# VITAL INDUSTRY UPDATES - 08/10/2015

## MCX copper faces a key hurdle ahead

**The copper futures contract traded on the Multi Commodity Exchange (MCX) has been stuck in the range between ₹339 and ₹346 per kg since Monday.**

**Strong rupee has halted the short-term rally that had begun from the low of ₹329.75 recorded on September 29. The contract is currently trading near the upper end of the range at ₹345. The immediate outlook is not clear.**

**Traders can stay out of the market until a clear trend emerges.**

**However, the global cues are positive for the metal price. The COMEX Copper contract is currently trading at $2.37 and is likely to test the immediate resistance at $2.4. A strong break above this hurdle can take it higher to $2.47 in the coming days.**

**The MCX copper futures contract has a resistance at ₹347. A strong break above it could ease the downside pressure and take it higher to ₹356 in the coming days. Traders with high-risk appetite can go long on a break above ₹347. Stop-loss can be kept at ₹344 for the target of ₹354.**

**The contract will come under pressure if it declines below ₹339. The next target will be ₹335. Further break below ₹335 would increase the danger of the contract falling to ₹330 or even lower levels.**

## Processors demand ban on futures trading of soyabean

**The Soyabean Processors' Association of India (SOPA) has sent a letter to the Securities and Exchange Board of India (SEBI) demanding a ban on futures trading of soyabean in order to help the processing industry.**

It apprised the SEBI Chairman UK Sinha on the “unhealthy speculation” in soyabean futures on commodity exchanges which have rendered soyameal exports uncompetitive due to high domestic prices of the raw material.

Exports dip

“The net effect of this speculation-driven price rise is that the soyabean industry is suffering from huge disparity in crushing...More than 50 per cent of the soyabean crushing plants have already closed down due to this,” it said.

The Association says in the letter that the industry had traditionally exported 60-70 per cent of total soyameal production.

In 2014-15, however, overseas sales dropped to 6.46 lakh tonnes (lt) from 28.41 lt in the previous year, a 77 per cent slide.

It fears that exports may decline further this year. Domesitc exporters are outpriced in the international market by competitors in Argentina, Brazil and the US who can sell their meal at a price that is $100-150/tonne lower.

High prices

“The only reason for this uncompetitiveness is that the raw material price in India is high and the main reason for this unusually high price of soyabean is unhealthy speculation in soyabean futures at the commodity exchanges,” it explained.

The letter added that large speculators on the futures market were moving prices up and down without “any link to the physical market and without any logic.”

“The upward price movement (on the NCDEX) between September 1 and October 5 is about 14 per cent which has no justification whatsoever, because the new soyabean crop has just started arriving and this is the peak season for harvests…and prices between October and December always remain subdued,” it said.

# Rice exporters seek market access to China, Nigeria

Faced with a sluggish trend in non-basmati rice shipments amidst stiff competition from major producers such as Thailand and Vietnam, exporters are looking for government intervention in facilitating a market access to large buyers such as Nigeria and China.

While Nigeria, one of the large buyers of the Indian cereal, has stopped official imports for about a year now due to their domestic crisis and currency-related issues, China – a potential large market – is yet to open up its borders for the non-basmati rice.

"The government should intervene and assist the exporters in seeking a market access to these large buyers Nigeria and China," said BV Krishna Rao, President of Rice Exporters Association. "While we have been buying crude from Nigeria for some time now, we expect that the Indian rice exporters should be given a preferential treatment by the African nation," Rao said.

India, in fact, was a biggest supplier of par-boiled rice to Nigeria with shipments exceeding one million tonnes last year.

Quality issues
Similarly, with China the Centre should expedite the process of establishing the quality norms that facilitate the non-basmati shipments, Rau said.

China, which began importing rice four years ago and annually imports about 5 million tonnes, has not granted access to Indian non-basmati rice.

The absence of defined phyto-sanitary norms between the two neighbouring countries is cited by China as the main reason for not importing from India, which the trade here sees as a non-tariff barrier.

Though China has opened up the market for basmati rice, there are hardly any shipments happening to the neighbouring nation due to their preference to scented and sticky rice varieties from Thailand, said Rajen Sundaresan, Secretary, All India Rice Exporters Association, the apex body of exporters.

“The Government should take up the issue with both China and Nigeria to facilitate the Indian non-basmati rice shipments,” he added.

Shipments up

Though total rice shipments have seen a marginal increase in the current financial year, in value terms they have faced a decline.

According to the Agricultural Processed Foods and Exports Development Authority, the non-basmati rice shipments during April-August period were 2.9 million tonnes – a tad higher than the 2.75 million in corresponding period last year.

But in rupee value terms, the exports were lower by 2 per cent at ₹6,755 crore for the period (₹6,881 crore).

In dollar terms, the non-basmati shipments were down 7.5 per cent at $1.05 billion ($1.14 billion).

Similarly, with basmati rice, the shipments in volume terms were up at 1.67 million tonnes for April-August period against 1.43 million tonnes in the corresponding last year. However, in value terms the basmati shipments were down 18 per cent at ₹9,940 crore for the period (₹12,180 crore).

In dollar terms, the shipments dropped by 23 per cent to $1.55 billion against $2.03 billion the previous year.

# Oilmeal exports improve in Sept

exports of oilmeal improved by 4 per cent to 1,13,913 tonnes in September as against 1,09,521 tonnes in the same period last year due to better availability of soyabean and rapeseed, the Solvent Extractors’ Association (SEA) said.

However, as far as the shipment of the commodity in the first six months of the current fiscal is concerned, it declined by 29 per cent to 7,23,661 tonnes from 10,24,370 tonnes in the year-ago period, SEA said in a statement.

"The export of soyabean meal is at a historical low during the current year and reduced month-by-month, and was reported to be at 42,743 tonnes compared to 1,11,027 tonnes in the first six months of the 2015-16 financial year," it added.

# Chinese firm starts sourcing Guinea bauxite, sidelining India

A leading Chinese consortium has started a $200 million project for importing bauxite ore from a new mine in Guinea, sidelining its traditional suppliers like Australia, India and Indonesia.

Singapore-based shipper, Winning International Group, leading the investors with a 45 per cent stake in Societe Miniere de Boke-Winning Africa Port (SMB-WAP), plans to export 30 million tonnes a year of bauxite ore from the new mine in Boke Province of Guinea in West Africa to China.

Winning executives said Guinea will become China's new source of bauxite ore as Australia has imposed restrictions for environment reasons, Indonesia has virtually banned it and the Indian bauxite was getting lower in quality.

Winning is transporting between three to four million tonnes of bauxite ore a year from India's western shores to China.

"The Indian bauxite ore quality is getting lower in aluminium content," said Bosco Lau Chi Wah, chief executive officer of the group' .. Winning Logistics Services Pte Ltd.

Lau estimates Indian bauxite ore exports to China at 10 million tonnes a year.

Comparatively, Guinea has bauxite reserves of 7.4 billion tonnes, or 26 per cent of the world's total deposits.

The group's mine has reserves of 100 million tonnes of 42 per cent to 45 per cent aluminium content.

The SMP-WAP consortium will initially start with five million tonnes of bauxite exports from Guinea this year, and increase it to 30 million tonnes in two years.

The investment is driven by the strong demand in China, which requires more than 55 million tonnes of bauxite ore per year, being the world's largest producers of aluminium.

Aluminium use is set to increase in industrial products from auto sectors to mobile phones, the executives said.

"This is an investment transcending regions, fields, continents and countries, connecting Singapore, Africa and China," said Sun Xiushun, president of the Winning Group.

Winning, as a shipping conglomerate, is venturing into bauxite ore mining, resource trading, marine shipping, and alumina smelting, he said.

Winning's partners in the SMP-WAP are China's Weiqiao Pioneering Group and Yantai Port Group as well as UMS, a Guinea-based company.