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SUGAR

Farm sector needs urgent action

As the Modi government enters its third year of power, any review of its functioning over the last two years will be incomplete without examining its performance on the farm front. In the FY15 and FY16, the economy grew at 7.2% and 7.6%, respectively, while the agriculture sector grew at minus 0.2% and 1.1%—the sector that employs close to half of the country's labour force saw an average annual growth rate of less than 0.5%.

Two years back, the NDA's election manifesto had promised, among other things, to make Indian agriculture more "productive, scientific and rewarding". In particular, it promised to "take steps to enhance the profitability in agriculture, by ensuring minimum of 50% profits over cost of production". In case of irrigation water, it intended to "introduce and promote low water consuming irrigation techniques and optimum utilization of water resources".

However, during the last two years, instead farmers' margins over costs—which hovered between 20-30% in most agri-commodities during the terminal years of UPA II—improving, the profits have actually collapsed. In most agri-commodities, profitability is down to less than 10% and is even negative for many others. This is mainly due to back-to-back droughts in 2014 and 2015, the downswing in global agri-prices and lower-than-anticipated increases in procurement prices. Instead of chasing its pre-poll promise, the government seems to have gone with a new slogan: "doubling farmer's income by 2022". While the country awaits conceptual and operational clarifications on this, the list of slogans continues to grow.

On the promise of efficient utilisation of water, there are no major initiatives except slogans like "har khet ko pani" and "per drop, more crop". The Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) does not have enough resources to fulfill any of these promises. The total expenditure budgeted under PMKSY for FY17 is R5,717 crore, far less than what is required to achieve "har khet ko pani". In all possibility, this financially paralysed dream is likely to remain a just a dream for at least a decade, if not more. Notwithstanding these, on the farm front, the government can be lauded at least on three accounts: Pradhan Mantri Fasal Bima

Yojana (PMFBY), Jan Dhan Yojana and Direct Benefits Transfers (DBT) and e-National Agricultural Market (NAM).

On April 1, the Modi government launched the revised crop insurance scheme (PMFBY) to combat agrarian distress. It is a commendable step, though it came somewhat late in the game. Like in the case of other schemes, this lacks robust groundwork, which could cripple performance. For example, timely assessment of crop damage and payments need installing automatic weather stations, digitisation of plots, linking them with Aadhaar and bank accounts, and using drones, 'low-earth orbits' and even satellites. This is still a work-in-progress and unless the PMO shows perseverance, this can fizzle out.

The PMO also made financial inclusion and opening of Jan-Dhan accounts a top priority. As on May 4, about 22 crore Jan-Dhan accounts had been opened and 61% of these are rural accounts. Here, too, there are challenges, such as the increasing dormancy, falling rate of first-time accounts, and operational hiccups like connectivity issues. Close to 27% of the accounts are still zero-balance ones. More than half have not been utilised towards DBT payments, with DBT itself yet to be effected for food and fertiliser subsidies.

The Shanta Kumar panel had suggested moving to DBT for both food and fertiliser subsidies, to plug the 30-40% leakage seen in these schemes. The budgeted amount for food and fertiliser schemes is R2.05 lakh crore for FY17, apart from the pending payments of more than Rs 1 lakh crore. Moving disbursal to the DBT route and using the resulting savings for water management would change Indian agriculture and the farmers' lot for the better.

Conceptualising and creating an electronic, pan-Indian farmers' market (e-NAM) is a bold step. But if NAM is to succeed, fees and taxes at the state-level wholesale markets must be streamlined, the APMC reformed and standards for produce introduced. Encouraging commodity market trade will also help revive the price-discovery role of the markets.

All these are medium- to long-term measures. One only wishes that they were taken in the very first year of the Modi sarkar so that there could have been a much better situation today. But, better late than never. Average agri-growth of less than 0.5% in its first two years should shake the government into urgent action. Agreed that the monsoon failure and collapse in global agri-prices are not in the hands of the government, but it is during such crises that visionaries are tested.

Farmers are unhappy today and agriculture is stagnant. Farm suicide is perversely high, with widespread rural indebtedness. The government must move fast and take bold steps if it wants the masses to benefit and poverty to be eliminated. Only an action-oriented agenda—as set by the well-meaning slogans—backed by sufficient resources and buoyed by perseverance can save the farming community.

(Source-http://www.indiansugar.com/NewsDetails.aspx?nid=5601, published on 26th May, 2016)

Thai sugar output tumbles to 5-year low on El Nino

Sugar output in Thailand will probably expand to a record as recent rain defies a strengthening El Nino to boost cane-crop growth, according to the Office of Cane and Sugar Board.

The harvest may expand for a seventh year to an all-time high of 111 million metric tons in the season starting November, yielding 11.5 million metric tons of sugar, said Warawan Chitaroon, the director at the office's Cane and Sugar Industry Policy Bureau. Production is at risk of falling short if drought persists, it predicts.

With El Nino keeping central Thailand at its driest in almost 30 years, expectations were emerging that the weather pattern may limit output in the world's second-biggest sugar exporter. Crop-reviving rain may worsen a slump in global prices that last week fell to six-year low. Global supplies have outpaced demand for five straight years, and beneficial weather in parts of top exporter Brazil will aid harvesting.

"The rains started in some areas last week, which will help reduce the impact of drought," Chitaroon said in an interview last week. "Even as prices now are lower than production costs, most farmers still favor cane than other crops because of a stability of income."

Thailand produced an all-time high of 106 million tons of cane in the 2014-2015 season, with sugar output of 11.3 million tons, according to the cane and sugar board.

The bigger crop may offset a drought-induced reduction in yield, said Chitaroon. The estimate will be updated in September.

El Nino

The first El Nino since 2010 is getting stronger and is expected to last into next year, according to forecasters in the U.S. and Australia. The pattern affects weather worldwide, including baking parts of Asia and is already curbing the outlook for Thailand's rice exports.

"The water shortage amid severe drought could reduce output nationwide by 5 percent," said Suchai Limsommut, chairman of United Association of Thai Sugarcane Planters. "We pray for rain before crushing starts later this year."

Sugar prices have tumbled 23 percent this year to the lowest level since December 2008 last week. Futures for October delivery closed 2.4 percent lower at 11.24 cents a pound on the ICE Futures U.S., after touching as low as 11.20.

Futures may climb to as high as 15 cents in the second half as the current prices are attractive for building up inventories, according to Chitaroon.

Global production may drop 0.5 percent in the 2015-2016 season to 173.4 million tons, almost matching demand, the U.S. Department of Agriculture estimates.

Inventories may drop to 40.5 million tons at the end of the season from 44.3 million tons a year earlier, the first decline since 2009-2010, the data show.

(Source- http://www.indiansugar.com/NewsDetails.aspx?nid=5603, published on 26th May, 2016)

Sugar slips as demand eases

Sugar prices ruled weak on eased local demand amid continuous selling by producers. Prices at Vashi declined by ₹10-20 a quintal in line with decline in mill tender rates. Naka prices were unchanged. Arrivals remained higher keeping morale weak.Arrivals to the Vashi market were about 61-62 truck loads and local dispatches were at 57-58 loads. The Bombay Sugar Merchants Association's spot rates: S-grade ₹3,556-3,646 (3,560-3,646) and M-grade ₹3,642-3,752 (3,650-3,752). Naka delivery rates: S-grade ₹3,530-3,610 (3,530-3,610) and M-grade ₹3,590-3,710 (3,590-3,710).

(Source-http://www.thehindubusinessline.com/markets/commodities/sugar-slips-as-demand-eases/article8650906.ece, published on 26th May, 2016)

Maha: Farmers demand more water release for sugarcane

Swabhimani Shetkari Sanghatna's local unit in a written application requested district collector Amit Saini to lift ban on water lifting from river beds. The SSS local leaders claimed that ban has badly affected farmers from Radhanagari to Shirol who could not lift water from the bed.

District head Bhagwan Kate, Jalindar Patil, Bandu Patil, Shivaji Mane and Janardan Patil met district collector Saini on Tuesday.

The delegation stated that the district administration has banned water lifting from Panchganga river bed for more than 15 days. We were supposed to get one more round of water through the dams but so far there has been so communication from water resources department or district administration. Most of the farmers have cultivated crops that need water currently. In such situation, which has gradually developed–authorities concerned are still not making any provisions to release water through the dams. Even if it rains after 15 days, the dams are going to get water but if we do not get water now, we will not be able to save the crops. No rains can save them from dying then, the delegation stated.

District collector Saini said, "I will personally talk with water resources department again and see if we can release some water for agriculture purpose. There is no policy or intension to cut water share of agriculture."

(Source- http://sugarnews.in/farmers-demand-more-water-release-for-sugarcane/, published on 26th May, 2016)

Sugar mills seek removal of 5% VAT in Telangana

The South Indian Sugar Mills Association has requested the Telangana government to lift the 5% value-added tax (VAT) levied on sugar in the state. Incidentally, Telangana and Tamil Nadu are the two states which levy 5% VAT on sugar. Further, the association has also asked the government to levy entry tax, on the lines of Punjab and Haryana of about 11%, as it claims that there is regular dumping of sugar into the state by Maharashtra and Karnataka.

Explaining the situation of cane production in the state, T Saritha Reddy, president, South Indian Sugar Mills Association (Telangana) and VP, Indian Sugar Mills Association, said that about 10 sugar factories in Telangana and three joint sector factories could not commence their operation due to financial problems. "We have a threat of sugar being dumped from neighbouring states like Maharashtra and Karnataka. At the same time, with low plantation, our cane is also being poached by factories in Maharashtra and Karnataka in spite of zones being allotted to mills,"' she remarked. "

We have approached the state government to help us continue paying good price to farmers, which can be ensured by stopping the poaching of cane from our state by Maharashtra and Karnataka or dumping the extra sugar produced by Maharashtra and Karnataka,"' she said.

"The poaching can be stopped by setting up check points at borders so that the state will not lose revenue by way of taxes and duties. The dumping of excess sugar can be stopped by imposing entry tax or agricultural cess as we have requested so many several times at various levels in the state government. Besides, we are the only state besides Tamil Nadu to be paying VAT on sugar sales," she added.

(Source- http://www.financialexpress.com/article/india-news/sugar-row-erupts-in-telangana-heres-why/266914/, published on 27th May, 2016)

Co-gen/Power

Coal India exploring export opportunity to Bangladesh

Coal India (CIL) intends to export coal and is in talks with power companies in Bangladesh for striking supply deals. This is for the first time CIL would be exporting the fossil fuel on a commercial basis.

Coal India subsidiaries — Bharat Coking Coal and North Eastern Coalfields — plan to supply coal to Bangladesh power companies. Coal is likely to be transported to Haldia port in West Bengal from where it could be forwarded through sea route to ports in Bangladesh.

"CIL's coal is likely to be cheaper than the ones supplied from Indonesia because we would save on logistics. The coal produced by these two subsidiaries are of high quality that can compete with Indonesian coal," a Coal India official said.

At present, power companies in the country are full-tobrim with 22 days of fossil fuel stocked and are going slow on fresh procurement. Having grown at around 10% last year, Coal India is saddled with some 55 million tonnes of pithead stock.

"Coal India could not afford to export coal till last year because the fossil fuel was in short supply. The scenario changed when the company managed to pull up production at a considerable pace.

Surplus stock at pitheads and slow lifting by power companies have prompted us to explore the international market . We have sent a team of senior officials from Coal India. They are in talks with power companies in Bangladesh," the official said.

(Source- http://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/coal-india-exploring-export-opportunity-to-bangladesh/articleshow/52458663.cms, published on 27th May, 2016)

Thought of the day

'The bond that links your true family is not one of blood, but of respect and joy in each other's life.' -Richard Bach