The Fertiliser Association of India

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Current News

Current news on the latest developments in fertiliser, 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

Monsoon fails Southern coastal States yet again

Proximity to the sea is not enough to guarantee coastal regions in the South adequate rainfall as is brought out by the performance of the monsoons in the last two years. Kerala, Coastal Karnataka, Tamil Nadu and Puducherry, and to some extent coastal Andhra Pradesh, have witnessed this trend during the last two years.

Bids farewell

On Monday, the India Met Department (IMD) declared that the North-East monsoon for the year 2017 has come to an end. Just two Met subdivisions — North Interior Karnataka (+7 per cent) and Rayalaseema (+19 per cent) — emerged top gainers.

Year-to-year rainfall trend for South

Met Sub-Division	South-West Monsoon (June 1 to Sept 30) (in %)		North-East Monsoon (Oct 1-Dec 31) (in %)	
	2016	2017	2016	2017
Tamil Nadu and Puducherry	-20	+31	-62	-10
Kerala	-34	-9	-62	-7
South Interior Karnataka	22	+2	-70	-4
North Interior Karnataka	+4	+3	-77	+7
Coastal Karnataka	-21	-16	-63	-18
Rayalaseema	-2	+27	-66	+19
Telangana	+19	-13	-40	0
Coastal Andhra Pradesh	+15	+14	-67	-48

* Source IMD **Rainfall legend**⇨ Excess: + 20% to +59% Normal: +19% to -19% Deficient: -20% to -59%

Met subdivisions

Interestingly, these two were also among the worst sufferers of a disastrous season the year before with massive rain deficits respectively of -77 per cent and -66 per cent. But the preceding South-West monsoon too had turned out to be good with North Interior Karnataka receiving +3 per cent rainfall and Rayalaseema doing one better at +27 per cent.

The two monsoons have, by turns, sought to balance the record for individual Met subdivisions except in the case of Coastal Karnataka, and to a lesser extent to Kerala and Tamil Nadu and Puducherry, in that order. Coastal Karnataka has literally drawn a blank during the South-West and North-East monsoon with deficits of -21 per cent, -63 per cent, -16 per cent, and -18 per cent consecutively during the last two years.

TN, Kerala data

As for Kerala, these figures were -34 per cent and -62 per cent during 2016 though somewhat better at -9 per cent and -7 per cent during 2017. Rainfall between +19 per cent and -19 per cent of the long-period average is considered ‘normal’ in the IMD parlance. In the case of Tamil Nadu, the 2017 South-West monsoon delivered a spectacular +31 per cent surplus. But it had come on the back of a big -62 per cent deficit during the 2016 North-East monsoon and -20 per cent during the preceding South-West monsoon. Coastal Andhra Pradesh saw deficit North-East monsoons in 2016 and 2017 but gave a good account of itself during the respective South-West monsoons with +15 per cent and +14 per cent.

(This article was published on January 16, 2018)

Source: The Hindu Business Line, Wednesday, January 17, 2018

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ENERGY

After Qatar and Australia, Russia lowers LNG price for India

After Qatar and Australia, India has got Russia to lower price of liquefied natural gas (LNG) to be imported from May that will help save millions of dollars in import bill.

January 16, 2018

After Qatar and Australia, India has got Russia to lower price of liquefied natural gas (LNG) to be imported from May that will help save millions of dollars in import bill. State gas utility GAIL India Ltd has convinced Russia's Gazprom to lower price of gas under a 20-year deal as well as defer delivery of some of the quantities by 3-4 years, sources privy to the development said. GAIL had in 2012 signed a 20-year deal to import 2.5 million tonnes per annum of LNG from now-cancelled Shtokman LNG in the Barents Sea. Gas under this contract was indexed to average price of customs cleared crude oil imports by Japan, called Japan Customs-cleared Crude or JCC. Deliveries were to start from second quarter of 2018.

Sources said the benchmark has been changed to Brent crude oil with lower indexation. Exact price changes were not immediately known. Also, deliveries have been staggered. GAIL will begin with 0.5 million tonnes (MT) buy in the first year, which will be ramped up to 0.75 MT in the following year and then to 1.5 MT in the year thereafter. Entire 2.5 MT would start flowing only in year four or five, sources said, adding that the quantities not taken initially would be bought during the remaining period of the contract. Gazprom will supply LNG from Yamal LNG project in the Arctic peninsula, they said, adding that supplies have been delayed due to weak demand at home.

The intervening period would be used to find customers for the Russian gas. Last year, India got US energy major Exxon Mobil Corp to lower price of LNG from Gorgon project in Australia, saving Rs 4,000 crore in import bill. In late 2015, it had renegotiated price of the long-term deal to import 7.5 million tonnes per year of LNG from Qatar, helping save Rs 8,000 crore. In a press statement, GAIL said it has "successfully re-negotiating the long-term LNG Sale and Purchase Agreement (SPA) originally signed in the year 2012". Without giving details of the changes, it said an amendment to the contract was signed today.

A long-term LNG Sale and Purchase Agreement building up to 2.5 million tonnes per annum of LNG on DES (Discharge-ex-Ship) basis was executed by GAIL with Gazprom Marketing & Trading Singapore (GMTS) in the year 2012, the supplies under which are scheduled to start in Q2 2018. "The two parties have agreed to an adjustment to the price and volume of LNG supply thus enabling GAIL to develop incremental gas markets to offtake these volumes thereby mitigating volume risk," it said. The deal, the statement said, is a step for GAIL to diversify LNG portfolio by spreading price reference indices across multiple geographies so as to provide consumers greater flexibility in service.

"This chapter of relationship between the two companies opens up exploration of further opportunities in portfolio optimisation and LNG swap dealings for mutually beneficial outcomes," it said. The SPA signed in 2012 is a 20-year LNG sales and purchase agreement following the signing of an earlier Basic Framework Agreement (BFA) by the two companies on 18 May 2011. With start of the LNG supplies from USA and Gazprom in 2018, GAIL's LNG portfolio would increase multi-fold bringing it in the league of some of the largest traders of LNG in the world. India has used its status of Asia's third largest LNG buyer to renegotiate deals with Australia and Qatar. Petronet LNG Ltd, India's biggest importer of liquefied natural gas, in August 2009 signed a 20-year deal to buy 1.44 million tonnes of LNG from Exxon's share in the Gorgon project in Australia. The deliveries under the contract started last year.

Exxon Mobil Corp has agreed to charge 13.9 per cent of the prevailing Brent oil price at the port of delivery rather than previously decided 14.5 per cent of the oil rate at the port of loading. The delivered price was considered too high and so price was renegotiated. Delivered ex ship (DES) is a trade term requiring the seller to deliver goods to a buyer at an agreed port of arrival. Under FOB, the buyer has to make the shipping arrangement. India had renegotiated in 2015 the LNG pricing formula with Qatar's RasGas to buy the gas at half the original price.

Source: The Financial Express, Wednesday, January 17, 2018

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Reliance Industries declares 30% higher refinery capacity at Jamnagar plant

Reliance Industries has declared a 30% increase in the installed capacity of its export-focused oil refinery in the special economic zone in Gujarat's Jamnagar

Jan 16 2018

India's Reliance Industries has declared a 30% increase in the installed capacity of its export-focused oil refinery, a government report showed, increasing the size the world's largest refinery complex. India's Petroleum Planning & Analysis Cell (PPAC) in its October report showed 35.2 million tonnes a year as the installed capacity of Reliance's refinery in the special economic zone (SEZ) at Jamnagar, in northwest India. That is up from 27 million tonnes, or 540,000 barrels per day (bpd), as of 1 April that PPAC reported in an August 2017 report.

The new capacity is the equivalent of 704,000 bpd of crude processing. Reliance built its first refinery at Jamnagar with an installed capacity of 660,000 bpd in 1999. This refinery sells most of its fuels in the local market. The SEZ plant was added in 2008 and turned the entire Jamnagar complex into the world's largest oil processing site.

Two sources familiar with the matter confirmed that Reliance has declared the increased SEZ capacity, which they said the company attributed to debottlenecking, or a by streamlining the processes at the plant. "They have declared enhanced capacity," said one of the sources by telephone, without provided details on how the company raised the capacity.

Reliance has been consistently operating its export-oriented refinery at a rate higher than the nameplate capacity Reliance had no immediate comment on the increase when contacted by *Reuters*. Although most of the products from the SEZ plant are meant for overseas market, some like cooking gas are sold in local markets.

Reliance's refineries are among the most complex in the world and have facilities that can maximize the production of diesel and gasoline from so-called heavy, or higher density, crude oil that typically sells for less than other crude grades. Reliance, in a presentation to India's Center for High Technology (CHT), said it wanted to raise the capacity of its Jamnagar complex to 100 million tonnes a year by 2030, sources last year told *Reuters*.

CHT is a unit of the Ministry of Petroleum and Natural Gas that evaluates projects and assesses their technological requirements.

Source: Livemint, Wednesday, January 17, 2018

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India Pitches Bigger Oil Resource Pie in Bid to Lure Investments

January 16, 2018

India has increased the size of its oil and natural gas resources by 50 percent because of better data, according to the country's oil regulator. The South Asian nation has raised its potential hydrocarbon resources to about 42 billion metric tons from the 28 billion estimated more than two decades ago, said Atanu Chakraborty, head of the Directorate General of Hydrocarbons. Little more than a quarter of that has been proven, leaving scope for new players to unlock the remainder through exploration, he said.

"There are about 222 billion barrels of oil and oil equivalent gas yet-to-be-found resources in India," Chakraborty said in an interview at his office near New Delhi. "It's a whole lot for which investors will be looking on very eagerly."

India is one of the world's fastest growing energy consumers and Prime Minister Narendra Modi is allowing investors the rare freedom of deciding the areas they want to drill in as he seeks to boost production and cut India's oil imports by 10 percent by 2022. The world's biggest explorers have largely shunned exploring in India, often preferring to put their money into countries with better prospects. Now, India is offering incentives including simpler permits, tax breaks and freedom from pricing restrictions to attract explorers and expertise.

Open Acreage

As many as 55 blocks will be auctioned on Jan. 18 covering about 60,000 square kilometers (23,166 square miles.) These blocks have been carved out by explorers themselves, under the so-called Open-Acreage Licensing Program that was introduced in June last year. The blocks will be awarded to winning bidders by June, Chakraborty said. The agency has received interest mostly for areas in the northeastern state of Assam, the country's oldest oil-producing region, and the states of Rajasthan and Gujarat in the west.

The country's total sedimentary area has also expanded to 3.3 million square kilometers from 3.14 million, Chakraborty said. India is spending more than 29 billion rupees ($453 million) for appraising new areas, comprising more than half of its sedimentary area.

Modi's government is seeking to gather data of hydrocarbon resources for the nation's entire exploitable area by 2019 under the National Seismic Program, which will further boost oil and gas prospects and attract exploration.

"God has not changed anything, but our knowledge of petroleum availability has increased," Chakraborty said. "As more data is available, higher will be exploration and larger will be our reserve accretion."

Source: www.bloomberg.com, Wednesday, January 17, 2018

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India's imports of Iran oil in December scheduled to rise to most since March: Source

Jan 16, 2018

India was scheduled to lift its biggest volume of Iranian crude in nine months in December, helping to shore up the OPEC producer's oil exports to Asia last month, said a person with knowledge of the country's tanker loading schedule.

Asian buyers were scheduled to lift 1.92 million barrels per day (bpd) of Iranian crude in December, down 7 percent from the actual loadings in the previous month, the source said.

India's scheduled crude oil loadings from Iran, excluding condensate, an ultra-light oil, were about 550,000 bpd last month, up 78 percent from the previous month and the highest since March, according to the source. That more than offset monthly declines in liftings by three other major Asian buyers, China, South Korea and Japan. Details on condensate loadings for December are not yet available.

Taiwan also loaded Iranian oil last month.

Source: epaper.financialexpress.com, Wednesday, January 17, 2018

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U.S. oil industry set to break record, upend global trade

January 16, 2018

Surging shale production is poised to push U.S. oil output to more than 10 million barrels per day - toppling a record set in 1970 and crossing a threshold few could have imagined even a decade ago. And this new record, expected within days, likely won't last long. The U.S. government forecasts that the nation's production will climb to 11 million barrels a day by late 2019, a level that would rival Russia, the world's top producer.

The economic and political impacts of soaring U.S. output are breathtaking, cutting the nation's oil imports by a fifth over a decade, providing high-paying jobs in rural communities and lowering consumer prices for domestic gasoline by 37 percent from a 2008 peak. Fears of dire energy shortages that gripped the country in the 1970s have been replaced by a presidential policy of global "energy dominance."

"It has had incredibly positive impacts for the U.S. economy, for the workforce and even our reduced carbon footprint" as shale natural gas has displaced coal at power plants, said John England, head of consultancy Deloitte's U.S. energy and resources practice. U.S. energy exports now compete with Middle East oil for buyers in Asia. Daily trading volumes of U.S. oil futures contracts have more doubled in the past decade, averaging more than 1.2 billion barrels per day in 2017, according to exchange operator CME Group.

The U.S. oil price benchmark, West Texas Intermediate crude, is now watched closely worldwide by foreign customers of U.S. gasoline, diesel and crude. The question of whether the shale sector can continue at this pace remains an open debate. The rapid growth has stirred concerns that the industry is already peaking and that production forecasts are too optimistic.

The costs of labor and contracted services have recently risen sharply in the most active oilfields; drillable land prices have soared; and some shale financiers are calling on producers to focus on improving short-term returns rather than expanding drilling.

Source: epaper.financialexpress.com, Wednesday, January 17, 2018

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AGRICULTURE

Farm exports post 18% growth in April-October

'Indus Food' to generate biz worth $1.5-2.5 billion

Agricultural exports from India grew 18 per cent to $21 billion in the April-October 2017-18 period compared to just 5 per cent in 2016-17, according to a government official. The Commerce Ministry will put up a draft Agricultural Export Policy for stakeholders' comments which will aim at boosting exports by identifying new markets, niche products and involving states, Commerce Joint Secretary Santosh Sarangi said at a press conference on India's mega international food and beverage trade show - Indus Food beginning on January 18.

The two-day global food trade fair will see the participation of over 400 exhibitors and attract buyers from about 43 countries resulting in a business of an estimated $1.5 billion-$2.5 billion, according to government estimates. "Once the draft Agricultural Export Policy is approved by the Commerce Minister, we will put it up online for stakeholders' comments and suggestions," Sarangi said, adding that the policy will be placed before the Cabinet only if the final document includes provisions that would need approval at the top level.

Export of agricultural produce must touch around $60 billion by 2020 (double from the level of $31 billion in 2015) to help double farmers' incomes in line with the Prime Minister's stated policy. "Exports can be increased largely by focussing on value addition and bringing down wastage through pre and post-harvest interventions," Sarangi said.

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ECONOMY

Food subsidy bill may swell by 10% in 2018-19 budget

The Centre's food subsidy bill is likely to go up by 10 per cent to around Rs. 1.60 lakh crore in the 2018-19 budget due to rise in minimum support prices but no change in subsidised rates of foodgrains, sources said. The 2018-19 Union Budget will be presented on February 1.

Since November 2016, the government is implementing the National Food Security Act, under which foodgrains are supplied every month at a highly subsidised rates of Rs. 1–3 per kg to over 80 crore people in the country. "For the 2017–18 fiscal, the government has earmarked Rs. 1,45,338 crore for food subsidy. This is likely to increase by at least 10 per cent in the 2018–19 fiscal," sources said.

The total budget allocation for the food ministry is also expected to increase to Rs. 2.20 lakh crore (inclusive of food subsidy) in the next fiscal from Rs. 1.96 lakh crore in this year, the sources added. The food bill is expected to rise in 2018–19 because of about 7–8 per cent increase in the minimum support price (MSP) of rice and wheat, which are supplied to the poor at subsidised rates via ration shops.

Also, the Centre has decided not to hike the issue price of wheat and rice, which at present is Rs. 2/kg and Rs. 3/kg, respectively, at least till June 2018, the sources said. "The issue price is likely to be kept unchanged in 2018–19 and therefore the total food bill will increase. The government will bear the subsidy burden," the sources said.

Sources also said that the focus of the food ministry in the next fiscal would be on making ration shops portable within a district initially and later within a state. This will help beneficiaries buy subsidised grain in any of the ration shop located in a district. Also, the ongoing programmes of computerising the public distribution system (PDS) will continue next year.

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Five smart steps to a better GST regime

It's not only software, but rules and forms, rates and thresholds that need to be rehauled

With the issuance of one crore GST Identification Numbers (GSTIN), the goods and services tax has become world's most extensive tax system. In the last six months, the GST Council has lowered rates for many products, extended deadlines for filing of returns, and introduced an exemption system for exports. All these changes were demanded by domestic businesses. These are sure signs of an open and receptive government. However, the GST remains a work-in-progress despite introducing many positives to doing business in India. Some corrections in five key areas will make it more inclusive and efficient.

OF ERRORS AND LIMITS

1. Make GSTN fully functional. In the beginning, everything GST was to be online through the GST Network (GSTN). Firms were to file periodic online returns, pay GST and be done away with it. But as the GSTN is still not fully functional, manual processes crept in to keep the business going. Even the most central feature of GST, invoice matching or the matching of information provided by the buyer and seller, could not take off. So, even though a seller has paid the full price to the buyer, she has no means of knowing if the buyer has paid GST to the Government.

In any future dispute, she will have to refund the tax money to the Government with interest for no fault of her. The idea of matching a large number of invoices at the product level, and integrating large, complicated forms into the system is proving too ambitious and needs a quick rethink.

Come February, GSTN will also be required to generate eWay bills for movement of goods of value more than ₹50,000 beyond 10 km. The supplier and the trucker will have to pre-upload the details on the GSTN. Error-free GSTN is a precondition to issuing eWay bills on time. Any delay will stop the movement of trucks and the business.

2. Raise the GST exemption limit from the current ₹20 lakh to ₹1 crore. Today, a shop owner selling goods of value ₹2 lakh a month earns ₹20,000 at 10 per cent profit. Can we imagine him filing 37 returns online every year?

With the raising of the GST exemption limit, the Government will not lose even 5 per cent of the revenue. Consider this: The top 10,000 firms effect 90 per cent of India's exports, pay 95 per cent of central excise (pre-GST), and 90 per cent customs duties. Similarly, the most GST is paid by a few thousand firms.

The GST rules should also allow small unregistered firms to export and sell in other States, on the e-commerce websites. These steps will help small and informal businesses which create 90 per cent of the jobs, flourish and transition to the formal sector. The taxes paid by these firms in buying the inputs will remain with the Government as they do not get Input Tax Credit. The low number of businesses will also reduce the load on GSTN and tax administration.

RATES, EXPORTS, IMPORT PARITY

3. Simplify rates. Most products fall under five GST rates (in per cent): 0, 5, 12, 18 and 28. These rates represent the taxes charged on a product pre-GST. Reducing the number of rate categories will make tax administration easy, but revenue pressure may not allow this to happen immediately. But we can go easy on a large number of items with negligible revenue implications. Past VAT and central excise, and current GST data will identify such items.

4. Exempt exports from payment of GST or automate refund process. The Government collects GST from exporters only to refund it later. This is because GST is a tax on domestic consumption while exports go out of the country. The GST refund process blocks exporters' money for a long time and affects their competitiveness. The Government promised to refund 90 per cent of the money within seven days of making an application after export. But this did not happen. Most exporters have not received refunds of the taxes paid due to the complicated application process, confusion in refund calculation criteria and lack of awareness at the field level. Improvements would need a better functioning GSTN and clear refund guidelines.

5. Import parity. GST has made imports cheaper for products where the tax on finished goods is lower than the tax on raw materials. For example, GST on yarn is 12 per cent while GST on its raw material fiber is 18 per cent. In such cases, the domestic manufacturer is not able to use the excess credit and add this to the price of yarn. As a result, the effective GST rate on yarn increases from 12 per cent to 14 per cent for domestic sale. For imports it remains 12 per cent, making imports cheap. An increase in the Basic Customs Duty for such products will allow local manufacturers to enjoy the same level of protection from imports that existed pre-GST.

WAY TO GO

The GST rules, laws and rates are in place and operational. Replacing 17 Central and State taxes and 35 tax administrations with one GST and one tax administration across the country was no mean feat. It is facilitating large-scale tax collection. During July-Nov 2017, 53 lakh entities filed 3.5 crore returns and paid GST of ₹4.4 lakh crore. But like any system of this size and complexity, it needs constant improvements. Without 100 per cent online GST operations, the vices of the earlier system will return. But software persons alone cannot get us there. We also need to revisit the rules and forms, rates and thresholds. Addressing these five concerns will cut operational cost, reduce GSTN's load and help small firms.

------- by Ajay Srivastava, *He is an Indian Trade Service officer. The views are personal*

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