

SUGAR

No relief likely for consumers from high sugar prices

Domestic sugar prices are likely to remain firm in the near term, ICRA has said. The sugar prices have increased from around R34,000 per tonne in June 2016 to R35,000 per tonne in July 2016 on the back of a decline in domestic production during SY2016 by 11% to 252 lakh tonne and exports of 16 lakh tonne.

Sabyasachi Majumdar, Senior Vice President, ICRA said, "We expect sugar prices to remain firm for the next 3-4 quarters given that the sugar production is likely to decline further to 230-240 lakh tonne in SY2017 because of a decline in the availability of cane in Maharashtra and Karnataka. Although the monsoon is likely to be better during the current year, the impact on the output is to be seen only in SY2018, given the growing period of sugarcane."

"The imposition of a 20% export duty by the government is unlikely to have any significant negative impact on the prices and profitability of the sugar mills in the near term. Currently, domestic sugar realisations are already high as compared to the current export realisations, even without the impact of the export duty, thus it is unlikely that domestic sugar mills would have been exporting any significant quantities of sugar even without this additional duty," he said.

"However, this imposition may dampen prospects of a further price rise, first by discouraging additional exports (which can result in price rise in a tight market scenario) and second by demonstrating the government's intent to restrain price rise," Majumdar explained.

In the next three to four quarters, any significant deviation from the current levels would depend upon expectations for sugar production during SY2017, sugar mills' own actions on supplies depending upon their inventory-holding capacity, and any further government action on price control measures, the ICRA report stated.

(Source- <http://sugarnews.in/no-relief-likely-for-consumers-from-high-sugar-prices/>, published on 26th July, 2016)

Attention, sweet tooth: Sugar prices to remain high over weak production

If you have a sweet tooth get ready to pay more for your daily sugar fix. Sugar prices, which have risen in recent months, are expected to remain firm due to a drop in domestic sugar supplies.

Sugar prices have already surged to Rs 35,000 a tonne in July from Rs 34,000 per tonne in June, as the production of the commodity fell 11%; output was down to 25.2 million tonnes in 2016. Sugar production is typically calculated from July to June.

"We expect sugar prices to remain firm for the next 3-4 quarters given that the sugar production is likely to decline further to 23-24 million tonnes in the sugar year 2017 because of a decline in the availability of cane in Maharashtra and Karnataka," Sabyasachi Majumdar, senior vice-president at ICRA, said.

According to preliminary estimates of Indian Sugar Mills Association, India's sugar production in 2016-17 is likely to decline 7.3% to 23.26 million tonnes. The total sugar acreage this year is expected to be 5.5% lower at 49.91 lakh hectares.

The lower production comes on the back of two years of consecutive drought. Although the monsoon has improved this year, its effect will only be visible next year, analysts say.

Last month, the government imposed a 20% export duty on sugar to keep prices under check. This may discourage additional exports of sugar this year and thus help curb future price hikes, but in the near-term, it's unlikely to have a major impact on prices.

"Currently, domestic sugar realisations are already high as compared to the current export realisations, even without the impact of the export duty, thus it is unlikely that domestic sugar mills would have been exporting any significant quantities of sugar even without this additional duty," ICRA's Majumdar said.

Globally too prices remained firm due to unfavourable weather conditions in Brazil, the largest producer and exporter. Prices touched \$530 per tonne in June from \$480 per million tonne in May.

The surge reflects less positive production prospects in Brazil, following heavy rains, which hampered harvesting operations and affected sugar yields, ICRA added.

(Source-<http://sugarnews.in/attention-sweet-tooth-sugar-prices-to-remain-high-over-weak-production/>, published on 26th July, 2016)

Sugar prices surge on tight supplies

Sugar prices have gained 1,000 a tonne to 35,000 in July on the back of a supply deficit in the market due to export of 1.6 million tonnes (mt) and an 11 per cent decline in domestic sugar production to 25.2 mt in the sugar season ending September.

The Centre has imposed an export duty of 20 per cent to curb exports and improve supply in domestic markets.

Sabyasachi Majumdar, Senior Vice-President, ICRA, said prices would remain firm for three-four quarters given that sugar production is likely to decline further to 23-24 mt in SY2017 (October-September) because of a decline in the availability of cane in Maharashtra and Karnataka.

Although the monsoon is likely to be better during the current year, he said, its impact on output is likely to be seen only in SY2018.

Further, he said, the imposition of 20 per cent export duty is unlikely to have any significant impact on prices and profitability of the sugar mills in the near term as domestic sugar realisations are higher than export realisations.

However, he added, the export duty would dampen prospects of a further rise in sugar prices by discouraging sugar companies contracting more export orders. It also demonstrates the Government's intent to restrain any price rise, he said.

Meanwhile, sugar for delivery in October on the NCDEX gained 1.15 per cent to 3,287 a quintal while the December contract inched up 1.49 per cent to 3,890.

ISMA's projections

Reacting to the futures price rise, Abinash Verma, Director-General of the Indian Sugar Mills Association, said, "There was no new trigger for the market to move up. We will have to wait and see whether the prices will sustain at these levels." According to the Agriculture Ministry, cane acreage as on July 22 stood at 45.41 lakh hectares (lh), lower than corresponding last year's 47.40 lh on reduced planting mainly in the key State of Maharashtra. Also other States such as Tamil Nadu, Gujarat and Madhya Pradesh have reported a lower acreage this year. But other producing states such as Uttar Pradesh, Karnataka, Bihar and Andhra Pradesh have reported an increase in area. ISMA has projected that the sugar output for the 2016 season starting October is expected to be 7.33 per cent lower at 232.6 lakh tonnes from 251 lakh tonnes in the previous year.

Global output may drop

In the international market, unfavorable weather conditions have hit sugar production in recent months across major suppliers, leading to expectations of a fall in output.

After almost seven years, sugar prices in the global markets moved up 10 per cent to \$530 a tonne in June from \$480 recorded in May.

The surge in prices reflects the prospects of a fall in yields in Brazil with heavy rains dampening the harvesting process.

"The global sugar demand-supply situation supports firm prices in the near-term, but going forward, political developments in Brazil, fluctuations in the dollar-real exchange rate, and the size of sugarcane crushing in Brazil, India and Thailand are likely to be the main drivers of global sugar prices," said Majumdar.

[\(Source-http://sugarnews.in/sugar-prices-surge-on-tight-supplies/, published on 25th July, 2016\)](http://sugarnews.in/sugar-prices-surge-on-tight-supplies/)

Sugar mills owe Rs 6,582 crore to cane farmers

"As on July 15, 94 percent of cane dues payable on Fair and Remunerative Price (FRP) basis for the sugar season 2015-16 has been cleared," Minister of State for Food C R Chaudhary said in a written reply to the Lok Sabha.

Sugar mills owe Rs 6,582 crore to cane farmers as on July 15, the government said today. "As on July 15, 94 percent of cane dues payable on Fair and Remunerative Price (FRP)

basis for the sugar season 2015-16 has been cleared," Minister of State for Food C R Chaudhary said in a written reply to the Lok Sabha. The cane price arrears of Rs 3,269 crore on Fair and Remunerative Price basis and Rs 6,582 crore on State Advised Price basis are outstanding against the sugar mills, he added. FRP is the minimum price fixed by the Centre that mills have to pay to cane farmers. Some states like Uttar Pradesh announced their own cane price. The minister said the liquidity of the sugar mills has been adversely affected due to surplus sugar production during the last four consecutive marketing years and depressed sugar prices, leading to accumulation of cane price arrears of the farmers. Chaudhary said the government has taken several steps to help the sugar industry to resolve liquidity problems and facilitate clearance of cane price arrears of farmers.

(Source- http://www.moneycontrol.com/news/economy/sugar-mills-owe-rs-6582-crore-to-cane-farmers_7122521.html, published on 27th July, 2016)

Govt curbs export duty exemption on organic sugar to 2.5k tonnes

The government today restricted export duty exemption on overseas shipment of organic sugar to 2,500 tonnes for the 2015-16 marketing year ending September.

The government had imposed an export duty of 20 per cent on sugar last month.

The government had extended exemption from export duty on 10,000 tonnes of organic sugar in March 2011.

"The exemption for the period ending with September 30, 2016 shall be restricted to 2,500 tonnes," the CBEC said in a notification.

The exports were allowed with certain conditions. The exporter has to produce a registration-cum-allocation certificate issued by the Agricultural and Processed Food Products Export Development Authority (APEDA) certifying the quantity of export of organic sugar eligible to be exported by claiming exemption from export duty.

The country's sugar production is estimated to decline to 25 million tonnes in 2015-16, as against 28.3 million tonnes last year. The annual domestic demand is pegged at 26 million tonnes.

Moreover, the government has forecast further decline in output next year at 23-24 million tonnes.

However, it has maintained that there would be no shortage as the country would have the opening stock of 7 million tonnes at the start of the next marketing year, taking total availability to 30-31 million tonnes.

(Source- <http://economictimes.indiatimes.com/news/economy/policy/govt-curbs-export-duty-exemption-on-organic-sugar-to-2-5k-tonnes/articleshow/53403363.cms>, published on 26th July, 2016)

Co-gen/Power

Power Ministry sets green energy target for state discoms

State discoms will have to mandatorily draw at least 2.75% of their total power consumption from solar plants in the current fiscal, according to the renewable purchase obligation (RPO) norms laid down by the power ministry.

States will have to increase the share of solar power to 4.75% in 2017-18 and 6.75% in 2018-19, the guidelines said.

While the Ministry of Power has issued guidelines, the final targets will be set by each individual state's electricity regulatory commission (SERC).

The RPO has been divided into energy from solar sources and non-solar.

The ministry has set the quota of power to be drawn from non-solar renewable energy sources at 8.75% in 2016-17, 9.50% in 2017-18 and 10.25% in 2018-19.

This adds up to a total renewable energy share of 11.50% this year, 14.25% in 2017-18 and 17% in 2018-19.

India had earlier announced a goal of achieving 8% intake of solar power by March 2022.

The new guidelines amount to a significant increase in the targets set, in keeping with the government's ambition of having 175,000 MW of renewable energy capacity by 2022, including 100,000 MW of solar energy capacity.

Track record of state discoms is not very encouraging though. In the last three years, solar RPOs set by different SERCs varied between 0.25% and 1%, and yet they were rarely fulfilled, with penal action rarely being taken against defaulting discoms.

Also, discoms, many of them badly cash-strapped, are hardly in a position to encourage renewable energy growth. Though renewable energy tariffs have been falling of late, thermal power remains more attractive for them. More so because solar and wind power, by their very nature, erratic or infirm with output varying considerably depending upon the sun's intensity or the wind's speed.

(Source- <http://economictimes.indiatimes.com/industry/energy/power/power-ministry-sets-green-energy-target-for-state-discoms/articleshow/53407454.cms>, published on 27th July, 2016)

Maharashtra to seek CAG audit of Tata Power, Reliance Infrastructure

Directives in this regard will be issued tomorrow, the minister said while replying to a discussion in the Lower House on supplementary demands of his department.

Maharashtra government will seek the CAG audit of Tata Power and Reliance Infrastructure power companies supplying electricity to Mumbai, State Power Minister

Chandrashekhar Bawankule informed the State Assembly here today.

Directives in this regard will be issued tomorrow, the minister said while replying to a discussion in the Lower House on supplementary demands of his department.

The government will also make efforts to ensure that consumers get power at uniform rate up to 100 units, irrespective of the power supplier, the minister said.

"Next year, we will make efforts to have uniform power tariff by all providers up to 300 units," Bawankule said.

The demand for CAG audit of Tata Power and Reliance Infra was made by BJP MLA Ashish Shelar, who claimed that the two companies charge "inflated" tariff from consumers.

Mumbai consumers get power supply from Tata Power, Reliance Infrastructure, Brihanmumbai Electric Supply and Transport undertaking and Mahavitaran.

(Source- <http://energy.economictimes.indiatimes.com/news/power/maharashtra-to-seek-cag-audit-of-tata-power-reliance-infrastructure/53407939>, published on 27th July, 2016)

Quote of the day

'Vitality shows in not only the ability to persist but the ability to start over.'

-F. Scott Fitzgerald