

## NEWS FLASH – 19<sup>th</sup> May, 2016

### SUGAR

#### UP: Govt mulls MSME status for local crushing units

In an effort to provide an alternative source of earning to the sugarcane growers of Uttar Pradesh, the central government is mulling revival of localised cane crushers by including them in the micro, small and medium enterprises (MSME) category. Once categorised as an MSME, sugarcane crushers, used to make jaggery and khandsari, will be entitled to government benefits and tax concessions.

A pilot project to restart the localised jaggery making units is being planned in the districts Muzaffarnagar, Baghpat and Shamli in western Uttar Pradesh from the next sugar season, which starts from October.

All three districts are known for jaggery and khandsari and are also big sugarcane growing regions of Uttar Pradesh. The districts are also home to some of the biggest private sugar mills. In fact, Muzaffarnagar alone has around 14 mills, the highest in any district of the state.

Officials said the state government will also explore the possibility of relaxing norms for setting up crushers and also lower taxes on these. "The idea is to provide sugarcane growers of western UP an alternative source of income," Minister of State for Agriculture Sanjeev Kumar Balyan, who is spearheading the proposal, told Business Standard. He said the preliminary discussion is being planned with the minister of MSMEs, Kalraj Mishra. Mishra is a member of Parliament from Deoria also in UP.

In their heydays, crushers numbered around 850 and dotted the landscape of western UP, largely concentrated around Muzaffarnagar district. However, old-timers say in February 1982, the then finance minister V P Singh abolished the additional excise duty on khandsari, which was countered by chief minister Sripathi Mishra with a four per cent sales tax.

This immediately pushed up the cost by Rs 32 per 40 kg bag. The downfall of localised cane crushers also coincided with the growth of mills, which gathered pace after liberalisation of the Indian economy. Gur now is produced locally as a cottage industry by around 25,000 small units in UP. Before liberalisation, mills consumed around 20-25 per cent of the cane grown in western UP, which has now risen to about 60 per cent, while gur units consume another 30 per cent.

"The proposal, though it sounds good, is unviable because crushers can't have a recovery rate of more than five-six per cent and with sugarcane prices ruling at around Rs 280 a quintal, they won't survive when even big sugar mills, who have recovery rate over 10 per cent, are finding it difficult to make ends meet," Arun Khandelwal, president of Muzaffarnagar Gur Manufacturers Association said.

He said unless there is a big technological innovation in crushers, it will be very difficult to make the business viable. But, the government seems convinced. "Our assessment shows

that with an investment of around Rs 10 lakh, a mechanised crusher can provide employment to about 20 people, which can help in generating jobs in rural areas," Balyan said.

(Source- <http://sugarnews.in/govt-mulls-msme-status-for-local-crushing-units/>, published on 18th May, 2016)

## **Maha: Sugar lobby cut up about drip irrigation plan for cane crop**

The government and the state's powerful sugar lobby have locked horns over bringing the crop under drip irrigation.

Maharashtra State Co-operative Sugar Factories Federation (MSCSFF), the apex body of sugar mills in the state, has demanded that the state government provide financial assistance to farmers to bring the sugarcane growing area under drip irrigation.

"The government's insistence to shift sugarcane cultivation from flood irrigation to drip irrigation is good. But there are practical difficulties and the government must give financial assistance to implement its plan. Farmers and sugar mills cannot implement drip irrigation on their own," chairman of the federation Shivajirao Nagavade told TOI on Monday.

He added that the sugar industry is the backbone of the rural economy with thousands of farmers and farm labourers dependent on the crop.

"If the government and the experts continue to target sugarcane growing farmers and sugar mills and hold them responsible for the water scarcity, the sugar industry will collapse and farmers will be in distress. Who will be responsible for destroying their livelihoods? Sugarcane is the only crop which guarantees good returns," Nagavade added.

Prime Minister Narendra Modi, who recently chaired a high-level meeting on the drought and scarcity situation in parts of Maharashtra, has told chief minister Devendra Fadnavis to increase water-use efficiency through drip and sprinkler irrigation, stating that drip irrigation in sugarcane increases the quality of sugar.

Fadnavis has assured Modi that the state government is working on a plan to ensure that all the sugarcane growing area in Maharashtra comes under drip irrigation in three years.

However, the sugar lobby, dominated by the Nationalist Congress Party (NCP) and the Congress, has been resisting the move and is supported by sugar barons in the BJP and the Shiv Sena.

Nagavade said the notion about cane farmers using excess water is wrong. "Earlier, it was wafa system where the flow was stopped after every few metres to water the cane crop. Now, a majority of farmers use eksari system where water flows from the top to the bottom."

Despite the drought, sugar mills completed their crushing season, this year. As many as 32 sugar mills, the highest in the state, had a successful cane-crushing season.

In Latur district, where section 144 of the CrPC was clamped to protect water sources, 12 sugar mills have been defiantly siphoning off huge quantities of water for sugarcane crushing and the state government, which had earlier announced that no mill in the drought zone would be allowed to crush, remained a silent observer owing to pressure from the sugar lobby.

Latur-based water expert Atul Deulgaonkar said it is a complicated matter. "Even in the drought-affected areas of Marathwada, thousands of farmers are dependent on sugarcane as it is the only crop which gives them assured returns. The government must have a plan before taking any hasty steps while shifting cane cultivation to drip irrigation," he said.

(Source- <http://sugarnews.in/sugar-lobby-cut-up-about-drip-irrigation-plan-for-cane-crop/>, published on 18th May, 2016)

## **Maha: Sugar mill pays farmers, gets crushing licence back**

Gurudatta Sugars, which had lost its crushing licence for not paying sugarcane purchase price has got the licence back after paying the entire amount.

In an official statement on Monday, the mill said it has paid the sugarcane price to farmers as per the fair and remunerative price formula. The payment was made by the second week of May. A detailed report of its recovery, calculation based on FRP formula and payment made to farmers was submitted to the state sugar commissionerate, requesting the sugar commissioner to revoke suspension of crushing licence.

Officials at the sugar commissionerate confirmed that the suspension has been revoked.

When asked about the reason behind revoking the suspension despite delay in payment, a senior officer of the sugar commissioner said, "The intension was to give a strong message that the government is not going to be lenient with mills which are not following its orders. There has been precedence for the past 15 years of no sugar facing action from the government for non-payment of sugarcane price. With the change in government, the office has been given more freedom to take action against erring mills."

Similar action has been taken against seven other mills, including a couple of mills from Kolhapur and Sangli districts. The owners of these mills are trying to sell their sugar in the market so that they could make payments to farmers. The strategy of the government has been helpful so far when it comes to farmers getting their due payments.

(Source- <http://sugarnews.in/sugar-mill-pays-farmers-gets-crushing-licence-back/>, published on 18<sup>th</sup> May, 2016)

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## **Sugar futures remain high on strong seasonal demand**

Amid strong seasonal demand from bulk consumers at the spot market, sugar prices gained 0.45 per cent to Rs 3,360 per quintal in futures trade today as participants raised bets.

At the National Commodity and Derivatives Exchange, sugar for delivery in May advanced by Rs 15, or 0.45 per cent to Rs 3,360 per quintal with an open interest of 2,330 lots.

On similar lines, the sweetener for delivery in far-month July moved up by Rs 11 or 0.31 per cent to Rs 3,551 per quintal in 51,530 lots.

Analysts said widening of positions by traders, driven by strong seasonal demand from bulk consumers in the spot market, kept sugar prices higher at the futures trade.

Expectations of lower output also supported the upside, they said.

Meanwhile, sugar production for this crop year is pegged at 25.1 million tonnes, mainly due to estimated decline in production in Uttar Pradesh and Karnataka, according to a report.

(Source- <http://sugarnews.in/sugar-futures-remain-high-on-strong-seasonal-demand/>, published on 17<sup>th</sup> May, 2016)

## **Co-gen/Power**

### **Installed solar capacity touches 7,000 MW by April**

The fate of almost 1,000 megawatt of solar power capacity in India's solar programme hangs in balance even after a month and a half since US-based SunEdison declared bankruptcy.

Despite this the Ministry of New & Renewable Energy is confident of meeting its targets of adding 12,000 MW of capacity in 2016-17 and 15,000 MW of capacity in 2017-18. India's total installed solar power capacity stands at around 6,998 MW as on April 30.

"There are no stranded projects as of now. The only doubt is whether SunEdison's projects will take off or not. We are still waiting for clarity from the company on the same. Even if they are unable to commission their projects, we would always have the option of bidding them out again," said a senior official of the Ministry of New & Renewable Energy. SunEdison has 450 MW of solar projects already operational, but uncertainty is more over the yet to be

commissioned 1000 MW. The company on its part has been maintaining that it is committed to India projects but is open to selling some stake in them.

The official added that since the tendering process has been completed for more than the targeted capacity addition for 2016-17, the developments at SunEdison will not impact the Ministry's targets. Overall in the country, tendering is already complete for 15,500 MW of solar power capacity and another 5,500 MW of tenders are expected to come in the next couple of months.

(Source-<http://indianpowersector.com/2016/05/installed-solar-capacity-touches-7000-mw-by-april/>, published on 17<sup>th</sup> May, 2016)

## India 3rd in Attractiveness Index of Renewable Energy: Report

India's renewable energy sector has been ranked third in the Renewable Energy Country Attractiveness Index (RECAI) with China at second and the US on top.

The so-called emerging markets now represent half the countries in the 40-strong index, including four African markets featuring in the top 30. Just a decade ago, only China and India were attractive enough to compete with more developed markets for investment, EY said in the report. While the top three countries maintained their ranking, Chile, Brazil and Mexico climbed higher in the index to be ranked in the top 10 at the fourth, sixth and seventh, respectively. Germany at fifth and France at eighth fell in the latest ranking.

Kuljit Singh, partner (infrastructure practice) at EY, said: "The report demonstrates that low solar bids are not a phenomenon restricted to India, but countries such as Mexico and Dubai have also been reporting very low solar bids. As is the case with India, wind continues to be at a pricing premium to solar in the rest of the world, but both these technologies are racing towards grid parity, which may lead to not-so-desirable consequences for traditional utility business models.

(Source- <http://indianpowersector.com/2016/05/india-3rd-in-attractiveness-index-of-renewable-energy-report/>, published on 17<sup>th</sup> May, 2016)

## ETHANOL

### Sugar industry makes a turnaround on back of strong policy and rise in demand for ethanol

India's sugar sector has turned around, helping farmers recover long-pending sugarcane arrears, as mills have been able to make payments with the help of strong policy initiatives including an unprecedented increase in blending ethanol with petrol, which has also saved the country nearly \$300 million in oil imports, officials said.

The changes have significantly eased the sector's plight as sugar output has exceeded demand since 2010, which led to such a glut that sugar prices fell below input costs, wiping

out the industry's ability to pay farmers on time, they said. In the past, mills were unable to start operations on time, prompting states to browbeat them with criminal cases. Cane arrears had shot up to Rs 22,000 crore in April 2015, which was about a third of the total value of cane purchased by the industry .

Now all farmers have been paid their dues barring Rs 438 crore due to legal or local issues in Maharashtra and Karnataka, while shares of sugar firms such as Bajaj Hindustan, Balrampur Chini and Mawana Sugars are trading close to their 52-week highs.

The sector has gained handsomely from the use of ethanol, an alcohol that can be produced either by fermenting cane juice or from molasses, a byproduct of sugar mills, officials said. Sale of ethanol for blending in petrol rose to 67 crore litres in 2014-15 from 38 crore litres the previous year, and is expected to double in 2015-16.

This has come as a big relief as the fortunes of India's sugar industry has a direct bearing on millions of people. The industry produces 26-28 mt a year from 530 mills, employs 5 million people directly or indirectly and buys cane worth more than Rs 60,000 crore from farmers every year.

Officials said that the plunging fortune of farmers and millers prompted the government to take several policy initiatives such as offering soft loans with a one year moratorium on interest payments. Unlike in the past, the banks would pay farmers directly while loans went in the books of the mills.

In 2015-16, banks disbursed Rs 4,305 crore for payment of cane dues. Direct payment to farmers by banks amounted to direct benefit transfer, which reduced arrears substantially, officials said. They said that without this mechanism, mills may have diverted the money or delayed payments to farmers.

(Source- <http://economictimes.indiatimes.com/news/economy/agriculture/sugar-industry-makes-a-turnaround-on-back-of-strong-policy-and-rise-in-demand-for-ethanol/articleshow/52334548.cms>, published on 17<sup>th</sup> May, 2016)

### **Thought of the day**

'Do the right thing. It will gratify some people and astonish the rest.' -Mark Twain