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Demonetisation: Cotton ginners offer sops for bank payments but farmers a worried lot

Farmers needing valid currency notes to buy seeds and fertilisers are anxious.

CHANDIGARH: Cotton ginners are offering higher prices for cotton if farmers accept payments in bank transactions, but there are very few takers. Farmers are holding back their crops and artisans involved in traditional businesses like the Punjabi juttis (shoes) have no time to work.

Many are doing rounds of banks but there are no complaints, said Parwinder Kaur, associated with artisans through self-help groups covered under Nabad-funded schemes.

Farmers needing valid currency notes to buy seeds and fertilisers are anxious. The restriction on play of cash has brought down daily trade of commodities starting from vegetable vendors. Anticipating delay in payments from traders, farmers have reduced the market arrival of cotton and paddy across states. Farmers have returned payments paid in cash to the commission agents at Khanna mandi in Ludhiana district.

It has hit the age-old informal credit from arthiyas or commission agents in Haryana and Punjab. Farmers are refusing to accept cash payments and many are returning old currency paid prior to the demonetisation, laments a commission agent in Punjab.

Some like Maharashtra-based ginners have begun offering premium of Rs 75 per tonne to cotton farmers who receive payments in their accounts. "We are organising workshops to encourage farmers to accept payments through banks," says Pradip Jain, a Maharashtra-based ginner.

Black money and politics is the hot topic of discussion in the poll-bound state. The move has allowed higher moral ground to the Narendra Modi-led government on the issue of black money as against the Congress and the Aam Aadmi Party. "It has split mandate on the black money issue among those who believe in change and others favouring status quo in the situation," says Pramod Kumar, director at Institute of Development and Communication, who had chaired the committee on Punjab Governance Reforms ..

"Political parties will make promises like debt waiver and power bill waivers, while gifts and indirect benefits after the polls will replace cash expenditure," says Kumar.

Cash payments to farmers will boost income of farmers, says Vijay Sethia, president of All India Rice Exporters Association. He said the cotton industry will benefit from the move that restricts the role of middlemen. "It may affect procurement activities for a short period but will boost organised sector in the long term," says Anil Mittal, chairman at rice miller and basmati exporter KRBL Ltd.

Makers of farm inputs like pesticides, farm equipments and seeds feel their sales will be normal. The farmer could cut expenditure on cattle feed, says an executive at Cargill Feed & Nutrition.

Mills will be profitable despite rise in state advised price for sugarcane in UP: ICRA

ICRA expects the landed cost of cane (inclusive of basic SAP, taxes and levies and inward freight costs) to be around Rs 321-325 per quintal.

MUMBAI: While production cost will escalate due to the Uttar Pradesh government raising the state advised price (SAP) for sugarcane by Rs 25 per quintal, better sugar realisations and recovery rates are likely to keep efficient mills profitable, ICRA BSE 0.25 % said in a report.

The Rs 25 per quintal increase in UP government's SAP for sugarcane for the season SY2016-17 is likely to result in an increase in the cost of production by around Rs 2,500 per tonne, rating agency ICRA said.

However, given the likelihood of healthy sugar realisations and sugar recovery rates, ICRA expects that most UP-based sugar mills, especially the efficient and integrated ones, will be able to absorb the costs and remain profitable.

"We expect sugar prices to remain steady in the next 3-4 quarters, given the domestic and global supply deficit.

Further, UP-based sugar mills are likely to continue to derive the benefit from the improved sugar recovery rates arising out of cane development activities undertaken in the past.

Thus, while the UP-based sugar mills may see some reduction in margins compared to what was seen in the previous two quarters, their margins are still likely to remain satisfactory in the near-term.

This may be especially true for efficient and forward integrated mills," ICRA Senior VP Sabyasachi Majumdar said.

Last week, the UP government announced a Rs 25 per quintal increase in SAP of sugarcane for the sugar year (SY) 2016-17 (October-September season).

The order raises the cane price for the normal varieties to Rs 305 per quintal in SY2016-17 from Rs 280 per quintal in SY2015-16, and that for the early maturing varieties to Rs 315 per quintal from Rs 290 per quintal.

For the rejected varieties, the SAP has been raised to Rs 300 per quintal from Rs 275 per quintal.

At these prices, ICRA expects the landed cost of cane (inclusive of basic SAP, taxes and levies and inward freight costs) to be around Rs 321-325 per quintal.

Rabi planting up 64% in a week, may slump due to demonetisation

However, coarse cereals sowing area dropped to 25.98 lakh hectares from 37.86 lakh hectares.

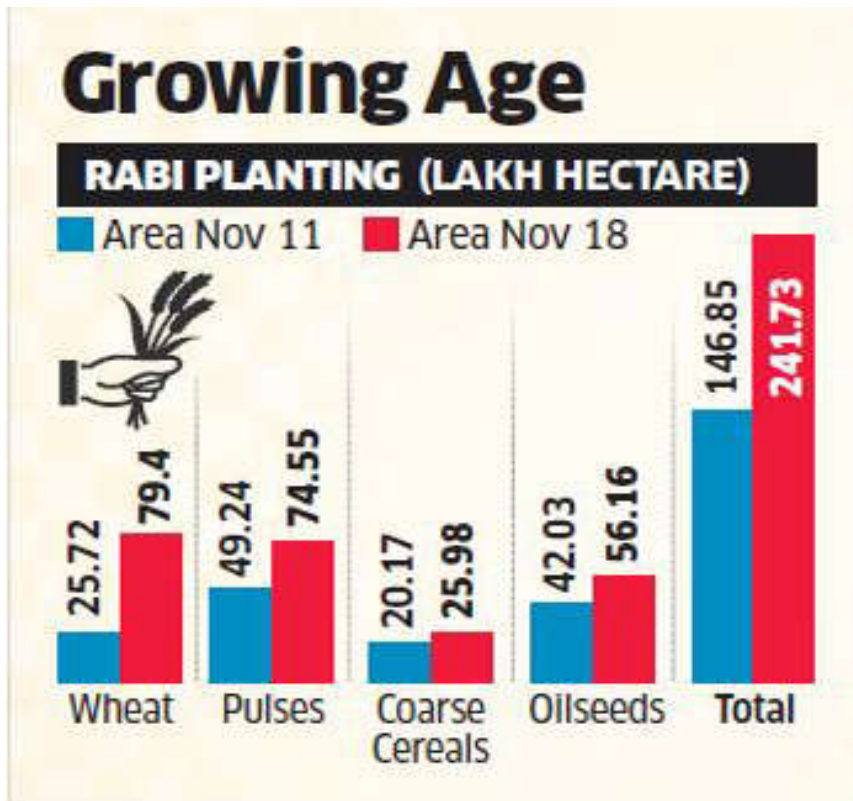
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NEW DELHI|PUNE: Planting of rabi crops increased by 64% in the past seven days, which according to officials signalled normal agricultural activity despite withdrawal of high-value currency notes. But traders say cash crunch may slow down sowing next week.

The agriculture ministry said planting of wheat trebled to 79.4 lakh hectares as of November 18 from 25.7 lakh hectares a week ago, while pulses rose 51%. Farmers are expected to significantly expand the area under cultivation of pulses after the government effected a generous increase in the minimum support prices for the commodity.

Oilseed acreage rose 33% from last week, and is expected to see a further increase as planting continues. While government officials said the data showed good planting activity, some trade officials said the impact of scarcity of currency notes would actually be felt in the next seven days as farmers would have now used up the cash they had.

But government officials said the higher cash withdrawal limit given to farmers — they can withdraw up to Rs 25,000 a week against sanctioned loans and a similar amount from payments made by APMC markets — will allow them to make sure that they have enough money to buy seeds and fertilisers.



The withdrawal of high-value currency notes has also hit operations in the main agricultural markets, but relaxation in withdrawal limits has boosted sentiment in some places. Traders, however, said the market was still short of cash and that it would take a long time for operations to be normal again.

The Lasalgaon market in Maharashtra opened onion trading on Friday after remaining closed for a week.

"Traders made all payment through cheque or RTGS (bank transfer). Farmers are still in a wait and watch mode. But most of them are still asking for cash as they need it for various farm operations," said the mandi's chairman, Jayadatta Holkar.

Subhash Chugh, a tomato trader at Delhi's Azadpur mandi, said there was a slight pickup in trade as farmers and vegetable vendors were bringing in smaller denomination currency and in some cases even new Rs 500 and Rs 2,000 notes. "The situation will ease by next week."

Despite increase in state advised price, up sugar mills may retain profitability: ICRA

On the positive side however, ICRA expects the UP-based sugar mills to continue to report steady sugar realisations (currently at Rs. 35,500/MT) in the near-term, given the supply deficit.

The Rs 25/qtl increase in the Uttar Pradesh (UP) government's state advised price (SAP) for sugarcane for the season SY2016-07 is likely to result in an increase in the cost of production by around Rs. 2,500/MT of sugar. However, given the likelihood of healthy sugar realisations and sugar recovery rates, ICRABSE 0.25 % expects that most UP-based sugar mills, especially the efficient and integrated ones, are likely to be able to absorb the costs and still remain profitable.

Mr Sabyasachi Majumdar, Senior VP, ICRA, said, "We expect sugar prices to remain steady in the next 3-4 quarters, given the domestic and global supply deficit. Further, UP-based sugar mills are likely to continue to derive the benefit from the improved sugar recovery rates arising out of cane development activities undertaken in the past. Thus, while the UP-based sugar mills may see some reduction in margins compared to what was seen in the previous two quarters, their margins are still likely to remain satisfactory in the near-term. This may be especially true for efficient and forward integrated mills."

The UP government has, through a November 18, 2016 order, announced a Rs. 25/quintal (qtl) increase in the state-advised price (SAP) of sugarcane for the sugar year (SY) 2016-17 (October-September season). The order raises the cane price for the normal varieties from Rs. 280/qtl in SY2015-16 to Rs. 305/qtl in SY2016-17, and that for the early maturing varieties from Rs. 290/qtl to Rs. 315/qtl. For the rejected varieties, the SAP has been raised from Rs. 275/qtl to Rs. 300/ qtl. At these prices, ICRA expects the landed cost of cane (inclusive of basic SAP, taxes and levies and inward freight costs) to be around Rs. 321-325/qtl.

According to ICRA's estimates, with the new cane prices, the cane cost of production for sugar is likely to increase by around Rs. 2500/MT vis-a-vis SY2015-16 and stand at around Rs. 28500-30500/MT, given that the recovery rates for most UP-based sugar mills range between 10.5% and 11.5%.

On the positive side however, ICRA expects the UP-based sugar mills to continue to report steady sugar realisations (currently at Rs. 35,500/MT) in the near-term, given the supply deficit, both domestically and globally. This apart, these mills are likely to continue to derive benefits from the relatively healthy recovery rates (estimated at between 10.0-11.5% for most mills in SY2015-16 and SY2016-17 - ICRA projected - as against the sub 10% levels seen in the previous two to three years, on the back of cane development activities undertaken in the recent past, which resulted in better varietal mix. Margins are likely to come down somewhat from the levels seen in the previous two quarters (Apr-Sep 2016) and they are still likely to be satisfactory for most efficient and forward integrated sugar mills over the next two to three quarters.

ICRA, however, notes that for SY 2016-17, mills will have to pay the entire cane price upfront, unlike in SY2015-16, when mills were given the flexibility of paying Rs. 50/quintal (out of the total basic SAP of Rs 280/qtl) within a period of 90 days. This may have some short-term liquidity impact on mills, which are financially weaker and relatively more levered.

Agricultural loan outstanding at Rs 12.6 lakh crore as of September 2016

The total agricultural loan outstanding as on September 30, 2016, stood at Rs 12,60,26,450.46 lakh (Rs 12.60 lakh crore): Parshottam Rupala

NEW DELHI: Agricultural loan outstanding as of September 30, 2016, stood at a whopping Rs 12.6 lakh crore, the government today said while ruling out any waiver as RBI is of the view that any such act will impact credit recovery.

In a written reply to the Rajya Sabha, Minister of State for Agriculture Parshottam Rupala said: "The total agricultural loan outstanding as on September 30, 2016, stood at Rs 12,60,26,450.46 lakh (Rs 12.60 lakh crore)".

The agricultural loan outstanding stood at Rs 1.45 lakh crore with regional rural banks, Rs 1.57 lakh crore at cooperative banks and Rs 9.57 lakh crore at commercial banks, according to data.

Out of the total farm loan outstanding, crop loan was Rs 7.75 lakh crore and term loan Rs 4.84 lakh crore.

Asked whether the government will consider repaying loans taken by farmers through Kisan Kalyan Kosh, Rupala said: "There is no such proposal under consideration at the moment."

"On the issue of waiver of farmers' loan, the Reserve Bank of India is of the view that such waivers negatively impact credit and recovery climate and has severe systemic consequences," the minister said.

The government has taken several measures to provide institutional loans to farmers at interest subvention and in a hassle-free manner, he added.

In this year's budget, the government had announced a Krishi Kalyan Cess of 0.5 per cent on all taxable services effective June 1 this year to fund farm initiatives.

Government to buy 2 million tonne pulses for buffer stock by next June

Pulses prices had skyrocketed to Rs 200 per kg, but the rates have now fallen significantly.

NEW DELHI: The government is looking to achieve its buffer stock target of 2 million tonnes of pulses by June next year, which will be used in case of price rise, a top Consumer Affairs Ministry official said today.

"We have purchased about 6 lakh tonnes of pulses so far. We will be able to complete the entire 2 million tonnes by June 2017," Consumer Affairs Secretary Hem Pande told reporters on the sidelines of FICCI conference on food service industry.

"Pulses production is estimated to increase to more than 20 million tonnes in 2016-17. So, we will be able to procure one million tonne of pulses from domestic market for buffer stock and rest one million tonnes will be imported," he said.

Asked about imports, he said the country has imported about 3.5 million tonnes so far this fiscal, of which 0.4 million tonne is by public sector trading agencies.

"We will ensure domestic availability of 24-25 million tonnes of pulses," he added.

On total imports this fiscal, Pande said: "We expect significant rise in production. This may lead to reduction in imports."

India imported nearly six million tonne pulses last fiscal to meet the domestic demand.

On prices, he further said, pulses prices have fallen while sugar prices are stable.

Pulses prices had skyrocketed to Rs 200 per kg, but the rates have now fallen significantly.

Earlier addressing the conference, Pande said, the government is coming up with a new Consumer Protection Act to safeguard the interest of buyers and hoped that the same will be passed in the current Parliament session.

He also emphasised on increasing the processing level of fruits and vegetables to 20 per cent from the current 2 per cent to reduce post-harvest losses.

"Out of 20 million tonnes of tomatoes production, 4-5 million tonnes are wasted every year," he informed.

Pande said there is a need to reduce post-harvest crop loss as well as wastage of cooked food.

Uttar Pradesh hikes sugarcane floor price ahead of crucial vote

A worker carries a bundle of sugarcane on his head at a farmland near Modinagar in Uttar Pradesh.

NEW DELHI: Uttar Pradesh, India's biggest cane-producing state, has raised the price sugar mills must pay for the new crop by 9 per cent, a state government official said on Friday, as part of efforts to woo farmers ahead of a state assembly election early next year.

Uttar Pradesh raised the cane price to Rs 305 per 100 kg for the crop year that began last month, up from Rs 280 in the previous year, the state official, who declined to be named because he isn't authorised to speak with media, told Reuters by telephone.

The federal government kept the 2016/17 cane floor price unchanged at Rs. 230 per 100 kg.

Although the federal government fixes the cane price every year, some state governments such as Uttar Pradesh invariably raise the rate to court farmers, which is a large voting bloc.

A number of political parties, including the Bharatiya Janata Party of Prime Minister Narendra Modi, are bracing for a crucial state election in Uttar Pradesh.

In the 2014 general election Modi swept Uttar Pradesh, winning 73 of 80 seats with rural voters swayed by a promise to raise farmers' income along with religious tensions that favoured his Hindu nationalist party.

RBI's no exchange rule for cooperative banks hits farmers

By law these banks are supposed to deposit their excess cash with the district cooperative banks. But the RBI has now fixed their withdrawal limit at Rs 24,000 per week (Rs 50,000 per week for current accounts), said A K

Purushothaman, GM, Kannur district cooperative bank. Now these banks are facing customer ire.

NEW DELHI: While some states such as Kerala, where cooperative banks have total business of more than Rs 1 lakh crore, are clearly impacted, in other states such as Maharashtra such banks are seen as controlled by corrupt politicians and not following RBI's KYC & other norms. ET brings you ground reports from six states...

Uttar Pradesh has about 1,700 branches of cooperative banks, including 1,400 district cooperative bank (DCB) branches, in 50 districts, offering facilities, including recurring deposits (RD), savings accounts, fixed deposits and current accounts.

These banks enjoy good customer base in various areas, particularly in the 'sugarcane belt' of Meerut, Saharanpur and Muzaffarpur.

"In these areas...sometimes even nationalised banks approach cooperative banks for business relations," a retired employee of a DCB told ET on phone. Aditya Yadav, chair man of UP's Provincial Cooperative Federation (PCF) that provides seeds, fertilisers and other agricultural inputs to farmers, said the withdrawal of `500 and `1,000 denomination notes has created a lot of problems for farmers as it's the "buwai" (sowing) season.

And the decision to stop cooperative banks from exchanging or accepting old notes has worsened the situation. "Cooperative banks are facing problems to play its role in the interest of farmers. Most of DCBs' branches are located in rural areas and its customers are facing problems," Yadav told ET on phone.

Farmers are up in arms against the restriction on DCBs. Members of Bharat Kisan Union and All India Kisan Coordination Committee are expected to meet the prime minister on the issue and have warned if the decision is not rolled back they may protest nationwide.

Punjab has 12,673 villages and farmers largely deposit their earnings from produce in cooperative banks. "This is a major setback to the farming community.

The development has actually scuttled the entire purpose of cooperative movement and these banks were set up to help farmers,” said Bhupinder Singh Maan, president of BKU.

Supporting farmers’ cause former chief minister Capt Amarinder Singh said the central government’s restriction on cooperative banks “is yet another assault on India’s poor and farmers who are finding it difficult to survive in the face of Prime Minister Narendra Modi’s irrational and unplanned demonetisation move”.

He said that the ban “will completely break the back of the rural community, already reeling under a massive cash crunch, particularly at a time when the sowing season is on”.

While nationally one-third of short term loan and crops loans to farmers are given out by cooperative banks, in Odisha DCBs account for two-thirds of such loans.

Hence, the RBI restriction on DCBs will hit farmers here hard, experts said. “The state is in the middle of kharif harvest season, it is going to be hard to make labour payments in Rs 100, and I don’t see farmers moving to Paytm in three months,” said a senior official with obvious sarcasm.

Agriculture economists and officials said mandis and traders are exploiting farmers by forcing them to either accept demonetised notes or charge less for their produce, leading to significant increase in distress sale.

“If they accept cash, whether new or old, they are doomed to wait for a week to get `100 denominations they can actually use. They will instead opt for lesser pay in practical denomination,”

an expert said. On Thursday chief minister Naveen Patnaik spoke to Prime Minister Narendra Modi for a rethink on the decision to exclude district central cooperative banks from the currency transition.

“If a farmer cannot get cash he cannot begin land preparation for the coming rabi season,” he said.

In Maharashtra, BJP’s ally Shiv Sena and opposition Nationalist Congress Party (NCP) are protesting the ban on exchange of old `1000 and `500 notes at cooperative banks, but several experts have lauded the move saying most of these banks have been flouting RBI regulations as politicians had an iron grip on them.

“Unlike private banks where those appointed at the helm are professionals, those running district cooperative banks are mostly politicians... There is practically no control of RBI on these banks and many of them don’t even follow the KYC process of identifying their customers,” said advocate Ajay David, who practices cooperative law in the Bombay High Court.

“In the last 60 years in spite of crores of rupees being sanctioned to dubious entities, not a single case has been initiated by the district deputy registrar (who is an ex-officio member on the board of DCB) to fix the liability of the losses on the directors,” David said.

Citing an example, experts said Maharashtra State Cooperative Bank, which was controlled by NCP leaders like Ajit Pawar, was suffering losses due to mismanagement and huge financial irregularities.

With the demonetisation of Rs 1,000 and Rs 500 currency notes hitting the rural economy the hardest, cooperative banks in Gujarat are on the warpath over the decision to restrain them from accepting old notes. And here the movement is led by BJP leaders.

“More than 50% of the farmers are linked with the DCBs across the country,” said Dilip Sanghani, a BJP heavyweight from Saurashtra.

“It is strange that while other banks are carrying out the exchange and accepting deposits, DCBs have been barred from doing so. Imagine the plight of a farmer who has just sold his crop.

He can't deposit his money in the bank he holds account in, can't exchange notes which are no more valid, and is stranded in the middle of the season in want of money to sow the crop, buy fertiliser or employ labour despite having money in his hand," said Sanghani who is chairman of National Federation of State Cooperative Banks.

The market yards of Saurashtra region have been shut for unspecified period. A committee of 11 members from the various market yards will soon approach the chief minister and the Union government to resolve the cash crisis.

"They are demanding their money for various needs and we cannot give," said Radhamani, secretary of the Puthenchra cooperative bank in Thrissur. Officials said DCBs in the state are licenced by RBI, supervised by Nabard, and adhere to KYC and all other statutory norms.