

SUGAR

Maharashtra sugar production set to fall to 5-year low

Sugar production in Maharashtra is likely to drop to 5.5 million tonnes (MT), the lowest in the past five years, due to drought and crop diversification across Marathwada and western parts of the state. The projection report in July 2016-17 shows sugar production at 40% lower than the 8.4 MT last season.

According to estimates by Sugar Mills Association (ISMA), sugar cane was grown on around 1 million hectare in Maharashtra in 2015-16. In the current season, acreage under sugar cane has shrunk to 780,000 hectares and ISMA estimates that sugar yield in the state in 2016-17 will be around 6.1 MT as against 8.4 MT in 2015-16.

ISMA expects a national output of 23.26 million tonnes (mt) of sugar this season, down from 25.1 MT in 2015-16. Last two years of deficient rainfalls had prompted state agriculture department to forecast almost 45% of decline in sugar output this year at 5.2 MT for the upcoming season beginning October 2016 against 8.4 MT of sugar output reported in the 2015-16.

This season's decline in cane cultivation area is attributed mainly to the poor rainfall last year, leading to a drought-like situation and lower water availability for irrigation. The state has a daily crushing capacity of 5.6 lakh tonnes of sugarcane, while the actual production is 5.5 MT. In 2015-16, as many as 177 sugar mills had crushed 740 lakh tonnes of sugarcane. The average requirement of sugarcane for efficiently running all the mills is 940 lakh tonnes.

As against the cane area of 10.5 lakh hectares in 2015-16, the cane area is expected to come down to 7.80 lakh hectares in 2016-17. Sugar production is, therefore, estimated to be around 6.15 million tonnes in crushing season 2016-17, as against 8.41 million tonnes produced in the season 2015-16.

ISMA has said that little less than 5 million hectares have come under sugar cane cultivation in the country. This is 5.5% less than the area under sugar cane in 2015-16—approximately 5.3 million.

Nationally, Maharashtra, Uttar Pradesh and Karnataka are the major sugar producers. This year, UP has grown sugar cane on 2.3 million hectares which represents a marginal increase over the 2015-16. It is estimated to produce 7.5 MT of sugar in 2016-17, up from 6.8 MT in 2015-16. Sugar output in Karnataka is likely to fall to 3.2 MT from 4 MT in 2015-16.

"Above normal rainfalls will certainly benefit standing sugarcane crops for the current season. But, the actual assessment is yet to be done on its impact on sugar output. There are some regions in which monsoon rainfalls have been average. In some part of state, yield will improve only 2-5 per cent," said Sanjeev Babar, managing director, Maharashtra State Federation of Sugar Factories.

In Maharashtra, there are a total of 178 functional sugar factories, including 99 in the co-operative sector and the remaining 79 in the private sector. According to an estimate, the co-operative sugar factories were functional in 2015-16, of which barely 30 to 40 may begin the sugarcane crushing season this year due to a shortage of raw sugarcane.

Nationally, with an estimated opening balance on October 1, 2016 of 7.1 million tonnes, and estimated production of 23.26 lakh tonnes, sugar availability during the 12 months of next season will be 30.36 million tonnes, enough to meet the domestic sugar consumption requirement of 26 million tonnes in season 2016-17.

(Source- <http://sugarnews.in/maharashtra-sugar-production-set-to-fall-to-5-year-low/>, published on Business Standard)

Modi Is Not Quite Right on Sugarcane Farmers' Bitter Arrears

Addressing the nation on Independence Day, Prime Minister Narendra Modi claimed substantial reduction in arrears disbursed to sugarcane farmers. While referring specifically to reports of farmers' distress in Uttar Pradesh, he said:

"I can point out in solace that all the sugarcane which was procured and which came for marketing this time for that almost 95 percent of farmers have got the price of sugarcane produced and I am sure and I believe that the remaining 5 percent of farmers will also be paid in the coming days."

The reference to UP is understandable as the state goes to polls early next year. Being one of the largest producers of sugarcane, the state's sugar politics does impact the electoral outcome in quite a few seats, especially in the Jat-dominated western region which is where most of the sugar mills are located. The momentum gained in this region is believed to have propelled the BJP to sweep the Lok Sabha elections in 2014.

But have the benefits reached the farmers? What is the basis for the PM's claim that 95 percent dues of sugarcane farmers have been cleared?
Mills Owe Farmers

Of the total sugarcane price of Rs 52,900 crore payable to farmers for the season gone by (2015-16), sugar mills claim to owe only Rs 2,365 crore now. This means that farmers have received 96 percent of what was payable to them.

But that is if one considers that fair and remunerative price (FRP) is what farmers are supposed to get. FRP, fixed by the Centre, is the benchmark rate below which sugar mills are not allowed to purchase sugarcane from farmers. FRP for 2015-16 was fixed at Rs 230 a quintal.

Farmers Get More than Centre's Fixed Price

But in many states, including UP, farmers get paid on the basis of SAP (state advised price). In UP, farmers are entitled to get Rs 280 a quintal for sugarcane. That is the reason why there is a mismatch between what the Centre claims the farmers have received and what they have actually got.

According to the latest data, arrears due to farmers in UP have come down to Rs 1,050 crore. But the figure for arrears changes if calculated on the basis of SAP. According to the Bharatiya Kisan Union (BKU), sugar mills still owe Rs 2,877 crore to farmers in UP for the 2015-16 crushing season.

BKU spokesperson Dharmendra said that "while Malakpur Mill has paid just 8 percent of the total dues to farmers, Modinagar Mill has paid only 5 percent so far. While the former is located

in Baghpat district, the latter is part of Ghaziabad district. Titavi Mill in Muzaffarnagar has cleared only 10 percent of the dues."

According to Dharmendra, the total outstanding dues to sugarcane farmers in the country stands at Rs 5,190 crore for the 2015-16 crushing season. And this is in addition to an arrear of Rs 15,084 crore for the 2014-15 crushing season. So the situation on the ground is not as rosy as was presented by Modi in his Independence Day speech. Clearance of arrears for the current crushing season does not mean farmers have received the bulk of the payment due to them.

Rise in Sugar Prices

There is no denying that some progress has been made to clear dues for the current crushing season in the last five months. According to government data, arrears stood at nearly 32 percent as on March 15. The fact that it has sharply come down is a move in the right direction.

But should the PM take credit for that? Shouldn't the reason be attributed to the rise in sugar prices since March, both globally and domestically?

According to Indian Sugar Mills Association, "prices started picking up from latter part of March 2016 and since then mills could recover their costs of production... Global prices also remained depressed till April 2016 and it started improving from May 2016, mainly due to the reports of various agencies, including ISO, that the global deficit in 2015-16 and 2016-17 would be in the range of 7 to 9 million tonnes."

In fact, domestic sugar prices have gone up by 15 percent in the last six months. Prices have inched up more in the global market. Better prices mean more realisation for sugar mills, helping them clear dues faster.

(Source- <http://sugarnews.in/modi-is-not-quite-right-on-sugarcane-farmers-bitter-arrears/>, 24th August, 2016)

Expect Sugar prices to trade sideways to down: Angel Commodities

Sugar Futures closed lower on Monday on reports of sufficient domestic stocks and good monsoon rains will enhance sugarcane production. The most-active October sugar contract closed lower by 0.75% to settle at 3,562 per quintal. In a new development, NCDEX has halved the threshold of sugar futures to 100,000 tn from existing 200,000 tn. Earlier, imposition of additional and special margin pressurizes the prices as market participants have liquidated their positions. Exchange is imposing of total margin increased to 45 % for buy side and 15% to sell side for all sugar contracts.

Raw sugar futures rallied on Monday as a large physical order fueled speculations that demand may be more robust than expected. Raw-sugar futures for October delivery gained 3.3% to settle at 20.42 cents a pound on the ICE Futures U.S. exchange.

We expect sugar to trade sideways to down on sufficient stocks until next crushing season. However, tight supplies in next sugar year due to lower yield coupled with the demand for festival season may keep the prices supported.

(Source- <http://sugarnews.in/expect-sugar-prices-to-trade-sideways-to-down-angel-commodities/>, 24th August, 2016)

Private sugar mills in Maharashtra step ahead: Cooperatives fail to submit suggestions for crushing season

Cooperative sugar mills in Maharashtra have failed to submit their suggestions to the state government for the upcoming season despite two letters from the sugar commissionerate. On the other hand, private mills in the state have placed their suggestions.

The sugar commissionerate had asked for suggestions from both cooperative and private mills which would be placed before the ministerial committee which would draw up the fine print for the 2016-17 crushing season.

Chaired by the chief minister, the ministerial committee is expected to meet soon and other than drawing up the details of the crushing season, it would also work out other details including financial or otherwise support to the mills.

This year's ministerial committee meeting assumes importance as there is expected to be a significant reduction in cane area and subsequently a dip in production. Rough estimates have said that the state might see just over 6 lakh hectares of land under cane cultivation and sugar production is expected to be down by 40-45 per cent.

The failure of cooperative mills to submit their suggestions comes in the back drop of the mills hinting at loan default. Earlier this month, the Maharashtra State Cooperative Sugar Mills Federation had issued a press statement saying that a dip in production would affect repayment of loans.

The Federation had in fact asked for restructuring the loans. It has been learnt that private mills have made suggestions about the start of the season and on how the government should calculate the valuation of sugar.

Sugar mills in the state had availed soft loans and other loans in the crushing seasons of 2014-15 and 2015-16. The total quantum of loans comes to around Rs 3,640 crore. Roughly translated, each mill has loaned around Rs 20 crore which they have to repay in the next three years.

Asked about the failure of cooperative mills to submit their suggestions, Sanjiv Babar, managing director of the Federation, said that it is being finalised. "We will send the suggestions after the chairmans of the sugar mills approve them," he said.

Meanwhile, the financial health of sugar mills in Maharashtra seems to have improved due to surge in sugar prices. Barring 20 odd mills, most of them have managed to benefit from the high sugar prices which has been steady at Rs 3,000 per quintal since January.

The 20 mills in financial distress are located mostly in Solapur and Marathwada and had either seen less crushing in 2015-16 or had remained shut.

At present, the state has a stock of 45 lakh tonnes of sugar. As of August 15, Rs 351 crore remains to be paid to growers as FRP with 64 of the 177 operational mills scoring 100 per cent payment.

(Source- <http://sugarnews.in/private-sugar-mills-in-maharashtra-step-ahead-cooperatives-fail-to-submit-suggestions-for-crushing-season/>, published on 24th August, 2016)

Co-gen/Power

Centre keen to tone up power distribution, network infra: CEA

The Centre is on a missionary mode to address the twin challenges of financial revival of distribution companies and reduction of transmission and commercial loss, said SD Dubey, Chairman of the Central Electricity Authority.

Delivering his keynote address at the inaugural session of CII's Energizing South 2016 conference on "Smart – Reliable – Sustainable Power", Dubey said, "the Centre is keen to increase the efficiency of power distribution system in the country by addressing issues like network infrastructure, and IT enablement. It is also revising and amending technological standards for grid connectivity."

The government's priority is the efficient and systematic development of generation, transmission, and distribution systems, the three limbs of the power sector.

Dubey further said that though India has almost achieved power surplus, the benefits of generation and transmission have not reached consumers due to constraints in distribution. There are several parts of the country still experiencing power cuts, non-availability of power, and supply of non-quality power.

India's power sector has come a long way since Independence. In 1947, India had 1.4 GW of available power but today, the installed capacity has increased to over 300 GW with over 250 million connected consumers.

(Source-<http://indianpowersector.com/2016/08/centre-keen-to-tone-up-power-distribution-network-infra-cea/>, published on 24th August, 2016)

Tata Power 1Q profit plunges 76% as expenses mount

Tata Power, India's largest private electricity producer, said its first-quarter net income plunged, weighed by several one-off costs incurred at its flagship plant and accounting losses stemming from currency fluctuations.

The company, which has a generation capacity of 9,184 megawatts, reported a 76% drop in profit to 724.9 million rupees (\$11 million) in the quarter ended June 30, from 3.03 billion rupees a year earlier, Tata Power said in a statement on Tuesday. Brokerage Nomura had expected the company to report a net income of 3.29 billion rupees.

Net revenue fell 4.8% to 68.38 billion rupees. Sales from its core power generation business fell 5.7% to 61.65 billion rupees, even as cost of fuel purchased dropped more than 13% to 17.77 billion rupees.

The company said its revenue in the year-earlier quarter was aided by a favorable regulatory ruling to the tune of 1.37 billion rupees, while the latest quarter included an adverse ruling for 620 million rupees.

The profit in the latest quarter was dented by several one-off items attached to the 4,000 megawatt Mundra power plant in the western Indian state of Gujarat, including a 900 million-rupees impact from the facility overhaul, a 330 million-rupees cost incurred on account of dredging, and an additional 300 million rupees of extra depreciation, Tata Power said.

The profit was also hit by the adoption of new Indian accounting standards, as well as a 1.33 billion-rupees loss incurred on account of a mark-to-market foreign exchange movement.

Tata Power has been investing in expanding its capacity to tap the growing demand for electricity in India, as Asia's third-largest economy is seeking to boost generation to tide over a perpetual shortfall. It has also been seeking avenues of growth overseas, winning contracts to set up plants in South Africa, Georgia and Zambia.

State-owned NTPC, India's largest power producer, on Monday reported a better-than-expected 4% rise in first-quarter profit, aided by increased power generation and subdued fuel costs.

India's power sector has been hit by subdued demand from state-owned electricity distribution companies that are teetering on the brink of collapse. The government last year outlined a bailout package for the distribution companies that have been averse to buying electricity, affecting producers such as Tata Power and NTPC. Tata Power shares lost 3.24% in Mumbai trading on Tuesday, where the benchmark S&P BSE Sensex fell 0.06%.

The company, a part of the \$109 billion Tata Group, reiterated its target to create 30% -40% of generation capacity from clean energy sources by 2025. As part of this goal, Tata Power agreed to buy Welspun Renewables Energy for an enterprise value of 92.49 billion rupees in June.

(Source- <http://asia.nikkei.com/Business/AC/Tata-Power-1Q-profit-plunges-76-as-expenses-mount>, published on 23rd August, 2016)

Renewables and microgrid tech key to drive India's eco-efficient data center growth

With the boom in smart phones and e-commerce – the consumerisation of data and the need for IT infrastructure is proliferating the demand in the sector. The need of the hour are data centers which optimise power usage, land utilisation and cooling management systems thereby offering a cost advantage. The prime controllable cost is energy.

Since India is on a growth trajectory, it is important that the growth is aligned with the country's larger vision of clean energy and efficiency and smart cities with reliable power.

Reliable and uninterrupted supply of power is a key prerequisite for the efficient functioning of data centers. On an average a data center uses thirty times more energy per square foot than office buildings. The other key concern is space – need for more computational power is often resolved by adding servers. Inevitably, though, rack space is maxed out and data center managers must find new ways to expand capacity and optimise value from every square foot. Many data center operators are considering renewable energy, which offers the potential for lower-cost energy and provides an alternative to the grid in areas where reliability is an issue

(Source- <http://indianpowersector.com/2016/08/renewables-and-microgrid-tech-key-to-drive-indias-eco-efficient-data-center-growth/>, published on 24th August, 2016)

Quote of the day

Perform your obligatory duty, because action is indeed better than inaction.

~ **Bhagavad Gita**

