The Fertiliser Association of India

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Current News

Current news on the latest developments in fertilizer, energy, weather, agriculture, agri-business, logistics, economy, and other related areas

(*The views expressed in the news items are not necessarily of FAI*)

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WEATHER

Dense fog over N-W India as fresh western disturbance rolls in over Afghanistan

Night temperatures are below normal over East India but have looked up over the rest of the country to the West (North-West India) as a causative western disturbance pulled in farther away beyond the border and locked in over North-East Afghanistan. Associated clouds have drifted into Pakistan and North-West India by Tuesday noon, satellite pictures revealed.

These clouds would progressively move towards East India and North-East India where night temperatures are expected to rise over the next couple of days. Currently, they are below normal by 2-4℃ over parts of Bihar, and isolated pockets of East Uttar Pradesh and hills of West Bengal and Sikkim, an India Meteorological Department (IMD) update said.

Rain, snow outlook

Light to moderate to fairly widespread to widespread rain or snow is likely over Jammu, Kashmir, Ladakh, Himachal Pradesh, and Uttarakhand for the next six days until February 4. Isolated heavy rain/snow is also likely over Kashmir valley and Himachal Pradesh until Thursday and over Uttarakhand on Wednesday. Light to moderate to scattered to fairly widespread rain is likely over Punjab, Chandigarh, Haryana, and Delhi and isolated to scattered over Uttar Pradesh on Wednesday and Thursday.

Hailstorm warning

Hailstorms may break out over Jammu-Kashmir, Himachal Pradesh, Punjab, and Haryana on Wednesday, and over Uttarakhand on Wednesday and Thursday. Strong and chilly surface winds speeding up to 30-40 km/h may prevail over Punjab and Haryana-Chandigarh-Delhi on Wednesday and help drive away fog to some extent. As for East India, the IMD has predicted light to moderate scattered to fairly widespread rain or snow for Arunachal Pradesh for the next seven days.

Monday night into Tuesday morning saw very dense fog in many parts of Punjab and isolated pockets of Haryana and West Uttar Pradesh. It was dense in many parts of Delhi and isolated pockets over West Rajasthan and Odisha while shallow in isolated pockets of East Uttar Pradesh, Bihar and the hills of West Bengal and Sikkim.

Source: The Hindu Business Line, Wednesday, January 31, 2024

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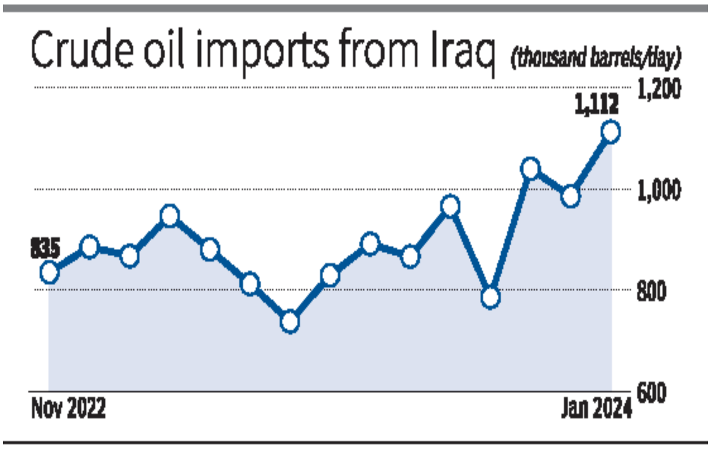
ENERGY

Indian refiners turn to Iraq for crude oil imports

Closer option. Red Sea attacks and US shipping sanctions lift Iraq's crude imports to India in January

Domestic refiners turned towards Iraq in January 2024, lifting its crude oil exports to India to a record high.



Source: Vortexa

Limited vessels supply following US sanctions on firms shipping Russian crude and panic buying given the continuing stand-off between Western nations and Houthi rebels in the Red Sea have made Iraq the supplier of choice.While Kpler pegged Iraqi cargoes to India at around 1.30 million barrels per day (mb/d) in January 2024 terming it as the "highest ever", Vortexa puts the volume at 1.11 mb/d, the "highest since April 2022".

Both the leading energy intelligence firms and trade sources indicated that Indian refiners turned towards traditional suppliers in the Middle East such as Iraq as freight charges are inching up due to limited supply of ships ferrying Russian crude and attacks in the Red Sea, making transporters opt for the Cape of Good Hope, which increases the cost and also voyage time by 10-14 days.
Another factor making Middle Eastern cargoes more attractive is the narrowing of discounts on Russian crude oil compared to similar Middle Eastern grades. For instance, Basrah prices in December 2023 averaged at $76.96 a barrel on a provisional basis compared to $82.82 per barrel in November and $87.58 in October. Oil marketing company sources said that discounts have been stable but have moderated compared to July-September 2023.

Advantage Middle East
"Indian buyers have been having a mixed January when robust domestic demand and a lack of refinery turnarounds have been sapped by panic buying as the Red Sea disruptions complicated the country's import options. With freight from the Atlantic Basin being prohibitively expensive again, Indian refiners needed to turn towards options closer to home, leading to the highest ever Iraqi crude imports," Viktor Katona, Kpler's Lead Crude Analyst, told *businessline*.Vortexa's Head of APAC Analysis, Serena Huang, also pointed out that importing Russian crude has become increasingly challenging for Indian refiners with the US sanctions on two shipping companies that were heavily involved in shipping Russian crude, thereby reducing vessel supply in the near-term and pushing up freight premiums for shipping of Russian crude to India.

"Recent Red Sea attacks have also heightened risks of transiting through the Suez Canal and shipowners may consider taking the longer Cape of Good Hope, which will further add to freight costs. As discounts of Russian crude narrow against Middle Eastern crude, I would not be surprised to see Indian refiners increasing imports of Middle Eastern crude in the months ahead," she added.Huang explained that Basrah Medium's price competitiveness against other medium-sour grades has supported its popularity. "India's crude import appetite, which is largely dictated by its domestic and export demand, coupled with the price competitiveness of Middle East crude relative to other suppliers will dictate the momentum of India's crude imports from the Middle East," she emphasised.

Shipping dynamics
Indian government and OMCs have said that so far shipments of crude oil passing through the Red Sea have not been a "cause to worry", but it is being "closely watched" as the situation is "complex and highly dynamic" post the Hamas-Israel conflict.According to JM Financial, the risk of global oil supply disruptions due to the Middle East conflict remains elevated, particularly for oil flows via the Red Sea. In CY 2023, roughly 10 per cent of the world's seaborne oil trade, or around 7.2 mb/d, of crude and oil products and 8 per cent of global LNG trade passed through the Red Sea, the shortest route from Asia to Europe via Suez Canal.Main alternative shipping route around Africa's Cape of Good Hope extends voyages by up to 2 weeks putting pressure on global supply chains and increasing freight and insurance costs. For instance, a ship carrying crude oil from Rotterdam to Singapore, passing through the Suez Canal and Red Sea, roughly travels 8,500 nautical miles (NM) taking 26 days, while journey through the Cape of Good Hope takes 36 days to travel some 11,800 NM.

Source: The Hindu Business Line, Wednesday, January 31, 2024

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BPCL ties up 1 mt of LNG from upcoming Mozambique project

State-run Bharat Petroleum Corporation (BPCL) has tied up a supply of 1 million tonnes (mt) of liquefied natural gas (LNG) from the upcoming $20-billion project in Mozambique, which is expected to commence operations by FY28.

BPCL subsidiary Bharat PetroResources (BRPL) through its Netherlands-based step-down subsidiary BPRL Ventures Mozambique holds a 10 per cent participating interest (PI) in the LNG project. BRPL along with ONGC Videsh (OVL) and Oil India (OIL) hold a total of 30 per cent stake in the project, which is led by Total Energies.

The project was halted in March 2021 after Total Energies declared force majeure following Islamic State-linked insurgents attacking civilians in Mozambique's northern Cabo Delgado province where the natural gas project is coming up.

The work on the project is expected to start by July this year, BPCL management said in a results call on Tuesday. The project has a reserve of 64 trillion cubic feet (TCF) and has a capacity of 13 million tonnes per annum (mtpa).

Mozambique LNG

The BPCL management said the project suffered a setback due to security issues resulting in force majeure. However, the security situation has substantially improved and it well positioned for restart in the near term. One important point to be noted is that despite the three-year force majeure period, all major contracts of Mozambique including LNG sales and project finance are going forward.

So far, the oil marketing company has invested roughly $900 million on the development side and another $729 million on exploration.

BPCL expects the force majeure to be lifted around July 2024. It is expected that the gas will begin to flow by FY28. The refiner has tied up 1 million tonnes of gas from the project. Overall, the consortium has tied up a total of 11 mt of gas with various entities.

India imports around 20 mtpa of natural gas from different suppliers. Of this, around 8.5 mtpa is from Qatar through a long- term contract valid till April 2028.

Market volatility

BPCL CMD G Krishnakumar told analysts that crude oil prices have remained well below $90 per barrel in last three months, notwithstanding announcements of crude oil supply cuts by major suppliers. This resilience is attributed to lacklustre growth in many major world economies influencing downward revision in global oil demand projections.

However, the ongoing Russia-Ukraine war, conflict in the Middle East and tensions in the Red Sea all point to negative impact on the global supply chain. These continued uncertainties are anticipated to contribute to the volatility of crude oil prices throughout the year, he added.

The refiner expects crude oil prices to be range bound between $80-90 per barrel in the near term.

Source: The Hindu Business Line, Wednesday, January 31, 2024

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NTPC plans ₹80,000-cr green projects in Maha

NTPC plans ₹80,000-cr green projects in Maha

ARUNIMA BHARADWAJ
New Delhi, January 30

NTPC GREEN ENERGY (NGEL) has signed a memorandum of understanding (MoU) with the Maharashtra government for a clutch of green energy projects, with aggregate investments to the tune of ₹80,000 crore.

The plan, which includes projects for development of green hydrogen and its derivatives, is in sync with the government's plan to make India a hub for the benign fuel.

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NTPC to list green arm
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NGEL, a wholly owned arm of state-owned NTPC, will also build solar, wind and energy storage projects in the state, including in Mumbai as part of the MoU, the company said on Tuesday.

NGEL's move follows 14 companies, including Reliance Industries, Acme Cleantech, Avaada GreenH2, BPCL, CESC, JSW Energy and Torrent Power, bidding for incentives under the National Green Hydrogen Mission. As many as 20 firms, including RIL, Adani Group and Larsen & Toubro are vying for electrolyser manufacturing sops.

Under the mission unveiled in February last year, incentives worth ₹19,744 crore are being offered to the investors with an aim to attract investments to the tune of ₹8 trillion to create green H2 capacity of at least 5 million tonne per annum and 125 gigawatt of renewable energy.

NEGL's projects are going to be part of the Maharashtra government's green investment plan for the next five years and includes development of green hydrogen and derivatives like green ammonia and green methanol.

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NTPC plans ₹80,000-cr green projects in Maha

THE PLAN INCLUDES pumped storage projects of 2 gigawatt and development of renewable energy projects with or without storage of up to 5 gigawatt, the company said.

Additionally, the company also signed a non-binding MoU with Numaligarh Refinery, a subsidiary of Oil India, for a partnership bamboo-based biorefinery at NTPC Bongaigaon and other green projects.

"The two CPSEs, through this MoU, intend to enhance their footprint in green chemicals and foray into sustainable solutions to advance the efforts towards achieving the nation's Net-Zero targets and be partner in development of North-East Region," the company said in a statement.

Analysts see this move as the company's initiative in creating a market space for itself when the demand for green hydrogen goes up.

"The power sector is going towards renewable energy and a lot of demand for clean energy and green hydrogen is coming up," said an analyst who did not wish to be identified. "NTPC will play a role in this and they want to diversify. The demand for green hydrogen is going to go up and competitiveness has to increase. NTPC is thus creating a platform that they are at the right place when green hydrogen evolves," the analyst added.

The two agreements come as part of NTPC's larger ambition of achieving renewable energy capacity of 60 GW by 2032. NTPC's diversification into clean energy projects comes as part of the government's broader objective of tripling its renewable energy capacity to 500 GW by 2030.

In the green hydrogen sector, the company has already set up several projects including the one of green hydrogen blending with piped natural gas (PNG) in collaboration with Gujarat Gas (GGL) at its Kawas township in January last year. The project was designed to carry out hydrogen blending of 5-20% v/v (volume/volume percentage) in a staggered manner.

The government has also been wanting to list the subsidiary for sometime now, however, it hasn't happened yet. A senior official from the power ministry had earlier told FE that the government had wished to list the green arm of the leading power generator by FY24 end.

NGEL has an operational capacity of over 3.4 GW renewable energy and 26 GW in the pipeline, including 7 GW under implementation.

Source: Financial Express, Tuesday, January 30, 2024

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FERTILIZER

Govt caps profit margin for fertilizer makers

Holding the leash. Order pegging 8-12% margin will apply for P&K fertilizers; it specifies range and excludes GST from MRP

The Centre has introduced price capping formula for phosphatic and potassic (P&K) fertilizers with retrospective effect from April 1, 2023, through guidelines issued under the Essential Commodity Act for the manufacturers to mandatorily comply and regularly inform the government. Under an office memorandum issued by the Fertiliser Ministry on January 18, the Director-General of the Fertiliser Association of India (FAI) has been asked to communicate the government's decision to all the manufacturers of (P&K) fertilizers.As per the guidelines, "differential profit percentage will be allowed for P&K fertilizer companies based on the category to which they belong — 8 per cent for importers, 10 per cent for manufacturers and 12 per cent for integrated manufacturers." The government has said dealer's margin will be allowed to the extent of 2 per cent of MRP for DAP and MOP and 4 per cent of MRP for all other grades (Complex, TSP, MAP, SSP, and PDM).

Reasonableness

Mentioning that these are detailed guidelines for the evaluation of the reasonableness of MRPs of P&K fertilizers under the Nutrient Based Subsidy (NBS) Policy, the Government order said that GST will be excluded from evaluation of reasonableness of MRPs."Reasonability will be evaluated for all fertilizer grades for which subsidy is received by P&K fertilizer companies under NBS scheme on segment basis," it said. Companies have been categorised under three segments — integrated manufacturer, manufacturer and importers.

The basis of evaluation of the reasonableness of MRPs will be the total cost of sales which will be the cost of production/Import (except profit on self-manufactured intermediates for manufacturing finished fertilizers), administrative overheads, selling and distribution overheads (except promotional expenses), net interest and financing charges. Further, total cost of sales will not include any interest beyond the net interest and financing charges, GST/IGST paid on inputs/imports of fertilizers which are eligible for input tax credit. But, the prescribed dealer's margin will be permitted to be considered under cost of sales. However, promotion expenditure will not be qualified for deduction, the guidelines said.The Fertilizer Ministry has said "companies will self-assess unreasonable profit earned by them based on cost auditor's report along-with audited cost data approved by the Board of Directors (BOD) and refund unreasonable profit" to the government. The last day of refund (for the previous financial year) has been fixed at October 10 and any failure to meet the deadline will result in paying an interest of 12 per cent per annum on pro-rata basis on the refund amount. The interest will be calculated from April 1 of the prescribed filing year.

"The cost auditor's report along-with audited cost data approved by the BoD will have to be submitted online by October 10," the Government said, adding that in case of non-submission of the report and data within deadline, further subsidy payment to the company will be stopped and a penalty at ₹1,000 per day would be charged from October 11 till it is submitted.Companies/cooperatives under NBS will set-up an Audit Committee to review the cost auditor's report, it said while exempting single super phosphate (SSP) and potash derived from molasses (PDM) units.

Norms for auditors

Not only that, the government has issued guidelines for the cost auditor to follow by stating these are required "in view of government's vision of transparency and good governance". The auditor has to check compliance by the company with all the policy parameters issued by Department of Fertilisers in relation to NBS scheme from time to time.Besides, the auditor will also check whether the company has used any other subsidised fertilizers in the production of P&K fertilizers under NBS scheme as it is not allowed.

The auditor is required to certify that the company has not earned any profit on self- manufactured intermediaries for manufacturing finished fertilizers, subsidy claims submitted are in line with NBS policy, production/import of P&K fertilizers figures submitted in IFMS and cost sheet are same. Further the audit report should also contain imported goods (raw material/finished fertilizers) details (Bill of Entry, Invoice, Bill of Lading), any expansion/setup of new plant of fertilizers (including bio- and organic fertilizers), capacity utilization of plants and total raw material/intermediates such as rock phosphates, phosphoric acid, ammonia, natural gas, urea, potash consumed during the year in domestic production of fertilizers under NBS.

Source: The Hindu Business Line, Wednesday, January 31, 2024

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Imported fertilisers paint mixed price picture

IMPORTED FERTILISERS PAINT MIXED PRICE PICTURE

The Red Sea crisis, precipitated by Houthi rebels of Yemen attacking ships, has pushed up freight charges for imported fertilisers, with trade sources saying the time taken to deliver the cargo has gone up.

Largely, di-ammonia phosphate (DAP) and muriate of potash (MOP), imported from Jordan and Israel, have been affected.

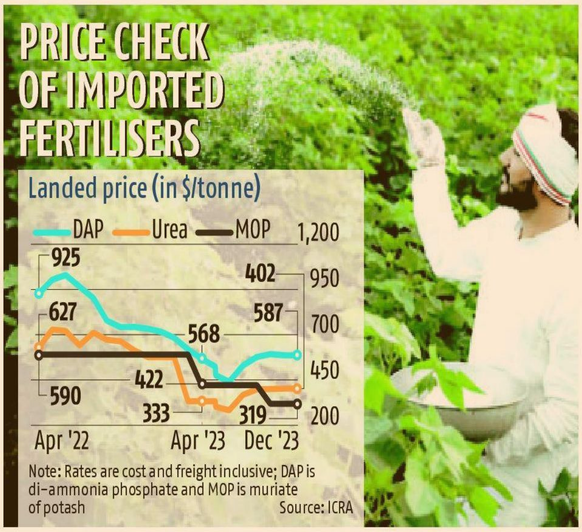
Also, freight charges of raw material from Russia and its adjoining countries like Belarus have gone up due to the alternative and longer route ships are taking due to the crisis.

Trade sources said freight rates had gone up from $20 per tonne to $30-40 per tonne.

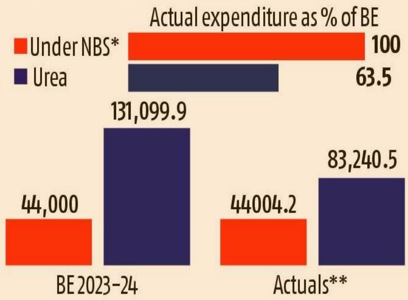
Union Fertiliser Minister Mansukh Mandaviya recently said the annual fertiliser subsidy would remain within the FY24 Budget estimate of ₹1.75 trillion and could have been lower had the crisis not erupted.

India annually consumes 30-35 million tonnes of urea, of which 4-5 million tonnes is imported, while the domestic consumption of DAP is 10-12.5 million tonnes, of which local production is 4-5 million tonnes and the rest comes from abroad. The data shows in FY24, between April 2023 and December 2023 (before the Red Sea crisis), the average landed prices of imported fertilisers and key raw material gave a mixed picture. While the landed price of DAP has risen from $568 per tonne in April 2023 to $587 per tonne in December 2023, that of urea has gone up from $333 per tonne in April 2023 to $402 per tonne in December 2023 (cost and freight inclusive).

The price of MOP has come down from $422 per tonne to $319 per tonne. In the case of key raw material, the price of landed phosphoric acid has come down from $1,050 per tonne in April 2023 to $985 per tonne while that of sulphur has reduced from $122 per tonne to $98 per tonne. Average spot ammonia rates, however, have gone up from $271 per tonne in April 2023 to $520 in December 2023. SANJEEB MUKHERJEE



Note: Rates are cost and freight inclusive; DAP is di-ammonia phosphate and MOP is muriate of potash
Source: ICRA



BE: Budget Estimates
*NBS is nutrient-based subsidy regime for non-urea fertilisers
**Actual spend until November 2023
Source: CGA

Source: Business Standard, Wednesday, January 31, 2024

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AGRICULTURE

Govt targets 10% rise in maize output in 2025-26

Sources said the agriculture ministry is currently working with Indian Institute of Maize Research, Punjab to boost maize production through developing high yielding varieties which have higher recovery for ethanol.

To meet rising demand from animal feed and bio-fuel makers, the government is aiming to increase production of maize by 10% to 42 million tonne (MT) by 2025-26 from 38 MT in 2022-23 crop year (July-June) through initiating measures such as crop diversification, cluster development for ethanol plants and involving private sector in seed development.

Sources said the agriculture ministry is currently working with Indian Institute of Maize Research, Punjab to boost maize production through developing high yielding varieties which have higher recovery for ethanol.

Officials said that developing high starch varieties to increase ethanol recovery is being worked out.

The agriculture ministry also identified 53 districts high yielding districts in Andhra Pradesh, Karnataka, Madhya Pradesh, Tamil Nadu, Telangana, Uttar Pradesh, West Bengal, Punjab and Bihar for expanding maize area.

The development of maize clusters around ethanol plants is being initiated by the agriculture ministry.

The ministry has urged private sector to leverage public private partnership for integrated agriculture value chain development scheme for maize to ethanol production.

Currently 10.74 million hectare (MH) is under maize output and the aim is to expand area by one MH in the next couple of years.

Under the crop diversification paddy, the focus is being given to divert paddy grown in Indo-Gangetic plains and north-western plans to maize.

In addition, under a plan approved, the farmers cooperative Nafed and National Cooperative Consumers Federation (NCCF) will purchase maize from the farmers at the Minimum Support Price (MSP) and supply to companies for ethanol production.

While globally maize is the primary feed-stock for ethanol production, it is used in India mostly for animal feed and industrial use.

Following the projected decline in sugar production this season (2023-24) which forced the government to restrict syrup supplies for ethanol making, the government is aiming at alternative feed-stock. “Use of sugar for ethanol has is limitations unless the area under sugarcane goes up, so we are looking to boost maize production,” an official told FE.

Meanwhile Ramesh Chand, member, Niti Aayog has stated there is a need to increase maize productivity to meet the target demand for ethanol production.

For increasing productivity, the agriculture ministry is focussing on improving kharif output through increasing use of climate resilient and pest resistant seeds and increasing area under hybrids.

Maize is grown during both kharif and rabi seasons. Karnataka, Madhya Pradesh and Maharashtra have close to 40% share in total output.

About 60-65% of the output of maize is used as poultry and animal feed while 20% is used for industrial use. Maize is the third most key cereal crop after rice and wheat.

Source: Financial Express, Wednesday, January 31, 2024

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Unhappy with lower yield, Western UP cane farmers may partly shift to maize

"Demand for maize will remain as ethanol makers are not able to procure the grain even when they are ready to pay ₹2,300/quintal and I have decided to shift a portion of my sugarcane field to maize next year," says Jitender Hooda, a farmer from Shamli district of Uttar Pradesh. Many farmers in western Uttar Pradesh complain that the yield of sugarcane this year has dropped by 10-13 per cent and they perceive the popular variety CO-0238 to be responsible for this drop.

Hooda, who on Tuesday reached Ludhiana to discuss with scientists of Indian Institute of Maize Research (IIMR) how beneficial it would be to shift from cane to maize and what needs to be done for the best yield, said he would start with one acre and produce seeds so that it can be spread and a cluster developed to get continued buying interest of ethanol companies.

"Though sugarcane is profitable, prices are not increasing the way it should. On the other hand, there is no maize available in our area even though agents of a distillery are searching for it and offering ₹2,300/quintal (as against MSP of ₹2,090)," Hooda said. He expects to double his profit by growing maize seeds from one acre. "I will grow maize three times in a year and if I do not get good rates, will again switch over to sugarcane. It is worth taking a risk," he said.

Though farmers think CO-0238 variety cane has not yielded good this year, Bakshi Ram, the breeder who has developed the variety, said the weather was to be blamed for the low productivity. "It is not due to variety. The climatic conditions that prevailed in April-May 2023 in western UP had reduced the yield and the other areas where the CO-0238 variety has been grown have not been affected," Ram told *businessline*.

Bad summer

There were 2-3 rounds of rain at that time in summer, which proved to be not good for sugarcane, he said. Whenever there is no good summer, cane yields normally drop as 'tillering' gets affected even though the height is good", he said. Besides, sugarcane crops in some districts like Saharanpur, Shamli, Bijnor and Muzzafarnagar got affected due to floods,unseasonal rain, he said.

Western UP has a share of 40-45 per cent in the State's sugar production. According to All India Sugar Trade Association, sugar production in UP, the largest sugarcane producing State, is set to be higher by 9.3 per cent at 11.7 million tonnes (mt) this season (October-September) from 10.7 mt last season. Indian Sugar Mills Association (ISMA) has said sugar output in Uttar Pradesh was at 4.57 mt until January 15 this season against 4.07 mt in the year-ago period and it will soon release the estimate for the entire season.

Some officials, however, said there would not be any impact on sugar production or the availability of sugarcane. "The yield of cane may be lower in western UP due to the current fog conditions for a longer period and once sunshine appears, the productivity too will be up. For mills, it is good that the recovery rate (from sugar produced out of cane) in western UP is higher by 0.3 per cent from last year, though overall recovery in the State is 0.8 per cent more," said a top official of a sugar mill.

Source: The Hindu Business Line, Wednesday, January 31, 2024

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Bharat rice to hit market, with price tag of Rs 29/kg

To curb rise in prices, the government has decided to sell subsidised grain through retail outlets under the Bharat rice initiative from next week, sources said.

To curb rise in prices, the government has decided to sell subsidised grain through retail outlets under the Bharat rice initiative from next week, sources said. A formal decision to sell rice at Rs 29/kg through retail outlets will be announced in the next couple of days.

The plan is to cool the retail prices of mass consumption rice varieties, which have remained stubbornly high despite curbs on certain exports and open market sales by the Food Corporation of India (FCI).

"The issue of high rice prices remains a concern, hopefully Bharat rice initiative may have some impact on bringing down prices," an official told FE. The official said that the domestic prices of rice are at elevated levels despite a record output, ample stocks with FCI in the pipeline and various restrictions and duties imposed on grain exports.

At present, the government is selling chana dal and atta (flour) at subsidised rates of Rs 60/kg and Rs 27.5/kg respectively under Bharat Dal and Bharat Atta initiatives. In addition FCI has sold more than 7 million tonne (MT) of wheat to bulk purchasers under the open market sale scheme froms its surplus stock so far.

Sources told FE that around 0.45 MT of non-fortified rice stock with the FCI will be initially offered for retail sales by agencies such as farmers' cooperative Nafed, National Cooperative Consumers Federation (NCCF) and Kendriya Bhandars.

There has been a lukewarm response to open market sale of surplus rice to bulk buyers by the FCI at subsidised rate of Rs 2900/quintal, below the economic cost of grain for 2022-23 at Rs 3,537/quintal.

Since July, 2023 FCI could sell only 0.16 MT of rice through weekly e-auctions so far against an allocation of 5 MT for the current year. Retail rice prices rose by 12.33% in December and rice prices are at an elevated level since October 2022. This is despite the government's attempt to sell surplus rice in the open market from the FCI stock.

The government has banned exports of white rice and imposed 20% export duties on par-boiled rice last year to improve domestic supplies. Currently, FCI holds 19.54 MT of rice stocks, excluding 37 MT receivable from millers. The rice stock is against the buffer of 7.61 MT for January 1.

Recently Food minister Piyush Goyal had stated that the FCI's open market sale scheme has proved to be an effective tool in moderating the prices of essential commodities like wheat. "Bharat Atta, Bharat Dal, interventions regarding Onion and Tomato have assisted Government of India in price stabilization," Goyal had said.

Source: Financial Express, Wednesday, January 31, 2024

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Green promises, grey realitites

Green promises, grey realities

Crop Residue Management Guidelines 2023-24 are favourable for the bioenergy industry but their implementation may face roadblocks due to challenges on the ground

VAANI KHANNA & RAHUL JAIN

The Government of India released Crop Residue Management (CRM) operational guidelines 2023-24 for Uttar Pradesh, Haryana, Punjab, Madhya Pradesh and the national capital territory of Delhi in July 2023.

The main objectives of the CRM guideline are to reduce the amount of pollution generated when stubble is burnt and to encourage more industry-farmer participation in the agri-residue supply chain to support bioenergy plants. Burning one tonne of paddy straw releases 3 kilogramme particulate matter, 60 kg CO, 1,460 kg CO_2, 199 kg ash and 2 kg SO_2 into the environment.

The CRM initiative can help avoid this pollution through the establishment of an agri-residue biomass supply chain from the farmers to the bioenergy industry like power generation units, compressed biogas (CBG) plants, 2G ethanol factories, which could strengthen their feedstock supply chain and benefit the biofuel industry as a whole.

Under the scheme, the machinery required for biomass aggregation that includes tractors, balers, rakers, among others would need a 65 per cent investment from the government, 25 per cent from the industry and the remaining 10 per cent from the farmer-producer organisation.

According to the guidelines, the indicative expenditure for setting up the paddy straw supply chain machinery comes up to around Rs 1 crore (for 3,000 tonnes paddy straw per season) and Rs 1.8 crore (for 4,500 tonnes paddy straw per season), out of which the government will give subsidy on the rounded off amount of Rs 1.5 crore.

The Department of Agriculture & Farmers Welfare (DA&FW) and State Agricultural Departments have been chosen as the central regulatory bodies for this scheme. The scheme aims to collect 1.5 million tonnes of paddy straw in the next three years by establishment of 333 collection centres with a total financial assistance of Rs 600 crore.

CRM project still lacks timeline, making it difficult to gauge the urgency with which the government wants to begin implementation

Machinery for biomass aggregation would need a 65 per cent investment from the government

The farmers and the industry both benefit from this scheme, as it becomes an extra source of income for the farmers and provides the industry with suppliers of feedstock.

The supply chain that can be built through this project will help the farmers and the industry identify one another and work together while gaining financially. Add to this the fact that this helps produce green energy, and it sounds like a win-win situation.

However, this CRM guidelines document was released in July, and the project still does not have a given timeline, making it difficult to gauge the urgency with which the government wants to begin implementation.

The Union Ministry of Petroleum and Natural Gas also posted on the microblogging platform X (formerly Twitter) on January 22, 2024 that the Centre has approved financial assistance of Rs 564.75 crore from FY 2023-24 to FY 2026-27 for compressed biogas producers to buy biomass machinery aiding biomass collection, with a subsidy cap of 50 per cent on the procurement cost. The scheme is expected to support 100 CBG plants in the first phase.

However, the details of the scheme have not yet been shared and it is unclear whether this applies to the Crop Residue Management project as well, or if the two are linked in any way.

Additionally, while the document is a progressive development from the last crop residue management initiative, some things could be clarified to help farmers and the industry execute this on the ground level.

The authors of the document noted that the farmers or the farmer-producer organisations (FPO) will get their subsidised amounts through direct beneficiary transfer, but there isn't any clarity on whether the transfer will happen to the equipment supplier after deducting the subsidy amount (which will then be credited to the equipment supplier's account), or if the farmers will have to pay the entire required amount in advance to the equipment supplier, and then avail the subsidy amount.

If it is the latter, it might be difficult for farmers to procure machinery even while contributing only 10 per cent of the share, as the required machinery for this project will be expensive and could be out-of-budget for most farmers intending to participate.

The farmers or the FPOs are also directed to identify and bargain with the industry independently. This would require the farmers to have adequate knowledge of the bioenergy industry in their area and the correct market price for their produce. Since the industry is just taking off, it is unfair to assume that the farmers would have this information already. Putting this much onus on the farmers might hinder the process of the scheme taking off as this would require a substantial amount of time and energy from the farmers.

The equipment purchased by the beneficiaries (farmer-producer organisations) and the industry will only be in use three months out of 12. Its utilisation and revenue-sharing model on the remaining nine months and the responsibilities of the industry and the beneficiaries respectively need to be laid out clearly in the guidelines document.

However, the CRM 2023-24 document, when compared with the CRM 2020-21 document, also showed the government's efforts in making the scheme more effective. The 2020-21 document focused solely on management of crop residue through custom hiring centres, while the 2023-24 document talked extensively about the use of this biomass in the bioenergy industry. The system is now more decentralised, making it easier for states and nodal agencies to establish a supply chain and focus on areas that need the most attention.

The bioenergy industry has been struggling with issues of financing, and identifying sources for procurement of feedstock. They have also been struggling as the prices of different kinds of feedstock increase. The CRM project ensures that the industry has suppliers (farmers) of feedstock while also supporting them financially. Farmers are also active shareholders in the bioenergy ecosystem rather than just raw material providers.

While the implementation of these guidelines may face some roadblocks due to the challenges one faces on ground, the scheme overall is a positive step in the direction of adoption of bioenergy in India. The aspect of decentralisation and involvement of all stakeholders will make it easier to make decisions and implement them on the ground level when one is not left waiting for approvals from the Centre. This change also benefits the farmers directly financially and in terms of capacity building. The early stages of the intervention may be a challenge, but this can bear good results in the long term. **DTE**

Views expressed are personal

Source: Millennium Post, Wednesday, January 31, 2024

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Agri start-ups get ₹14.6 cr at expo by IIM-Kashipur

A total of ₹14.6 crore has been disbursed to start-ups at “Uttishtha 2024”, the seventh edition of the agri start-up expo organised by the Foundation for Innovation and Entrepreneurship Development (FIED) and E-Cell at IIM-Kashipur, under the start-up support schemes.

Of this amount, ₹1.35 crore has been sanctioned to 13 agri-focused start-ups by RKVY RAFTAAR RABI scheme by the Union Ministry of Agriculture and Farmers Welfare in 2023-24, and ₹2.89 crore sanctioned to 13 start-ups under Startup India Seed Fund Scheme.

A media statement said a number of start-ups, which have been aided by IIM-Kashipur’s FIED, have raised ₹320 crore and more in funding from outside venture capital firms and angel investors.

Under the RKVY RAFTAAR RABI scheme, IIM-Kashipur FIED has provided funding and business training to around 200 start-ups since its founding in 2018.

Source: The Hindu Business Line, Wednesday, January 31, 2024

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Robusta coffee at record high on supply issues

Farmgate prices of robusta coffee have soared to record highs, bringing cheers to growers who are in the midst of picking the widely grown variety in the country.

The rally is tracking the global price trend, which are at a high on dip in inventories in key consuming regions of Europe and the disruption in the supply chain due to the developments in the Red Sea region.

Prices of robusta cherry, the widely produced coffee in the country, is hovering at a record high of ₹7,150-7,500 per 50 kg bag at the farmgate in Karnataka, up by 62-63 per cent over the year-ago period. Similarly, robusta parchment is ruling in the range of ₹12,100-12,400 levels, up 36-37 per cent over the year-ago period. Arabica parchment prices are trending at ₹14,300-14,600 levels, marginally lower than same period last year, while arabica cherry prices are higher by about a tenth at ₹7,900-8,100 levels.

Production costs up
"Prices are at a record high, but the production costs have also gone up. Growers are facing labour shortage to harvest their crop. The cost of harvesting has almost doubled due to the labour shortage issues," said HT Mohan Kumar, President, Karnataka Growers Forum.

The coffee picking costs, which were around ₹3-4 per kg last year have moved up to ₹6-7 per kg this year due to labour shortage, he said. Further, the labour shortage is likely to aggravate as everyone will be harvesting around the same time, Kumar said.

Robustas account for over two-thirds of the total coffees of around 3.5 lakh tonnes produced in the country, while arabicas account for the rest.

growers not selling
"Inventories are low with roasters and there's good demand for nearby shipments for immediate delivery in February-March," said Ramesh Rajah, President, Coffee Exporters Association. However, Indian exporters would not be able to take full advantage as arrivals are slow as growers are not selling their coffees anticipating higher prices, Rajah said. The supply chain disruption due to the developments in the Red Sea region have also contributed to the coffee price rise as the shipments to Europe have been delayed by 10-15 days with vessels taking a detour and longer route. "Buyers are anxious. The shipping costs per container have gone up by $1,500-1,800 and the transit time has gone up from 30-35 days to 45-50 days," Rajah said.

"The coffee market is on fire," said Praveen Kumar Kolimarla of Agrani Coffee and Commodities, who sources the beans for exporters and roasters. Robusta prices are at a 29-year highs on supply chain issues and lower inventories in the consuming markets. The increased use of robustas in coffee blends by roasters in recent years to keep prices under check during the Covid and economic crisis continues. As a result, there is good demand for robustas coffees and roasters are buying on need basis, Kolimarla said.

Source: The Hindu Business Line, Wednesday, January 31, 2024

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ECONOMY

IMF ups GDP forecast by 20 bps for FY25, FY26

good going. For the current fiscal, growth rate estimate is 6.7 per cent, 40 basis points higher than the earlier projection

A day after a Finance Ministry report said India's economic growth is expected at close to 7 per cent in the next fiscal, International Monetary Fund (IMF) projects growth rate at 6.5 per cent for the next two fiscals, 20 basis points higher than the previous projection. For the current fiscal, growth rate estimate is 6.7 per cent, 40 basis points higher than the earlier projection."Growth in India is projected to remain strong at 6.5 per cent in both 2024 (FY25) and 2025 (FY26), with an upgrade from October of 0.2 percentage point for both years, reflecting resilience in domestic demand," said IMF in its update on World Economic Outlook (WEO), which was released on Tuesday.

For the current fiscal, IMF estimates growth rate at 6.7 per cent against 7.2 per cent in FY23. Earlier, the National Statistical Office (NSO), in the first advance estimate for FY24, projected a growth rate of 7.3 per cent against 7.2 per cent in FY23.Many domestic and global research agencies expect growth rate in the range of 6.3 to 6.5 per cent with an upward bias. In a tweet, Finance Ministry attributed revision in current fiscal growth to the robust Q2 GDP out-turn.Further, it said: "The IMF has revised upward medium-term (potential) GDP growth to 6.5 per cent (from 6.3 per cent), reflecting strong public investment, positive labour market outcomes in the latest PLFS report, and adjustments to our model."

India growth story

According to the Ministry, IMF continues to view the external sector as strong and is narrowing its current account deficit projection for FY24 from 1.8 per cent (of GDP) to 1.6 per cent. "India continues to be the fastest-growing economy among the major economies of the world," said the Ministry.On Monday, a Finance Ministry report placed FY25 GDP growth close to 7 per cent, despite new geopolitical risks such as the Red Sea crisis, which could impact global inflation and economic output. The report said India can aspire to become a $7-trillion economy by 2030.

It also highlighted that the government's move to focus on capex-led growth strategy has paid rich dividends for the economy.Effectively, the capital expenditure of the public sector (including government capex, grants to the States for capital asset creation, and investment resources of the Central PSEs) has increased from ₹5.6-lakh crore in FY15 to ₹18.6-lakh crore in FY24, it highlighted.

Global economy

Meanwhile, the WEO update has upped growth forecast for the global economy. Global growth is projected at 3.1 per cent in 2024 (20 basis points higher than earlier forecast) and 3.2 per cent in 2025, on account of greater-than-expected resilience in the US and several large emerging market and developing economies, as well as fiscal support in China.The forecast for FY25 is, however, below the historical (2000-19) average of 3.8 per cent, with elevated central bank policy rates to fight inflation, a withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth.

Inflation is falling faster than expected in most regions in the midst of unwinding supply-side issues and restrictive monetary policy.Global headline inflation is expected to fall to 5.8 per cent in 2024 and to 4.4 per cent in 2025, with the 2025 forecast revised down, the update said.

An blog by Pierre-Olivier Gourinchas, the Economic Counsellor and the Director of Research, IMF, said: "The clouds are beginning to part. The global economy begins the final descent toward a soft landing, with inflation declining steadily and growth holding up. But the pace of expansion remains slow, and turbulence may lie ahead."Further, he said global activity proved resilient in the second half of last year, as demand and supply factors supported major economies.

On the demand side, stronger private and government spending sustained activity, despite tight monetary conditions. On the supply side, increased labour force participation, mended supply chains and cheaper energy and commodity prices helped, despite renewed geopolitical uncertainties, he added.

Source: The Hindu Business Line, Wednesday, January 31, 2024

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'India-US annual trade can more than double to $500 b'

India-US bilateral trade has the potential to increase to $500 billion annually, from the current $200 billion, riding on direct investments, joint ventures, partnerships, educational exchanges and tourism, Eric Garcetti, US Ambassador to India, has said.

The two countries need to give more geographical preference to each other on trade, as India did in the case of iPhones and may do with Tesla, Garcetti said at a seminar organised on Tuesday by the Indo-American Chamber of Commerce on strengthening Indo-US relationship.

Garcetti's reference to Tesla indicates that the US EV giant may be close to reaching a deal on India entry.

"Thanks to US Trade Representative Katherine Tai's leadership, we have now resolved all seven of our WTO disputes (with India). Our relationship has gone from cynical to sceptical to neutral to positive and ambitious about what we can accomplish together...," he said.

"Let us just try that. Just as India did so marvellously with the iPhone and soon may do with Tesla. Let us see if we can do with the entire country and *vice versa*. Ask it of us, so that India gets that preferential treatment when it comes to strategic and critical minerals that we need in our supply chain..," the envoy said.

FDI FLoWS shift

India needs to change its export policy and export controls if it wants to achieve its goals and attract more investments, Garcetti said. "We want FDI from China to shift here. FDI is not flowing into India at the pace it should be. Instead, it is going to South Asia, to Vietnam. I would selfishly want to see more of that happening to India. But for that I need your help."

Highlighting that CEOs of most top US companies were looking at India for investments but "opaque tax structures" were still a barrier, he said: "When we break down the walls, whether they are bureaucratic, taxation, regulatory, or part of our federal system, it can only release more jobs, prosperity and strength."

Source: The Hindu Business Line, Wednesday, January 31, 2024

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IMF sketches a brighter view of global economy, upgrading growth forecast and seeing lower inflation

In its latest outlook, the 190-country lending agency said Tuesday that it now expects the global economy to grow 3.1% this year, unchanged from 2023 but better than the 2.9% it had predicted for 2024 in its previous estimate in October.

The International Monetary Fund has upgraded its outlook for the world economy this year, envisioning resilient growth led by the United States and a slower pace of inflation.In its latest outlook, the 190-country lending agency said Tuesday that it now expects the global economy to grow 3.1% this year, unchanged from 2023 but better than the 2.9% it had predicted for 2024 in its previous estimate in October.

Worldwide, the IMF thinks inflation will ease from 6.8% in 2023 to 5.8% in 2024 and 4.4% in 2025. In the most advanced economies, the agency expects inflation to drop this year to 2.6% and next year to the 2% level that the Federal Reserve and some other central banks have set as a target.The combination of steady growth and falling inflation has raised hopes for a so-called soft landing for the global economy – a slowdown sufficient to contain inflation without causing a recession.“We are now in the final descent toward a soft landing,” Pierre-Olivier Gourinchas, the IMF’s chief economist, told reporters ahead of the report’s release.

The forecast for overall global growth this year and next (3.2%) trails the 3.8% average from 2000 to 2019. That is partly because the Fed and other central banks aggressively raised interest rates to fight high inflation, and the resulting higher borrowing costs have slowed spending and investment.Gourinchas said he expects “relatively limited” economic damage from the attacks by Yemen-based Houthi rebels on shipping in the Red Sea. The attacks have forced container ships carrying cargo between Asia and Europe to avoid the Suez Canal and instead take the long way around the tip of Africa, thereby delaying and disrupting shipments and raising freight charges. But Gourinchas said that for now, the Red Sea disruptions don’t seem to be “a major source of reigniting supply side inflation,” which arose from far more severe shipping backlogs in 2021 and 2022.

For the United States, the world’s largest economy, the IMF sharply marked up its estimate for growth this year – to 2.1% from the 1.5% it had penciled in three months ago. The US economy expanded 2.5% in 2023 after an unexpected burst of year-end growth fuelled by consumers willing to spend despite higher borrowing costs.The outlook for the slumping Chinese economy was also upgraded by the IMF. It now expects the world’s second-biggest economy to grow 4.6% this year, up from the 4.2% it had forecast in October but down from 5.2% growth in 2023. Government spending has helped offset the damage from a collapse in the Chinese housing market.“There was a lot of resilience in many, many parts of the world,” Gourinchas said, singling out Brazil, India, Southeast Asia and Russia, which has remained surprisingly sturdy in the face of Western sanctions imposed after its invasion of Ukraine.

But the IMF downgraded the outlook for some places. Europe, for example, continues to struggle with dispirited consumers and the lingering effects of the energy price shock caused by the Russian invasion of Ukraine. The IMF expects the 20 countries that share the euro currency to collectively grow a meagre 0.9% this year. That would be up from 0.5% growth in 2023 but down from the IMF’s October forecast of 1.2% growth for the eurozone this year.

The IMF also modestly downgraded the outlook for the Japanese economy, to 0.9%, a drop from 1.9% growth in 2023.The improving inflation outlook is a result of higher interest rates, the end of the supply chain backlogs of the past couple of years, more workers entering the job market and lower energy prices after the spike caused by the Ukraine war. The IMF expects oil prices, which plunged 16% in 2023, to fall a further 2.3% this year and 4.8% in 2025.The world economy still faces risks. One is that financial markets have become too confident that the Fed will reverse course and start cutting rates as early as its meeting in March.

Gourinchas said he doesn’t expect the rate-cutting to start until the second half of 2024. Disappointed investors could drive down stock prices if they don’t see lower rates as soon as they hoped.Another is that geopolitical tensions, especially between the United States and China, could disrupt world trade. Gourinchas suggested that some of President Joe Biden’s economic policies, including those that benefit American producers of computer chips and green technology, could violate World Trade Organisation rules.The IMF expects world trade to grow just 3.3% this year and 3.6% in 2025, below the historical average of 4.9%.

Source: Financial Express, Wednesday, January 31, 2024

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Rupee-dollar exchange rate could witness higher volatility

The rupee remained stable over the dollar in the past week. It closed at 83.11 on Tuesday compared to 83.16 last week

The Indian currency remained flat despite challenges like foreign outflows and rising crude oil prices.

According to NSDL (National Securities Depository Limited), the net FPI (Foreign Portfolio Investors) outflow over the past week stood at nearly $580 million. Besides, the brent crude oil price has gone past $80-mark.

In spite of certain factors going against it, the rupee stayed steady as the dollar stayed in a consolidation phase ahead of the policy announcement by the Federal Reserve on Wednesday.

While the market does not expect a rate cut this time, there is an expectation of some clarity on how the path ahead could be for the interest rate. Besides being an election year, India will announce its interim budget on February 1. These factors could impact the exchange rate of dollar-rupee considerably. Below is an analysis of charts.

Chart

For the past couple of weeks, the rupee has been moving in the tight range of 83-83.20. The broader range is 82.80-83.50. Until the rupee moves out of the broader range, the next leg of trend will remain uncertain.

The above-mentioned events may push dollar-rupee out of the range. If the rupee rallies past 83, it can touch 82.80. A breakout of 82.80 can trigger a rally to 82.50 or even to 82.25.

On the other hand, if rupee slips below 83.20, it will most likely drop to 83.50. A breach of this support can lead to a downswing to 84 in the short-term and to possibly to 85 in the medium-term.

The Dollar Index (DXY) is trading in the narrow range of 103-103.80 over the past two weeks. The Fed announcement can trigger a move in DXY. A break above 103.80 can result in a quick short-term rally to 105. But if it falls below 103, it can be dragged to 102 or to 101.

Outlook

The outcome of events like the interim budget and the policy actions of the Fed is likely to impact the dollar-rupee exchange rate. But as it stands, the direction is unclear. So, market participants should stay cautious.

Source: The Hindu Business Line, Wednesday, January 31, 2024

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