Maharashtra State Cooperative Sugar Factories Federation (MSCSFF).

The imposition of stock limit will lead to fall in sugar prices, Dandegaonkar said, alleging that it has been deliberately done to help sugar traders. He said the sugar sector is in crisis because of unfavourable conditions and adverse policies.

As per market reports, factories in Kolhapur district have stocks of up to 57% and those in Sangli district 44%, and a total of 3.2 million tonne of sugar is expected to hit the market in September. Factories will scramble to unload stock on to dealers, who in turn may push it out to the market immediately, if their stock limits don't permit them to hold more, industry experts said.

"There has been major uncertainty with regard to policies for the sector in the last six months. Restrictions have been imposed on exports when the international market rates were favourable for India. The decision for blending of ethanol to the tune of 12.5% has been prolonged. And now stock limits have been imposed. Millers have been unable to pay FRP because of financial burden," Dandegaonkar said.

According to him, mills in Maharashtra have been seeking restructuring of their soft loans and excise loans taken a couple of years ago. Mills say that they are not in a position to make the payments for the first repayment of the soft loan of R3,200 crore that they had availed during the period 2013-14 and 2014-15.

According to Shivajirao Nagawade, chairman, MSCSFF, the last couple of seasons have been bad for the millers. Around 69 factories have ended up with losses of R900 crore for the 2014-15 season and the total accumulated losses by the mills in the state are around R2,900 crore, he pointed out.

(Source- http://www.financialexpress.com/markets/commodities/maha-millers-oppose-central-govts-move-to-impose-stock-limit-on-sugar/370711/, published on 8th September, 2016)

Government will look into sugar sector problems, says Union Finance Minister Arun Jaitley

The Government of India has decided to impose stock-holding limit on sugar mills to check the rise in ex-mill prices of sugar and retail prices of sugar.

Union Finance Minister Arun Jaitley on Wednesday said a committee would be set up to look into issues raised by NCP-Congress leaders related to problems faced by sugar mills. However, he did not concede to any demand made by a delegation led by NCP president Sharad Pawar.

A delegation led by Pawar met Jaitley demanding special package for sugar mills from drought-hit parts of the country facing 50 per cent drop in sugarcane supply.

While placing the charter of demands, NCP and Congress leaders also sought withdrawal of stock limit on sugar arguing it would adversely impact sugar mills. Excise duty waiver on ethanol was also raised at the meeting

Senior NCP leader Dilip Walse Patil said, "The industry estimates of sugar production during 2016-17 season is at 235 lakh tonnes. Considering the opening stock of 71 lakh tonnes of sugar, domestic requirement of about 260 lakh tonnes, the industry will have an opening stock of 45 lakh tonnes at the beginning of 2017-18 season. This sugar stock will be sufficient for initial two months' domestic requirement of sugar. Thus there is no need to export or import sugar during 2016-17 season."

The Government of India has decided to impose stock-holding limit on sugar mills to check the rise in ex-mill prices of sugar and retail prices of sugar in the coming festival months. Sugar mills are opposed to stock limits as it adversely affects them, with ex-mill sugar prices coming down to Rs 150-200 across the country due to the decision.

(Source- http://indianexpress.com/article/india/india-news-india/government-will-look-into-sugar-sector-problems-says-union-finance-minister-arun-jaitley/, published on 8th September, 2016)

Sugar price soars to decade high

After toor dal has shot through the roof, the price of sugar has touched Rs 46 per kg in the retail market, the highest in the last decade, and is heading towards Rs 50 in the next few weeks. The price of sugar was between Rs 25 to Rs 30 per kg in the retail market last year and has been steadily increasing for the past few months.

According to sources, the price of sugar is skyrocketing due to fall in production which in turn is due to the closure of sugar units like Deccan Sugars Limited last year and cane farmers switching to other crops due to non-payment of arrears to them by the factory managements. Besides, the expected rise in demand has led to some traders illegally hoarding stocks and creating an artificial shortage at the commencement of the festival season.

"Sugar production has come down from 3.2 lakh metric tonnes last year to 2.5 lakh metric tonnes this year. This because the sugarcane cultivation area has come down to 32,000 hectares from 45,000 hectares during the previous years. In this kharif, sugar plantation so far is just 19,000 hectares in Telangana," sugar commissioner Bhadru Maloth told TOI on Tuesday. Interestingly, there was about 1.2 lakh metric tonnes surplus sugar supplies last year. In view of this, the Telangana government considered imposing entry tax on sugar imports from neighbouring states such as Maharashtra, Tamil Nadu and Karnataka as these states were dumping the sugar stocks here as they too faced a surplus.

Officials recall that farmers were given Rs 2,600 per tonne including the Fair and Renumerative Price (FRP) of Rs 2,300 per quintal last year announced by the Centre. Now, the price has gone up to Rs 3,700 per quintal. "The crop area has not only come down in Telangana, but also in other states like Maharashtra, Uttar Pradesh and Karnataka due to continuous drought," Maloth said.

Farmers blame the state government for this current crisis and rise in sugar prices. There had been uncertainty over the fate of Nizam Deccan Sugars Limited (NDSL) for the past few years. The state government had appointed a committee that is still to come out with any concrete decisions. Three units of NDSL located at Bodhan in Nizamabad, Metpally in Karimnagar and Mombojipally in Medak district had stopped the sugarcane crushing and the units were closed last year.

"Of about 40,000 farmers, who cultivate sugarcane and supply the produce to NDSL, 12,000 farmers switched to other crops while another 5,000 to 6,000 moved to other crops due to drought," industries department officials said.

(Source-http://timesofindia.indiatimes.com/city/hyderabad/Sugar-price-soars-to-decade-high/articleshow/54040292.cms, published on 7th September, 2016)

Co-gen/Power

Kerala electricity regulatory panel moots 'power to consumers' scheme

The inspection of 747 electrical section offices and holding interactive workshops on topics like energy conservation constitute part of the two-year scheme proposed by the state electricity regulator to empower electricity consumers.

Christened 'Scheme for protection of consumer interests and empowerment of consumers,' it is intended to firm up ties between the power distribution licensee–the Kerala State Electricity Board (KSEB) in this case– and the consumer, according to the Kerala State Electricity Regulatory Commission.

Assessment of 'defects, deficiencies and developments' in the enforcement of electricity-related regulations forms a major component. The scheme, however, is not intended as a 'fault-finding mission', according to Regulatory Commission chairman T M Manoharan.

'In many cases, conflicts can be avoided if the consumer and the KSEB official on the ground have a clear idea about the latest regulations and provisions regarding an issue in the power sector. The idea for the scheme was discussed by the forum of electricity regulators at the national level,'' he said.

(Source- http://indianpowersector.com/2016/09/kerala-electricity-regulatory-panel-moots-power-to-consumers-scheme/, published on 6th September, 2016)

HP govt amends hydro power policy

Himachal Pradesh cabinet on Monday decided to amend the Hydropower Policy 2006 in respect to transfer of shares by Himachalis to non-Himachalis. Now Himachalis can sell or transfer 49% equity shares to non-Himachalis at any stage after allotment of projects upto 2 MW capacity and full disinvestment after two years of commissioning of the projects.In case of bona fide Himachalis, to whom projects upto 2 MW to 5 MW capacity are allotted, they can sell or transfer 51% equity share to non-Himachalis at any stage after allotment of projects and full disinvestment after two years of commissioning of the projects. However, subject to the condition (in both the above cases), it was decided to levy some appropriate fee for transfer of equity.The cabinet gave its nod to cancel four projects namely Joiner-II (3MW) in district Chamba, Kanda (0.80 MW) in district Sirmaur, Rawin (1 MW) in Shimla district and Chahod (2 MW) in district Mandi.

It approved the Himachal Pradesh Miscellaneous Adventure Activities Rules, 2004, which, besides existing HP Aero Sports and River Rafting Rules, would include miscellaneous adventure activities like river crossing, zorbing, hot air ballooning, skiing, trekking, rock climbing, bungee jumping, rolling balls or water balls and zipline among others. However, objections and suggestions with regard to rules would be invited from the general public before finalization.Cabinet approved amendments in section 3 of the Himachal Pradesh Tax on entry of goods into Local area Act, 2010. It also accorded approval to 100 units of free electricity per month to families affected by hydel projects as per subsidized tariff determined by Himachal Pradesh Electricity Regulatory Commission (HPERC) with respect to local area development committees of districts and the balance amount equivalent to quantum of subsidy with state government.

(Source-http://indianpowersector.com/2016/09/hp-govt-amends-hydro-power-policy/, published on 6th September, 2016)

Residential solar rooftop fails to shine

With over 300 million houses in India, over 300 days of sunshine, an ambitious target of 40 GW of rooftop solar by 2020 and various states formulating rooftop solar policies, there should have been a solar revolution in Indian homes. Yet, the situation on the ground is quite different.

In the building sector, solar panels are primarily finding their way on the roofs of commercial, government and institutional buildings. Unfortunately, there has not been any major breakthrough in the residential sector. There are only a handful that has opted for rooftop solar energy in the cities despite high environmental awareness and access to technology and support.

In December 2015, the Indian government rolled out INR 50 billion (USD 750 million) funding for 30% capital subsidy for rooftop solar installations to create a total capacity of 4.2 GW by 2020. But that has not made the power of natural light attractive enough for consumers or even for solar developers, who are largely focusing on the commercial buildings and institutions.

"Suppose I want to install a solar rooftop of 10 KW in my house, it can easily cost me up to INR 1 million. Why should I be willing to spend so much? How will I get returns on my investment? It can take me 5-7 years," Srinivas Krishnaswamy, chief executive of Vasudha Foundation, a clean energy think tank, toldindiaclimatedialogue.net.

Currently, there are two ways through which an individual can install a rooftop solar system. (S)he can choose the capital expenditure model by making an upfront payment. For those unwilling or unable to put up the money, there is the RESCO (Renewable Energy Servicing Company) model in which a terrace owner allows a solar developer to install a plant on the roof. The plant is installed, owned and run by the company or investor and the consumer pays for the cheaper power at around Rs 6-7 per unit compared with some Rs 9-10 per unit for conventional supply.

The RESCO model has the potential to bring about a solar rooftop revolution because it can tap into the terraces of owners who don't have the required capital. RESCO is popular among commercial buildings where business owners prefer to invest in the businesses instead of solar photovoltaic units.

(Source- http://indianpowersector.com/2016/09/residential-solar-rooftop-fails-to-shine/, published on 7th September, 2016)

Reliance Energy's 'negative attitude' holding up shift to uniform tariff rates in Mumbai: Minister

Maharashtra energy minister Chandrashekhar Bawankule said, "The Government wants reduced power tariff rates for consumers using less than 100 units a month."

Private utility Reliance Energy's "negative attitude" is holding up shifting to uniform power tariff rates in Mumbai for consumers using up to 100 units a month, Maharashtra Energy Minister Chandrashekhar Bawankule on Monday said.

Tata Power, civic-run BEST and Government-owned Mahavitaran are all ready to reduce tariffs and shift to uniform structure. Only Reliance Energy is not in favour of the move, arguing it needs Rs 1,000 crore to offset its losses (likely to be caused by uniform tariff structure), he said.

All four companies serve power needs of Mumbai and its suburbs.

Reliance Energy's "negative attitude" is holding up the plan for moving to uniform power tariff rate in the metropolis, he told reporters at Mantralaya.

He said "Reliance Energy has been asked to reduce its administrative costs. The Government wants reduced power tariff rates for consumers using less than 100 units a month."

Bawankule said the Government has already announced it will conduct an audit of power distribution companies (discoms).

"The Government will conduct an audit of the tariff proposals submitted by Reliance Energy in the last 10 years to Maharashtra Electricity Regulatory Commission (MERC)."

The Minister said tariff proposals of the other three power supplying utilities are pending before the regulator.

He said the Government will wait for the MERC verdict and if need arises, it will exercise special powers vested in it to issue orders for reduction in power tariff rates for those consuming less than 100 units.

Meanwhile, a prolonged dry spell in the State has led Chief Minister Devendra Fadnavis to direct the Energy department to ensure 12-hour power supply during day time to operate agricultural pumps till November.

The direction was given to save kharif crops from wilting.

Disclosing this, Bawankule said the Government has moved the MERC over the issue and the decision will incur an additional cost of about Rs 600 crore.

"Due to the Jal Yukt Shivar (Government's water conservation programme), there is now water in village ponds and rivers. However, farmers cannot lift water through pumps due to non-supply of electricity during day time."

He said personnel from the Maharashtra State Security Corporation will be roped in to curb power thefts.

Bawankule said the Government is in the process of supplying solar power through agriculture feeders to run pumps. A pilot project is underway at Sangamner taluka in Ahmednagar district.

(Source- http://indianexpress.com/article/india/india-news-india/reliance-energys-negative-attitude-holding-up-shift-to-uniform-tariff-rates-in-mumbai-minister-3017481/, published on 7th September, 2016)

Quote of the day

'No legacy is so rich as honesty.' William Shakespeare