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SUGAR

State Food Ministers meeting draws action plan to check prices of essential commodities

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Ram Vilas Paswan, Minister of Consumer Affairs, Food and Public Distribution has urged the States to exempt pulses from VAT and other local taxes. It may help cool the prices of the pulses by 5% to 7%. Briefing the media about the deliberations and decisions taken in the States Food and Consumer Affairs meeting held here today, Paswan said that State Food Minister's conference noticed that, the prices of the specified food items like pulses, sugar, edible oil seeds commodity shoot up abnormally due to hoarding, profiteering and cartelling by traders and middlemen- without any benefit to the farmers. It was pointed out that the traders hoard the stock of a commodity in a bordering State where stock limits are not imposed. Therefore, there is a need that all States & UTs impose and implement stock There should be a logical and scientific formula for stock limits separately in consuming states and surplus states limits and also for millers, producers and importers. so that supply chain mechanism remains smooth and pulses are available at reasonable prices

It was also recommended that importers of pulses should display stock position on public platforms such as portals of Ministry of Consumer Affairs or States Government portals to bring in more transparency about availability of stock. It was strongly felt that Government agencies should opt for long term supply contracts in place of tenders for time to time import of pulses for building up buffer stock.

Regarding the prices of sugar, Shri Paswan said that he has written to the chief Ministers of Maharashtra, Uttar Pradesh, Karnataka and Tamil Nadu requesting them to keep a close watch on the release and stock held by sugar mills to ensure availability in the domestic market. He said that production linked export incentive scheme has been withdrawn midway to ensure adequate availability of the sugar in the domestic market. The states have been asked to implement stock limit effectively.

Shri Paswan said the government is effectively using Price Stabilization Fund for creating buffer stock of pulses and onions. So far about 50,000 MT Kharif and about 25,000 Rabi pulses have been procured and 26,000 MT contracted for import for buffer stock. Out of this 10,000 MT have allocated to the States. Requests from other States are awaited for further allocations.

He said that the Centre has further decided to strengthen price monitoring mechanism by including more markets for collecting price data. He said that State Governments have also been requested to set up price monitoring mechanism at their level also to take timely action to ensure availability.

Appreciating the efforts of State Governments for implementing National Food Security Act, Shri Paswan said now 72 crores people across 33 States/UTs have become eligible for wheat at Rs2/kg and rice at Rs 3/kg. He said now States should focus better targeting of food subsidy. He said End-to-End computerization of TPDS would certainly help in this venture. So far about 56% ration cards have been seeded with Aadhar cards against the total Aadhar coverage of about 83%. More than 1,15,909 FPSs are automated across the country by installing e-Point of Sale devices, and this count is likely to be increased to 3,06,526 FPSs by March, 2017. About 1.62 crore ineligible ration cards have been eliminated and food grains worth Rs. 10,000 crore have been better targeted.

Shri Paswan said decision was also taken to ensure online allocation of food grain up to FPS within two months in the States where it has yet to be done. So far it is being made in 25 States. States were also requested to expedite preparation for online procurement of food grains by their agencies. Farmers mobile numbers should be registered and their accounts numbers should be taken for direct deposit of system generated cheques. Remaining non-DCP States were requested to take up DCP operations as it would help in saving food subsidy, enhancing the efficiency of procurement and public distribution & encouraging local procurement to the maximum extent thereby extending the benefits of MSP to local farmers.

In order to strengthen storage facilities Government has approved a road map for construction of steel Silos of 100 LMT capacity in the next 4-5 years in three phases for both wheat and rice. Depot-Online has been launched for monitoring the operations in 30 FCI Depots on pilot basis and by July this year all the 554 depots of FCI will be online. Shri Paswan expressed hope that these efforts will result in improving food grain management. He said as decided by the conference State Governments will work in coordinated way to ensure availability of essential commodities at reasonable prices.

Addressing the meeting, Shri Radha Mohan Singh, Union Agriculture & Farmer's Welfare Minister appreciated farmers and State Governments efforts for ensuring enough food gain production despite drought for last two years. He said recent estimates indicate production during 2015-16 will be more than the last year. Agriculture Minister said that as our country is the largest consumer of pulses, there is need to increase the production of pulses. A scheme for this purpose is being implemented under mission mode, to improve the production of pulses, 50% of the NFSM is being allocated for pulses production. He said that the Government is working on various plans to reduce the cost of agriculture inputs and increase the returns of the farmers for their produce. He also requested the States to develop agri-markets and bring them on-line so that farmers get reasonable price for produce.

(Source- http://www.indiansugar.com/NewsDetails.aspx?nid=5587, published on 22nd May, 2016)

Brazil sugar flows to Myanmar seen rising as Indian exports abate

Brazilian low quality white sugar flows are expected to increase to Myanmar, believed to be a gateway for sugar smuggled into China, as Indian sweetener exports fall.

Surging domestic sugar prices in India mean that Indian mills will increasingly spurn the export market, traders say.

Availability of Thai sugar is also thin due to hefty recent Chinese demand for Thai whites and prolonged dry weather in the number 2 exporter which cut yields, boosting the opportunity for Brazilian low quality white sugar exports to Myanmar.

One European trade source quoted Indian low quality whites at $500-$510 per tonne FOB, based on ex-mill prices in drought-hit Maharashtra.

This represents a $138-140/ tonne premium over New York July raw sugar futures, compared with a premium of $83/tonne for Brazilian low quality whites.

"The (export) supply from India is drying up," a senior European trader said.

"We're virtually done now," he added, referring to expectations of tightening supplies in India, the world's number 2 sugar producer, due to drought.

"With domestic prices high, it does not pay to export."

India is expected to shift to a net sugar importer next season from a net exporter.

Dealers said that as India and Thai export supplies tighten, Brazil could become the main source of sweetener for Myanmar.

Brazil's cane harvest has got off to a flying start in predominantly favourable weather in the centre-south, auguring for ample availability of Brazilian supplies to Asian markets.

Shipping times to Myanmar from Brazil will be longer than from India, but importers may have little choice but to accept the longer waiting times as there is limited availability of alternative supplies.

"What remains to be seen is whether Brazilian low quality whites are able to fully replace Indian low quality whites in Myanmar going forward amid rising domestic prices in India," a second European trade source said.

(Source-http://in.reuters.com/article/brazil-sugar-india-idINKCN0YE297, published on 23rd May, 2016)

Revenue-sharing formula can redeem sugar sector

No wonder, industry cane dues at one point in the current season rose to Rs 22,000 crore, compelling the government to give an interest-free loan of Rs 6,000 crore to factories in June 2015

Nothing could be a bigger sacrilege in the sugar sector than factories not clearing farmers' cane dues within the stipulated time. In the process, sanctity of cane as a cash crop is lost and farmers are subject to much privation, including committing suicides as happened in more than one state last year. But, then, mill owners say when they fail to make payments to farmers for cane supplies, they suffer a cathartic experience.

Crises of the present proportions visit the agro-based industry in a cycle as prices of raw sugar on Intercontinental Exchange in New York since 2010 fluctuated between a high of 30 cents a pound and a low of 10.44 cents, almost entirely on supply-side issues.

India, the world's second largest producer of sugar, had seen the average ex-factory price dip to Rs 2,157 a quintal in July 2015 plunging the whole industry in big losses. In fact, month after month, ex-factory prices fell short of the cost of cane, not to mention the other elements of conversion cost.

No wonder, industry cane dues at one point in the current season rose to Rs 22,000 crore, compelling the government to give an interest-free loan of Rs 6,000 crore to factories in June 2015. But, this amount was disbursed directly to farmers. Factories still owe substantial sums of money to growers.

Such large cane dues have invited the acerbic comment that factories, by not paying in time, are securing supply of the principal raw material on long-term interest-free credit. For every other input, including factory labour cash payment, has to be made.

But, should this be the case when farmers are the reason for the industry being able to raise sugar production to 28.31 million tonnes (mt) in 2014-15 from 12 mt in 1990-91 and build in the downstream exportable cogeneration power capacity of 5,500 Mw and ethanol capacity of 2.24 billion litres? President of Indian Sugar Mills Association (Isma) Tarun Sawhney is doing well to emphasise that the interests of cane growers and factories converge and a "stable and viable sugar industry will create a win-win situation for all constituents, including consumers" of the sweetener.

The market has its own dynamics. Volatility in prices of sugar, a globally traded commodity, is unavoidable. International trade in sugar accounts for about 25 per cent of world demand.

At whatever prices factories sell sugar in a season, growers must have the assurance of getting paid the fair and remunerative price (FRP) announced by the government on the basis of recommendations of the Commission for Agricultural Costs and Prices (CACP).

In making FRP recommendations, CACP considers the cost of growing cane, fair margins for farmers, ex-factory sugar sale price and realisation from the first level of cane by-products such as bagasse, molasses and press mud.

But, what happens when sustained low prices of sugar, as recently experienced by factories, stand in the way of their settling cane bills in time? Sawhney says the interest of Indian sugar economy will be best served by adopting a "hybrid" approach to rewarding farmers through a revenue sharing formula (RSF), uniform application of FRP across all cane-growing regions and building of a "reserve" under Sugar Development Fund by way of a cess on sugar.

The reserve is to be used to bail out growers in difficult times. The hybrid formula is a punch of recommendations of the Rangarajan committee and CACP.

India's sole multinational sugar producer, Narendra Murkumbi, is also a strong advocate of RSF as this is "globally found to be the most effective and robust system". Brazil, Thailand and Australia have their unique RSF and price risk management practices. A single model does not hold good for all cane-growing nations since their farm reality is not identical.

As for India, if the occasion arises when under RSF, the 75 per cent of combined revenues from ex-mill sugar and cane by-products will fall short of FRP, then sugar reserve fund will be accessed to bridge that gap. In good times for the industry, as hopefully will be the case now, the growers are to get more than FRP.

The Rangarajan committee has, therefore, recommended a two-step payment to growers: FRP according to extant mechanism and final payment on the basis of half-yearly ex-mill sugar and cane by-product prices. If cane dues stop visiting them, then, farmers stand to make much more money by growing sugarcane than paddy and wheat. Implementation of RSF backed by a well-funded sugar reserve will rid the sector of its ills.

(Source-http://www.business-standard.com/article/markets/revenue-sharing-formula-can-redeem-sugar-sector-116052400045_1.html, published on 24th May, 2016)

Co-gen/Power

E-bidding helps cut power tariff in some states

The power ministry's move to channel procurement of short-term power by states through reverse auction on its e-bidding platform appears to be paying off.

The first round of bidding on the DEEP (Discovery of Efficient Electricity Price) portal has seen tariffs go down by more than a third from a year-ago. Uttarakhand, Kerala, Bihar and private discom Torrent Power kicked off the DEEP bidding process, with Kerala discovering a price of Rs 3.14 per unit, the lowest for May in the slot of the day, against Rs 4.70 per unit paid for roundthe-clock supplies a year ago.

Uttarakhand discovered a price of Rs 2.59 per unit, the lowest for July on round-theclock basis. The state discoms had procured short-term power at Rs 3.41 per unit last year in the same period.

Bihar received the lowest rate for July at Rs 3.08 per unit, while Torrent Power received the lowest price of Rs 2.95 per unit for May-June in slot of the day. While the state did not procure power through bidding before this, Torrent did not procure short-term power in 2014-15 and 2015-16.

Bidding for Uttarakhand and Kerala concluded on April 29, for Torrent Power Ltd on May 3 and for Bihar on May 9, the power ministry said on Sunday. Lower prices are expected to reduce the overall cost of procurement of power for discoms and ultimately benefit consumers.

Power minister Piyush Goyal had last month inaugurated the portal, making it mandatory for discoms to procure short-term power through reverse e-bidding. The move is aimed at curbing opaque procurement deals at high prices by vested interests and bring transparency and cost-efficiency in discom operations.

Goyal has asked all states to put their power purchase data on the portal within a month. He also announced award for the first five that put data on the portal within a week.

(Source- http://timesofindia.indiatimes.com/business/india-business/E-bidding-helps-cut-power-tariff-in-some-states/articleshow/52408322.cms, published on 24th May, 2016)

World Bank Approves $750 Million For Indian Solar Power Projects

India's rooftop solar power program received a major boost from the World Bank after that international financial institution approved a huge sum of debt funding.

The World Bank recently announced that it approved $625 million to facilitate the implementation of rooftop solar power projects in India. The funding will be provided by the International Bank for Reconstruction and Development (IBRD). Additional funding worth $120 million has also been approved at a concessional rate, while a $5 million grant will be issued by Climate Investment Fund's (CIF) Clean Technology Fund.

This funding is expected to finance the installation of 400 MW of rooftop solar power projects. The funding will primarily be available to the industrial and commercial sector, to which the Indian government does not offer any capital subsidies. The funding will be disbursed by the largest bank in India, the State Bank of India.

The loan, from the International Bank for Reconstruction and Development (IBRD), has a 19.5 year grace period, and a maturity of 20 years. The loan from CIF's Clean Technology Fund has a 10 year grace period, and a maturity of 40 years.

India plans to have 40 GW of operational rooftop solar power capacity by March 2022. This target will require a monumental effort on the part of the government and all other stakeholders.

Last year, the Indian government approved a plan to increase subsidies for rooftop solar power projects from the current Rs 600 crore (US$92 million) to Rs 5,000 crore (US$770 million). The subsidy will be available to households, government institutions, hospitals, and educational institutions, among others. The financial support will not be available to private sector entities like industries and commercial consumers.

In January, the Ministry of New & Renewable Energy (MNRE) announced that the World Bank, the Asian Development Bank, and the newly-founded BRICS development bank will provide $500 million each for the development of rooftop solar power projects in the country.

Recently, the Solar Energy Corporation of India launched the country's largest-ever rooftop solar power tender for the implementation of 500 MW of capacity.

(Source- http://cleantechnica.com/2016/05/23/world-bank-approves-750-million-indian-solar-power-projects/, published on 23rd May, 2016)

Thought of the day

'The good life is one inspired by love and guided by knowledge.' Bertrand Russell