Date: 07/04/16 **ATLANTIC REPORT NO 14/16**

SUB: LIQUID/DRY COMMODITIES SCENARIO/PORT AND OTHER DEVELOPMENTS –INDIA

We give below our report on the subject for your kind info and record:

A) LIQUID COMMODITIES SCENARIO

1) INDIA LOSING GROUND IN GLOBAL OILMEAL MARKET.

India is gradually vanishing from the global oilmeal map due to higher domestic price and lower crop. Total oilmeal exports have declined sharply by about 87 per cent in value terms over past three years, revealing the growing insignificance of India's oil meal shipments. overall oilmeal exports in quantity terms declining by over 72 per cent in the past three years, from 4,381,994 tonnes in 2013-14 to 1,184,441 tonnes in 2015-16. Compared to last year's 2,465,663 tonnes, exports this year have halved. The shrinking presence of India's oilmeals is evident from the fact that India has already lost important oilmeal export markets such as Vietnam, Iran and Europe to competing suppliers from North and South America. Exports to South Korea, Thailand, Indonesia, Taiwan, Iran, Vietnam, Myanmar and Cambodia have drastically come down due to severe competition from other origins including China. Even Bangladesh – which was one of the major importers of soyameal and rapeseed meal from India – has started importing soyabean directly to feed local crushing. Similarly, Pakistan also started importing soyabean, apart from rapeseed for domestic crushing.

2) OIL PSUs TO DEVELOP CRUDE IMPORT POLICY

Public sector oil companies will now have greater independence with regard to import of crude oil after the government of India gave its nod to empower such firms for developing their own policy for sourcing the hydrocarbon. the oil sector PSUs will be empowered to evolve their own policies for import of crude oil consistent with the guidelines of the Central Vigilance Commission and get them approved by their respective board of directors. Such freedom could enable companies to source more from the spot market if they choose to do so and also they could choose to import more through long term contracts. Basically, oil PSUs will have more operational and commercial flexibility. The crude import policy needs to be modified to bring it in tune with current needs. The current market practices for purchase of crude oil on spot basis also need to be adopted to compete effectively in the market. The current policy has certain limitations and restrictions in this regard which has now been done away.

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B) DRY COMMODITIES SCENARIO

1) SCRAP CUSTOMS DUTY ON BAUXITE ORE EXPORTS

The low grade bauxite exporters from Gujarat have urged the Centre to remove customs duty of 15 per cent as it was done in the case of iron ore in the recent Budget. Inferior bauxite ores available in Gujarat and Maharashtra are not useable by domestic metal manufacturers as it has low alumina and high silica content. About 80 per cent of India's bauxite reserves are in Odisha and Andhra Pradesh where the integrated alumina and aluminium plants are located. The Union government made iron ore exports duty free from earlier level of 30 per cent in the Budget. A few small mine owners and export aggregators in Gujarat over the decade have taken initiative to find a market for the inferior ore and succeeded in developing a sustainable "mining industry" which generates direct and indirect employment to over 50,000 people.

2) LOW COAL IMPORT DROP IN IRON ORE EXPORTS TO HIT CARGO GROWTH

Lower coal imports in view of delays in execution of greenfield power projects and a likely drop in iron ore export volumes may have an adverse impact on cargo growth of ports in the medium term. The near to medium term outlook remains subdued on account of uncertainty associated with particular cargo categories like imported coal (due to ramp up in domestic coal production and persisting delays in execution of Greenfield power projects) and containers (due to the relatively weak global environment affecting exim trade)." despite the lifting of mining ban in key states, iron ore export volumes are also expected to be modest over the near term at least.

C) CONTAINER SERVICES-NIL

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D) PORT DEVELOPMENTS

1) VIZAG PORT TAKES SLEW OF STEPS TO MAKE DOING BUSINESS EASIER

The Visakhapatnam port is taking several steps to make it easy for port users as a part of promoting ease of doing business, according to its Chairman. He was speaking at the National Maritime Day celebrations here today. He said the theme of the 'Merchant Navy Flag Day' and the National Maritime Day (both falls on April 5 every year) is "ease of doing business in the maritime sector.' The port handled 57-58 million tonnes of cargo during the financial year ended March 31 and it was preparing for a more challenging year as the competition from private ports was increasing. Several projects were under way in the port to enhance its efficiency and bring down costs. Deputy Chairman of the port, said ERP was introduced in the port and several new modules would be launched to make the documentation process easier for port users

2) PARADIP PORT ACHIEVES RECORD 76.38 MT THROUGHPUT

Paradip Port achieved its highest ever throughput of 76.38 million tonnes (mt) during 2015-16 as against the previous year's 71.01 MT. With this 7.57 per cent growth, PPT retained its 2nd position in cargo throughput among all major ports consecutively for the last three years, the port authority said in a statement. Pardip Port Trust said it recorded all-time high handling performance for the major commodities such as coal, iron ore pellets and petroleum products.It has handled 23.76 mt (21.33 mt) of thermal coal during the year. It has loaded record 2.33 mt of iron ore pellets and handled 20.56 MT of petroleum products.

E) OTHER DEVELOPMENTS

1) GOVERNMENT LOWERS FREIGHT TARGET FOR PORTS

The government has scaled down the freight handling target of major ports for the year 2016-17 after they failed to achieve 695 million tonnes set by the Shipping Ministry for 2015-16 as a global slowdown affected cargo volumes, several port officials said 13 major ports in the country ended 2015-16 by recording a moderate growth of 4.13 per cent over the year-ago period by handling 606.37 million tonnes of cargo.The officials also cited several other reasons for the ports missing out on cargo targets including European economic crisis, ban on export of iron ore by some states, a drop in imports from China and decrease in industrial output in India. The target for 2016-17 to 644 million tonnes, lower by nearly 51 million tonnes from the 695 million tonnes fixed for 2015-16.

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F) WEATHER/STRIKE- NIL

G) INTERNATIONAL HIGHLIGHTS

1) ESSAR OIL UK TURNS AROUND STANLOW REFINERY

Close to five years after its acquisition of Royal Dutch Shell Plc's loss-making Stanlow Refinery in England, Essar Oil UK has successfully completed the first phase of the turnaround with the refinery posting $187 million net profit for the fiscal 2015-16. In 2015-16, the refinery operated at around 200,000 barrels per day, producing nearly 16 per of the UK's transport fuel and serving the key markets of Liverpool, Birmingham, Manchester and other parts of north-west United Kingdom. In 2011-12, before Essar took over the refinery it operated at 210,000 barrels per day. One of the keys to the turnaround was the shutdown of a crude distillation unit, which brought down the nameplate capacity but significantly improved margins. The company exited the lubes, fuel oil and bitumen business due to this shut down. The refinery is also processing 25 new crude oil variants, including some heavy crude, which is rich in sulphur.

2) SINGAPORE GRANTS 10% PORT DUES CONCESSION FOR BULK CARRIERS

The Singapore port authority will grant a 10% concession on port dues for dry bulk carriers starting from 15 April 2016, in view of the severe downturn in the shipping sector. The Maritime and Port Authority of Singapore (MPA) said the concession will be applicable to vessels carrying out cargo works with a port stay of not more than five days, and the concession will be in place for one year. The latest government aid follows MPA's announcement in January this year of an additional 10% concession on port dues granted to containerships carrying out cargo works with a port stay of not more than five days. The concession was on top of existing port dues concessions such as the Green Port Programme incentives and the 20% concession first introduced in 1996.

Thanks and Regards

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