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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) PRICE, NOT DISTANCE, WILL BE THE KEY FOR CRUDE OIL PURCHASE FROM USA.

Crude oil imported from America is not cheap and a charter from the US takes 40-45 days to arrive in India as opposed to the 5-10 days from the Gulf. Yet, there is a push to buy US crude oil as it is expected to bring down the trade imbalance between Washington and New Delhi. Sanjiv Singh, Chairman, Indian Oil Corporation Ltd, says: "US crude is compatible and comparable. US-origin crudes are purchased through spot tenders on competitive bidding." "Importing crude from the US is as viable as buying from Latin America or West Africa. It all depends on the price and other terms and conditions. We have been importing crude from Venezuela, which is about the same distance from India as the US." Says Vandana Hari, Founder of Vanda Insights: "If you leave politics out of it, a refiner will always go by two main considerations when buying crude: Does it suit the refinery and is optimal for the desired products slate? And, is it economical, vis-a-vis competitive crudes?" US crude costs Indian refiners more relative to other similar light, sweet grades from West Africa, the North Sea or Asia, she says, adding: "Higher freight cost is a factor. So is the additional reverse-lightering charges, as you cannot fully load a VLCC directly at US ports other than the Louisiana Offshore Oil Port. "Explained IOC's Singh: "There are infrastructure limitations at the US-end, including limitations in moving crude oil from onshore production sites to the coast as well as limitations at ports. With infrastructure debottlenecking at the US-end, US crude oil should become more attractive for Indian refiners. With controlled clearance from the Shipping Ministry on CIF (Cost, Insurance and Freight)/DAP (Delivered At Place) basis, the option of crude oil transportation has also widened." As US crude production continues to surge, the pressure for the barrels to leave the country will correspondingly rise, said Hari, adding: "We have seen the trend through this year. It also creates a downward pressure on US crude prices, and leads to rising exports." Indian Oil is mostly buying American crude oil against spot tenders. It has bought only once on contract. But the purchase is purely based on pricing. "Whatever pricing they do, we compare with our own benchmark. The purchase yardstick has to be the same. We convert the rates to our benchmark and then decide," said an official involved with the trading. The Indian crude basket — the price at which domestic refiners buy their crude oil — is the weighted average of Dubai and Oman (sour) and the Brent crude (sweet) prices.

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2) INDIA CUTS DUTY ON REFINED, CRUDE PALM OIL FROM ASEAN

The government has cut import duties on crude and refined palm oil from Southeast Asian countries. India imports 60 per cent — 15.5 million tonnes annually — of its edible oil requirements, largely from Malaysia, Indonesia, Argentina and Ukraine. The duty on crude palm oil from Malaysia, Indonesia and other members of the Association of South East Asian Nations was cut to 40 per cent from 44 per cent, while the tax on refined palm oil was cut to 45 per cent from 54 per cent if imported from Malaysia and to 50 per cent, if purchased from Indonesia or other member-nations of Asean, the ministry of finance said in a ministry notification issued on Monday. The industry said the duty reduction would lead to increased imports of palm oil and it was too early to say if Indian consumers would benefit. The Solvent Extractors Association said that the duty cut, effective from Tuesday, would impact the domestic palm oil refining industry and hit oil palm cultivation. The industry pegs the country's edible oil consumption at 23.5 million tonnes for 2018-19 and expects to import 15.5 million tonnes, with 60 per cent from Malaysia and Indonesia, followed by soyabean oil from Argentina and Brazil, sunflower oil from Ukraine and Russia and canola oil from Canada. With 8 million tonnes of palm oil imported annually, domestic production was only 3,00,000 tonnes, the Solvent Extractors Association said. This decision of government is contrary to the 'Make in India' efforts and would also seriously stymie the efforts at improving palm cultivation in the country. This will also harm the interests of the oilseed farmer who was lately getting enthused with relatively high import duties. We hope the government of India would realise the situation and take appropriate steps to save oil palm plantations and palm oil refiners," said Atul Chaturvedi, president of the Solvent Extractors Association. With the rupee strengthening to Rs 69.50 from Rs 74.40 against the dollar and international markets at a 6-7 year low, edible oil prices were at the lowest, said Sandeep Bajoria, chief executive officer of oil consultancy firm Sunvin Group. It's early to say if consumers will further benefit from this move. However, with the difference between crude and refined palm oil reducing from 10 per cent to now 5 per cent, refineries in the country will face a difficult time.

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B) DRY COMMODITIES SCENARIO

1) COAL INDIA OUTPUT UP 7.4% TO 412.45 MT DURING APRIL-DECEMBER

Coal India (CIL) said its output rose 7.4 percent to 412.42 million tonne (MT) in the April-December period of the ongoing fiscal as compared with the corresponding period of the previous fiscal. The state-run company had recorded production of 383.92 MT during the corresponding period of 2017-18. For December, its output was almost flat at 54.13 MT. The company had recorded 54.63 MT output in December 2017. The coal offtake by the public sector undertaking registered a growth of 5.5 percent to 444.59 MT during the April-December period.

C) CONTAINER SERVICES- NIL

D) PORT DEVELOPMENTS

1) KRISHNAPATNAM PORT ADDED TO THE LIST OF 10 EXISTING PORTS TO ALLOW IMPORT & EXPORT O 'SAWN TIMBER': DGFT

The Directorate General of Foreign Trade (DGFT) has added Krishnapatnam port to the existing list of 10 ports through which import and export of 'Sawn timber' is permitted. In a notification, DGFT said "Krishnapatnam port is being added to the list of the 10 existing ports, thereby taking the total number of ports to 11, to allow export of 'Sawn timber' made exclusively out of imported wood logs." For this, Central government has made amendments in the classification of export and import items, said DGFT. It said "All the existing policy conditions as applicable to other ports shall be applicable to Krishnapatnam port."

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2) JNPT PORT ACHIEVES NEW LANDMARK BY HANDLING OVER 5 M TEUS IN 2018

Setting records comes easily to Jawaharlal Nehru Port Trust (JNPT). It is something that the facility has excelled in over the years, enabled by supportive government policies, forward-looking managements, dedicated employees, and the continuous and growing patronage of its users. A few months after achieving a record throughput of 4.83 million TEUs in 2017-18, JN Port has crossed another significant milestone by handling over 5 million TEUs in calendar year 2018. The throughput was close to 5.04 million TEUs on the last day of the year at the time of going to press, an enormous figure that speaks volumes of the efficient operations at the port terminals, world class infrastructure, stakeholder support and management policies, among others. This year's throughput is a considerable improvement over the 4.71 million TEUs the port handled in calendar year 2017, which is reflective of its steadfast and growing stature as the No. 1 container gateway for India's international trade—despite the increasing competition from other ports and terminals. It is the port's individual terminals that make up the whole. The volumes were again led by GTI, with 2.07 million TEUs, while JNPCT handled 1.17 million TEUs. NSICT, NSIGT and BMCT had throughputs of 0.56, 0.89 and 0.33 million TEUs, respectively, according to sources. One can now expect the fiscal year (2018-19) volumes to be even better. And the records look set to continue after the 4.8-million TEU capacity 4th container terminal is built in its entirety and the port's many other infrastructure augmentation projects come to fruition.

E) OTHER DEVELOPMENTS

1) GOVERNMENT DRAFTS NEW RATE SETTING RULES TO BAIL OUT OLDER BOT CARGO TERMINALS

Fifteen cargo terminals run by private firms at Centre-owned major port trusts under a rate regime finalised in 2005 are set to get a fresh lease of life with the Shipping Ministry drafting new tariff setting guidelines that addresses most of their concerns barring its 'prospective' application. Among the changes being proposed include allowing these older cargo terminals to set rates for services to the extent needed for meeting their annual revenue requirement (ARR). The ARR (a cap) will be the average of actual expenditure for the past three years plus 16 per cent return on capital employed (ROCE) which includes capital work in progress, according to the draft tariff policy circulated by the Ministry for stakeholders' comments. The 16 per cent ROCE will be calculated on the gross fixed assets, which is followed for new public-private-partnership (PPP) projects which operate under the rate frameworks finalised in 2008 and 2013.

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2) INDIAN PORTS ASSOCIATION SEEKS TO ESTABLISH NEW PANEL OF BUNKER SUPPLIERS

The initiative is part of a drive to upgrade national bunkering services and attract larger tonnage to refuel at Indian ports. The Indian Ports Association has issued a request for qualification (RFQ) and is inviting submissions from interested bunker suppliers. The intention is to create a panel of suppliers that would be in place for a three-year period. The Association notes that there are 12 major ports and some 200 'non-major' ports along India's coasts and islands. Some 23,000 vessels called at the major Indian ports during 2016-2017, and, according to IOC estimates, bunker fuel demand at the nation's ports currently accounts for just 1% of global demand. The Association also highlights the need for the upgrading of bunkering services at Indian ports and notes that: 'There is a need to rationalise the taxing on fuel oil to make its purchase by the global shipping industry more attractive.

F) WEATHER/STRIKE

1) COCHIN PORT LABOUR UNION TO STAGE TWO DAY STRIKE IN JANUARY

The Cochin Port Labour Union has called its members to join a 48-hour long general strike on 8 and 9 January 2019. As informed, the move comes in response to the call by central trade unions, including Centre of Indian Trade Unions (CITU), to which the Cochin Port Labour Union is affiliated. The Economic Times reported that CITU, Hind Mazdoor Sabha (HMS), All India Trade Union Congress (AITUC) and Indian National Trade Union Congress (INTUC) have called for a two-day strike from January 8 demanding better working conditions. According to the strike notice from Cochin Port Labour Union, the union demands, among other things, the establishment of the minimum wage Rs 18,000 per month and setting of minimum pensions at no less than Rs 3,000 per month. The unions want all anti-labor bills to be withdrawn and universal social security for all workers. In addition, the unions call for the sale of government stake in central/state public sector to be stopped. According to local sources uncertainty still prevails regarding the strike's impact on port operations, and a clearer picture is expected to be available closer to the date.

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G) INTERNATIONAL HIGHLIGHTS

1) OPEC OIL OUTPUT POSTS BIGGEST DROP SINCE 2017 ON SAUDI CUT

Opec oil supply fell in December by the largest amount in almost two years, a Reuters survey found, as top exporter Saudi Arabia made an early start to a supply-limiting accord while Iran and Libya posted involuntary declines. The 15-member Organization of the Petroleum Exporting Countries pumped 32.68 million barrels per day last month, the survey on Thursday found, down 460,000 bpd from November and the largest month-on-month drop since January 2017. The survey suggests Saudi Arabia and some of its allies acted unilaterally to bolster the market as crude prices slid on the possibility of a new glut. A formal accord by Opec and its allies to cut supply in 2019 took effect only on Tuesday. Oil has slid to $56 a barrel from a four-year high of $86 in October on signs of excess supply. While Opec has not ruled out further action, officials hope prices will be supported by further output declines in January as producers implement the new deal. “Naturally, it will adjust from now on,” said an Opec delegate, referring to the downward trend in production. “I hope the market will recover soon.” Opec, Russia and other non-members, an alliance known as Opec+, agreed in December to reduce supply by 1.2 million bpd in 2019. Opec’s share of that cut is 800,000 bpd. The deal came just months after an accord to pump more oil, which in turn partially unwound a supply cut that took effect in 2017.0020The drop in Opec output in December is the largest month-on-month decline since January 2017, the first month of the earlier supply-cutting deal, according to Reuters surveys. The biggest drop in Opec supply last month came from Saudi Arabia and amounted to 400,000 bpd, the survey showed. Saudi supply in November had hit a record 11 million bpd, after US President Donald Trump demanded more oil be pumped to curb rising prices and make up for losses from Iran.The kingdom has said it plans to go even further in January by delivering a larger cut than required under the Opec+ deal. The second-biggest drop occurred in the United Arab Emirates, which like Saudi voluntarily scaled back supply, the survey found. The third largest was an involuntary cut by Libya, where unrest led to the shutdown of the country’s biggest oilfield. Output from Iran declined further as US sanctions discouraged companies from buying its oil. According to industry sources, however, Iran maintained its exports, helped by sanctions waivers granted to eight buyers as well as dogged Iranian efforts to keep selling crude. Among the countries boosting output, the biggest increase was in Iraq due to the restart of Kirkuk crude exports and a rebound in shipments from the country’s southern terminals.

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2) IRAQ'S OIL EXPORTS RISE TO 3.73 MILLION BPD IN DECEMBER: OIL MINISTRY

Iraq's oil exports averaged 3.726 million barrels per day (bpd) in December, a significant increase from the previous month, the oil ministry said on Wednesday. Exports from Iraq's southern Basra ports rose to a record high of 3.63 million bpd, up from 3.363 million bpd in November, the ministry said in a statement Shipments from Iraq's northern Kirkuk oilfields to the Turkish port of Ceyhan increased to 99,000 bpd from 8,716 bpd in November, the statement said. Iraq exported 3.372 million bpd of crude oil in November. Its oil officials said bad weather in the Gulf slowed shipments from the southern ports in that month. The average sale price in December was $52.8 per barrel, generating around $6.1 billion in revenue, the statement said. Iraq is producing below its maximum capacity of nearly 5 million bpd in line an agreement between OPEC and other exporters such as Russia to curtail global supply in order to support prices.

Thanks and Regards

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