NEWS FLASH –26th August, 2016

SUGAR

Festive season sees sugar prices go up in Telangana

The prices of sugar are ruling the roost in the open market. The commodity price recorded an increase of over Rs 10 per kg during the last one year. Around the same time last year, a kg of sugar was sold at Rs 27. Taking advantage of the festival season, the traders are selling it at Rs 45 a kg at some places now. With the increase in sugar prices, the prices of sweetmeats will increase.

The increase in sugar prices is attributed to decrease in the area of cultivation under sugarcane across the country. According to Union Agriculture Ministry statistics, the area under sugarcane crop was reduced to 45 lakh hectares as against 50 lakh hectares previously, leading to a drop in sugar production which in turn led to jacking up of its price in the open market. The hike in sugar price is recorded between 30-35 per cent during the past one year. Further, retail traders created an artificial scarcity of the commodity. The inflation has affected the budget of middle classes and people belonging to the lower strata of society.

Allotment of sugar to open market sale is decided by the Centre depending on the production at sugar mills. The retailers are selling the commodity at Rs 30 to 35 a kg, but at some places it is being sold at Rs 45 a kg.

Experts say that prediction of the shortage of sugar led to its prices going up in futures' market and consumers' market. The demand for the commodity in the country is estimated at 26.5 million tons. The prices are likely to come down after October with the commencement of the crushing season.

Meanwhile, the consumers have been demanding increasing supply of sugar by at least half a kg as only half a kg is being sold through the fair-price shops. The sweetmeat shop owners are expressing their inability to raise the cost of sweetmeats as it would mean loss of business. Several organisations have been demanding either fully controlling the prices of commodities like sugar or supplying it through the FP shops.

(Source-http://sugarnews.in/festive-season-sees-sugar-prices-go-up-in-telangana/, published on 25th August, 2016)

ISMA foresees a balanced supply and demand situation for sugar next year

With rising sugar prices and a good monsoon, the sugar sector is looking at better days ahead. BTVI spoke with Abinash Verma, Director General, Indian Sugar Mills Association (ISMA), on the outlook for the sector.

How do things look going into the crushing season and the recent rise in prices?

You must contextualise the rise in price this year with the crash seen last year, which was the lowest in six years. Over that period, prices fell from ₹ 32-33/kg to ₹ 20/kg. This year, prices have gone up to ₹ 34/kg. If the cost of production is ₹ 33/kg, and we are getting ₹ 34.50/kg at the mill gate; I wouldn't call it a big rise in prices.

It as an improvement from the rock bottom. The fundamentals clearly suggest that next year should be balanced in supply and demand. We should open the next season around 7.2 or 7.3 million tonnes of sugar. Next year, the production is seen lower than the current season. If you add a healthy opening balance, it will be about 4 million tonnes than the level of the domestic consumption next year. There will be enough surplus sugar next year.

What is the acreage position with this year's monsoon? We learn that there has been some deficiency in Maharashtra and Karnataka, but surplus in Uttar Pradesh. How will this affect the yield?

Sugar cane is a 12-18 month crop. What will be harvested next October was sown in 2015, when there was a drought in Maharashtra and northern Karnataka. So the acreage in those two States has gone down. We have already estimated that the cane availability will be lower than what it was a year ago. We have dropped our production estimate for next season to 23.2 million tonnes, from 25.1 million tonnes for the current season. Add to that level of 23.2 million tonnes the opening balance of 7.3 million tonnes; it gives you a healthy level for the 2017-18 sugar season. The recent rainfall has been excellent, especially in western Maharashtra and northern Karnataka, which are the major contributors of sugar cane in the country. The sowing is back, farmers are more interested in sugar cane, and those who had left it are coming back. Sugar cane availability from the present sowing, for the 2017-18 sugar season, will be back to what was earlier. We expect surplus sugar production in the 2017-18 season from Maharashtra and Karnataka.

Uttar Pradesh has improved its cane variety, which is giving better yields and recovery. Next year, we expect the better variety to go up to 35-38 per cent from the current 18 per cent. Uttar Pradesh, too, has had normal monsoon; so we expect it to give higher production. Tamil Nadu had fallen from 25 lakh tonnes three years back to 12-13 lakh tonnes, that is seen recovering to 15 lakh tonnes of production this year. We saw floods there at the end of last year, so the reservoirs have good levels of water. Overall, there is a fall in the expected production for 2016-17, but with a good opening balance, there will be no shortage.

In UP, where elections are drawing closer, the State-Administered Price has been a big issue. The SAP has not been revised for the last three years. Are there chances of that being raised from ₹ 280/quintal as polls near?

It's tough to put a point on what is a political move. I would not like to comment on that.

The biggest positive move I'm seeing is that the Samajwadi Party's government in UP has realised that increasing the sugar cane price unreasonably on political grounds has helped neither the industry there nor the farmers.

The government has come forward to assist the industry and farmers by sharing a part of the SAP. The government has agreed that the previous price rises were unreasonable.

What is the current quantum on cane arrears and how much is owed to farmers in UP?

Arrears, right now, are at a much better point than what they had been at this stage of the season in the last 2-3 years. All-India, it is around ₹ 2,200 crore. UP will be around ₹ 1,000 crore based on the Centre's FRP (Fair and Remunerative Price). If you add the State government's SAP, it works out to ₹ 4,500 crore.

Last year would have been around ₹ 15,000 at this point in the cycle. The pay-out to farmers is much better now. By the start of the next season, this should be cleared.

(Source- http://sugarnews.in/isma-foresees-a-balanced-supply-and-demand-situation-for-sugar-next-year/, published on 24th August, 2016)

Ram Vilas Paswan favours ban on sugar futures

With retail sugar prices crossing Rs 40/kg, Food Minister Ram Vilas Paswan today favoured ban on sugar futures trade in the interest of consumers. He said the ministry has also recommended that the duty difference between the crude and refined edible oils should be increased to 13 per cent from the current 7.5 per cent in order to protect domestic oilseeds processors.

At present, the duty on crude edible oil is 12.5 per cent, while it is 20 per cent on refined. "We have taken several measures to improve the liquidity of sugar mills to facilitate payment of cane arrears. We have taken enough steps for them, we don't want prices to rise further. In the interest of consumers, we have recommended ban on sugar futures trading," Paswan told reporters.

He said nothing has been decided on this issue yet. On August 22, Finance Minister Arun Jaitley had held an inter-ministerial consultation on imposing ban on sugar futures trading in an effort to curb speculation and check price rise of the sweetener during festival season.

Asked about the edible oil industry's demand to curb import of cheaper refined oils through duty realignment, Paswan said, "Our ministry has already recommended duty difference to be increased to 13 per cent." On pulses, Paswan said the government is exploring entering into long term contract for import of pulses.

The minister recently returned from Brazil after a three-day visit. India's sugar production is estimated to decline to 25 million tonnes in the 2015-16 season (October-September) from 28.3 million tonnes in the previous year.

The outlook for the next year is not encouraging as sugar production is pegged lower at 23.26 million tonnes. However, the industry body ISMA feels that there would be sufficient sugar stock to meet the domestic demand of 26 million tonnes as the country would have an opening stock of 7 million tonnes.

(Source- http://sugarnews.in/ram-vilas-paswan-favours-ban-on-sugar-futures/, published on 24th August, 2016)

Why UP farmers are moving away from 'cash crop' sugarcane

The once touted "cash crop" hasn't been yielding the dividends it used to in the past. According to the data from the Uttar Sugar Corporation, cropping area has seen a steep 13-percent fall since 2014-15. A further 1 percent decline is anticipated this year.
CNBC TV18's Archana Shukla travelled to Behraich district in the Terai belt in Uttar Pradesh to find out why.
Uttar Pradesh is the leader in sugarcane farming and sugar and the largest contributor to the state economy. But, both these statuses may soon be lost owing to the recent crisis, where payments have not being made in time. And this is forcing farmers to move away from this lucrative crop of sugarcane to other crops like that of paddy.
Sugarcane is bitter for farmers in this belt of Begampur and Soharur in district Behraich who sell their cane to the Chilwariya unit of Simbhaoli Sugars. Payment from this mill has been pending since November 2015, and for some since last year.

Sugarcane (Control) Order, 1966 stipulates that part payment of cane, if not made within 14 days, can attract a penalty of 15 percent interest. But, its provision has never come to farmers rescue.
Besides, cane prices have not increased over Rs 280 per quintal since 2012-13 in the state while cost of cultivation has.
Cane price arrears are mainly on account of low realisation from sale of sugar. However, with demand and prices of sugar rising in the last season, cane payments by UP sugar mills have improved this year. Till August 22, 88.85 percent payments have been made by the sugar mills for the 2015-16 crushing, an improvement over last year. Simbhaoli Sugars has, however, defaulted on Rs 161-crore payment.
A week after CNBC TV18 visited Behraich, the state government has issued a recovery notice to Simbhaoli sugars over non-payment to farmers.
"It is all linked to sugar prices. If sugar is cheap we will not be able to pay farmers. Besides, cane reservation needs to be increased for a 5 year period for mills to know which areas they need to focus on and develop," says Balrampur Chini GM Administration Rajiv Agarwal
It is all linked to sugar prices, companies say. If sugar is cheap, companies will not be able to pay farmers besides cane reservation needs to be increased for a 5-year period for mills to know which areas they need to focus and develop.
Mills claim policy changes to include prior information on cane reservation and sugar prices will help plan expenditures better. In the interim though, with sugar prices in the recent months rising, there is hope the coming cane year will be a sweeter one for both mills and the farmers.

(Source- http://sugarnews.in/why-up-farmers-are-moving-away-from-cash-crop-sugarcane/, published on 25th August, 2016)

Co-gen/Power

Amrapali faces rap for 'inflated' power tariff

The UP Electricity Regulatory Commission (UPERC) has instructed Pachimanchal Vidyut Vitaran Nigam Limited (PVVNL) to take stern action against realtor Amrapali, which residents have accused of issuing electricity bills at a higher rate than prescribed in the tariff order of the commission.
Taking a serious view of a complaint against the builder, the UPERC issued instructions to the managing director at the PVVNL headquarters in Meerut to take action against the builder under appropriate provisions of the Electricity Act 2003. Instructions have also been issued to the MDs of all discoms of the state to examine such complaints and if found correct, strict legal action be taken against them.
UPERC secretary Sanjay Srivastava said he had been informed of a complaint against Amrapali Sapphire on June 16. "Desh Deepak Verma, UPERC chairman, apprised the commission of a complaint on June 2016 against M/s Amrapali Sapphire, Sector 45, Noida, that the residents of the society were being charged a higher rate in their electricity bills than prescribed in the tariff order of the commission. Hence, the PVVNL managing director was asked to submit a report which, prima facie, stated that the builder is not following the rules," Srivastava said.
R K Srivastava, resident of Amrapali Sapphire, thanked the UPERC for the historic judgment in favour of the consumers. A number of multi-storey apartments are clubbing electricity charges with maintenance charges and such, which is illegal.

(Source- http://indianpowersector.com/2016/08/amrapali-faces-rap-for-inflated-power-tariff/, published on 26th August, 2016)

Households with two ACs may end up paying Rs 10,000 more on their electricity bills

Upwardly mobile households with two air-conditioners (ACs) and a host of gadgets at home will now have to shell out at least Rs 10,000 more on their power bills a year. This would be a 12 per cent hike against previous year – double the national inflation rate. Experts say next year the rise would be higher as a new environment norm kicks in.

"These household run ACs for about nine hours a day and consume around 800 units of power a month on an average. This category of consumers end up paying a shade over Rs 8 for every unit of power consumed and their monthly average bill is around Rs 6,500," said an energy analyst.

"Since January, cost of power generation and transmission charges have gone up by about 70 paise per unit," an executive from a power company said. "For a 70 paise per unit hike in power input costs for distribution companies, these category of consumers will see their monthly bill rise to Rs 7,300 per month. The rise would be the effect of the hike in power and transmission costs, proportionate rise in government duty and other charges," said an executive from a power distribution company.

(Source- http://indianpowersector.com/2016/08/households-with-two-acs-may-end-up-paying-rs-10000-more-on-their-electricity-bills/, published on 26th August, 2016)

IFC to invest $125 million in Hero Future Energies

International Finance Corp. (IFC), the private sector investment arm of the World Bank, said on Tuesday it will invest $125 million (Rs.840 crore) in Hero Future Energies Ltd, the renewable energy arm of the Hero Group.

Established in 2012, Hero Future Energies is present in nearly 10 states of India. The company is currently developing 150 megawatts (MW) in wind power assets and about 90MW in solar power assets.

It has a pipeline of 1.1GW of wind projects till 2018-19 and expects to secure more than 500MW in solar projects under state and central bidding by 2015-16. In the rooftop solar segment, the company has plans to implement 100-200MW in projects by 2018-19.

Hero Future Energies plans to commission capacity of more than 1GW in the next 12 months. IFC, together with IFC Global Infrastructure Fund, will invest up to $125 million of equity and proceeds will be used to fund the construction of solar and wind power plants, read the company's statement.

(Source- http://indianpowersector.com/2016/08/ifc-to-invest-125-million-in-hero-future-energies/, published on 26th August, 2016)

Quote of the day

"Be yourself; everyone else is already taken." ― Oscar Wilde