

## NEWS FLASH –31<sup>st</sup> May, 2016

### SUGAR

#### Congress government in Karnataka chalks out huge drip irrigation project

The Congress government in Karnataka , entering its fourth year, has chalked out a Rs 2,500 crore project to introduce drip irrigation in 3 lakh acres where sugarcane is cultivated, using water from reservoir canals.

The project is expected to double sugarcane yield in the country's third-largest cane-growing state, improve cane quality and boost revenue for farmers, sugar factories and the central and state governments, besides saving a 52 thousand million cubic feet of water – equivalent to the capacity of the KRS dam in Karnataka – in just the pilot stage of 1.5 lakh acres.

In the aftermath of drought, about 1,500 farmers have committed suicide in Karnataka last year, of which a substantial number grew sugarcane. The matter was underlined by Prime Minister Narendra Modi , who claimed at his 'Vikas Parv' speech in Davanagere on Sunday that he had come to the aid of the farmers by releasing sugarcane dues.

Sugarcane farmers across the country are still owed money by mills, which made losses as global prices declined. With the domestic market improving, the arrears are expected to reduce, the Indian Sugar Mills Association said in April.

The Siddaramaiah government expects the Rs 2,500 crore project to not only help the sector but also improve its own image before the state assembly election scheduled in 2018. While Maharashtra, other cane-growing states and the Centre have offered large-scale subsidies to farmers to convert to drip irrigation, no government has so far set up the entire infrastructure needed to convert flood irrigation areas to the drip system.

The process involves releasing water onto the soil at very low rates from a system of small-diameter plastic pipes fitted with outlets. Water is applied close to the plants so that only that part of the soil in which the roots grow is wetted.

"We will set up the pumping stations, the motors and bring the drip facilities from the canal right up to the farm at our cost. The farmer just has to invest in the infrastructure needed in his own farm," Karnataka water resources minister MB Patil told .

The scheme has got in-principle cabinet approval and is expected to get final clearance in about 15 days. Patil proposes to get the scheme off the ground within 45 days. The state will invest an average of Rs 85,500 per acre, while the farmer may have to raise about Rs 65,000, largely covered by central, state and sugar factory generated subsidies. The state will also facilitate loan agreements between farmers, financial institutions and sugar factories for this amount. "We will try to negotiate minimum interest for these loans," Patil said.

The state asked the Centre to partially fund the project, but has not got any response so far. "We will go ahead on our own and if the Centre also participates, we will be happy," he added.

The state's water resources ministry estimates that farmers who opt for drip irrigation will benefit to the extent of Rs 81,750 per acre in a year.

"The farmer saves on seeds, fertilisers and labour costs, while his yield will double," Patil said.

With such savings, farmers are expected to be able to repay loans taken for infrastructure on farms within three to four years. The sugar factory to which a farmer supplies cane regularly is to stand guarantor for the loans.

"It is a win-win project for all concerned," Amit Kore, vice president of the National Federation of Cooperative Sugar Factories told. Kore, also chairman of the Doodhganga Cooperative Sugar Factory in Belgaum and a BJP leader.

"The returns to the state and central government will be enormous. It will more than justify the Rs 2,500 crore investment. We, the sugar factories will also benefit due to the increased production in sugarcane and its by-products like ethanol," Kore said.

However, as Kore pointed out, not all private sugar factories — Karnataka has a total of 72 in government, private and cooperative sectors — are ready to stand loan guarantors. The state government also has to convince sugarcane farmers of its sincerity.

"About 30% of the sugarcane farmers have already opted for drip irrigation in the state," Sugarcane Growers Association President Kurubur Shantakumar told. "However, there are cane dues of over Rs 2,000 crore pending from the last three years. If the government shows some commitment in getting that cleared, this drip irrigation project will get more credibility."

(Source- <http://sugarnews.in/congress-government-in-karnataka-chalks-out-huge-drip-irrigation-project/>, published on 30th May, 2016)

## **Cane arrears at Rs 10,000 crore in last two seasons**

As much as Rs 10,000 crore is due to farmers across the country for sugarcane sold to millers in last two seasons, with maximum outstanding in Uttar Pradesh.

Cane arrears to farmers stood at Rs 9,361 crore till early this month for the current 2015-16 season ending September, while Rs 780 crore is outstanding for the previous season, Food Minister Ram Vilas Paswan said.

Briefing media about the government's measures to help cash-starved millers in clearing cane arrears, Paswan said: "Over the past two years, the policy interventions by the government have shown remarkable progress in reducing arrears."

During the 2014-15 season, he said, cane arrears had touched nearly Rs 22,000 crore but after several government interventions have come down to Rs 780 crore of which Rs 191 crore pertains to UP, the country's second largest sugar producing state.

In the current season as well, cane arrears had touched a peak of Rs 14,000 crore and same has come down to Rs 9,361 crore till early this month.

Out of Rs 9,361 crore cane arrears, Uttar Pradesh has a maximum of Rs 2,855 crore for the ongoing 2015-16 season (October-September).

The arrears calculated for UP is based on cane price fixed by the Centre (called Fair and Remunerative Price — FRP) which is Rs 230 per quintal. If arrears to be calculated based on cane price fixed by the UP government which is Rs 280 per quintal, then dues would be Rs 5,795 crore.

"The state of UP has allowed a two stage payment of FRP.

Till end June, mills are expected to pay cane dues based on FRP (Rs 230/quintal), according to which arrears are presently Rs 2,855 crore. However, July onwards the mills will have to pay dues based on State Advised Prices (at Rs 280/quintal) on the basis of which the dues come to Rs 5,795 crore," Paswan said.

Giving data of cane arrears for other states, the Minister said millers owed Rs 1,819 crore in Maharashtra and Rs 1,625 crore in Karnataka till early this month.

Total cane price payable to farmers across all cane producing states is Rs 60,000-65,000 crore a year.

Highlighting measures taken in the last two years to help the sugar sector, Paswan said the government had provided soft loan to millers to clear cane arrears.

It also increased import duty to 40 per cent, offered export subsidy on raw sugar and a production subsidy to sugar mills to offset cost of cane price, promoted Ethanol Blending Program (EBP, he said, adding that these measures have helped the sector to bounce back.

India's sugar production is estimated to be 25 million tonnes in 2015-16 season, as against 28.3 million tonnes in the previous year.

(Source- <http://sugarnews.in/cane-arrears-at-rs-10000-crore-in-last-two-seasons/>, published on 30th May, 2016)

## Co-gen/Power

### CIL hikes coal prices to keep pace with rising costs

Electricity consumers are in for another price shock. Beginning May 30, Coal India increased prices of lower grade coal (G6 to G17) by 13 to 19 per cent.

This is the first broad-scale price revision by the company after three years.

Prices of the most consumed varieties of G11 to G13 moved up by ₹100-150 a tonne, translating into a roughly eight paise a unit impact at the distribution end.

The consumers of Western coalfields will pay 20 per cent higher price and Rajmahal coal (G11-13 band) is costlier by ₹450 a tonne.

Prices of higher grade fuel have been reduced by 2 per cent to 29 per cent in the face of competition from imported fuel.

Consumers in steel, cement and other sectors in the open market and paying 35 per cent more than the power sector, will face a mild 3.47 per cent increase in coal prices.

According to the company, prices were revised to keep pace with rising costs and in anticipation of the forthcoming wage impact.

The current agreement that saw a 34 per cent hike in salaries will end in July.

Considering that the Narendra Modi government increased the clean energy cess (renamed clean environment cess) by ₹300 a tonne since 2015 and hiked the royalty from 14 per cent to 18 per cent; electricity generation cost has gone up by upwards of 25 paise a unit in the last one year.

The impact on the distribution cost is approximately 30 paise a unit.

(Source- <http://indianpowersector.com/2016/05/cil-hikes-coal-prices-to-keep-pace-with-rising-costs/>, published on 31<sup>st</sup> May, 2016)

## **India's power deficit may reach 5.6 percent in 2021-22 says study**

India's power deficit is likely to rise to 5.6 percent in 2021-22 as demand starts to outstrip supply, says a study, adding that incentivising hydropower can play a crucial role in filling the deficit.

"Availability of reliable, affordable and sustainable electricity is an essential requirement for propelling India's growth story and all potential sources of energy will need to be tapped to meet the envisaged demand and ensure its energy security," the study titled *Hydropower at Crossroads* said. Considering an energy elasticity of 0.8, India is estimated to require seven percent annual growth in electricity supply to sustain annual gross domestic product (GDP) growth of around 8-9 per cent, it said.

"In order to achieve the target of 1,800 kilowatt-hour (kWh) per capita consumption and electricity access for 300 million people by 2034, India will require an additional power supply capacity of 450 gigawatt (GW)," the study said.

"Central Electricity Regulatory Commission (CERC) needs to come up with a differentiated peak and off-peak tariff to incentivise hydropower, given its potential to meet peak demand," it added.

Considering that coal-based generation accounts for about 70 percent of total installed capacity and over 80 percent of total units generated in India, the study said that such higher dependency on thermal generation sources pose a serious threat to energy security.

(Source- <http://indianpowersector.com/2016/05/indias-power-deficit-may-reach-5-6-percent-in-2021-22-says-study/>, published on 30th May, 2016)

## **NTPC Profit Dips as Tax Costs Jump, Competition Intensifies**

NTPC Ltd.'s fourth-quarter profit fell 7.7 percent as India's biggest power producer faced competition from rivals and taxes increased.

Profit for the three months ended March 31 decreased to 27.2 billion rupees (\$405 million) from 29.4 billion rupees a year ago, the company said in a stock exchange filing. That beat an average profit forecast of 24.3 billion rupees by 16 analyst estimates compiled by Bloomberg. The company produced 62.3 billion kilowatt hours of electricity during the period, compared with 61.3 billion kilowatt hours a year ago and tax expenses rose almost five-fold to 8.5 billion rupees.

The average utilization at NTPC's coal plants, which account for more than 95 percent of its generation, was lower at 81.3 percent, as cheaper coal prices failed to counter increased competition from lower-cost producers. Tata Power Delhi Distribution Ltd. is seeking to withdraw from some purchase pacts with NTPC because there are lower-cost options, the electricity retailer's head of power management, Sanjay Kumar Banga, said in an interview last month.

(Source- <http://indianpowersector.com/2016/05/ntpc-profit-dips-as-tax-costs-jump-competition-intensifies/>, published on 31<sup>st</sup> May, 2016)

### **Thought of the day**

'Look at the sky. We are not alone. The whole universe is friendly to us and conspires only to give the best to those who dream and work.' - A. P. J. Abdul Kalam