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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**

## IMD sets up depression watch over central Arabian Sea as wait for N-E monsoon continues

True to prediction, a low-pressure area has formed over Lakshadweep and the adjoining south-east and east-central Arabian Sea, India Meteorological Department (IMD) said on Wednesday. It is likely to move north-west into the open waters and intensify into a depression over the central Arabian Sea during next three to four days.

### Category 5 storm

The buzz in the Arabian Sea hardly compared with a dangerous category-5 hurricane *Milton* sloshing in the Gulf of Mexico waters, barrelling towards the Florida coast in the US, with adjoining south-eastern parts having been battered by predecessor category-4 hurricane *Helene.* Monstrous *Milton* may weaken ahead of landfall but not before breaking some records in terms of sheer power and attributes of a catastrophic storm, close on the heels of another powerful storm.

Back home, a cyclonic circulation lay over Sri Lanka which, along with the 'low' over Lakshadweep, could likely have a crucial bearing on how soon the prevailing south-westerly monsoon winds can reverse to being easterly to north-easterlies and herald the October-December wet season. IMD has already said the ensuing North-East monsoon may deliver above-normal rainfall.

A helpful trough ran from Comorin to the north Konkan coast across the low over Lakshadweep on Wednesday. Another cyclonic circulation lay over east Assam with trough aloft across central Bangladesh, pouring its contents over parts of east and north-east India. The circulation over Sri Lanka too may help hasten the establishment of seasonal north-easterly flows.

### Isolated heavy rain

Isolated heavy to very heavy rain is forecast over Tamil Nadu from Saturday to Monday and over Kerala and Mahe on Saturday and Sunday. Isolated heavy rain is likely over Tamil Nadu, Puducherry and Karaikal during the week, over Lakshadweep on Thursday, coastal Karnataka on Thursday and Sunday, south interior Karnataka for four days until Sunday, and over south interior Karnataka on Friday. It will be isolated heavy over Arunachal Pradesh, Assam and Meghalaya until Friday.

Numerical model predictions indicate the circulation off Sri Lanka may strengthen and cross the island nation and the adjoining south peninsular India to emerge over the Arabian Sea off coastal Karnataka by October 15 by when the reversal of winds may have been fully established over the Bay of Bengal, peninsular India and the Arabian Sea.

*Source: The Hindu Business Line, Thursday, October 10, 2024*

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**ENERGY**

## 'India can meet feedstock demand to achieve 25% ethanol blending'

The government's ambitious 25 per cent ethanol blending with petrol (EBP) plan may get a nod from NITI Aayog as the think-tank is of the view that there will not be any issue as far as availability of feedstock is concerned, which is the primary concern of many experts amid a debate over food versus fuel.

"As far as availability is concerned, there is no issue whether it is from sugarcane or grain. There is vast scope to raise the productivity of maize," NITI Aayog Member Ramesh Chand said on the sidelines of an event. He said a draft note had been received, and NITI Aayog is examining it to prepare a roadmap.

Food Minister Pralhad Joshi last month had said NITI Aayog had been asked to prepare a roadmap for increasing the ethanol blending to 25 per cent as the government is confident of achieving the 20 per cent blending target by 2025-26.

For the current ethanol year, which will come to an end on October 31, the government has asked the oil marketing companies to start 15 per cent blending from May.

Earlier, there were concerns about the availability of sugar and high prices of rice when the ethanol supply year started from November 2023, leading to restrictions on some feedstock for production of ethanol like sugarcane juice and B heavy molasses as well as the FCI's ₹20/kg rice programme.

**Cash transfer**

While releasing a report on cash transfer of food subsidy based on the Karnataka government's Anna Bhagya scheme, Chand said it was too early to say cash transfer is the alternative but progress had been made in the last 20 years whether it is market or accessibility to market, and that should be taken into consideration in the evaluation of the supply of physical commodities.

Former founder-CEO of NCML Sanjay Kaul said the option of cash transfer to both consumers and farmers should be considered holistically, looking also at consumer behaviour that has undergone a significant change in the past three decades.

The study, authored by Shweta Saini, Siraj Hussain and Zeeshan (from Arcus Policy Research), said, "Anna Bhagya Scheme has demonstrated considerable success in impacting household welfare, financial inclusion and consumption patterns. However, the disparities in utilisation and preferences based on education and geography highlight the need for more tailored policy approaches."

In July 2023, Karnataka had started direct benefit transfer for foodgrains by deciding to make an unconditional cash transfer of ₹34/kg per person every month under its Anna Bhagya scheme after it did not find support from the Centre for its promise of distributing an additional 5 kg of rice to PDS beneficiaries, over and above their entitlements under the National Food Security Act.

*Source: The Hindu Business Line, Thursday, October 10, 2024*

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## Oil India up 3% on Motilal Oswal's 'buy' rating with target price of Rs 720

*Amid weak crude oil prices, the share price of Oil India has declined 23 per cent from its record high level of Rs 767.30 touched on August 30.*

Shares of Oil India were up 3 per cent at Rs 593.80 a piece on the BSE in Thursday's intra-day trade after Motilal Oswal Financial Services (MOFSL) reiterated its 'Buy' rating on the stock with a target price of Rs 720. The domestic brokerage cited attractive valuation and strong volume outlook for Oil India.

Amid weak crude oil prices, the share price of Oil India has declined 23 per cent from its record high level of Rs 767.30, touched on August 30.

The brokerage firm estimate that the standalone (SA) business (adjusted for investments and Numaligarh Refinery (NRL) stake) trades at 7x FY27E P/E, which they believe is inexpensive. Oil India's strong production growth outlook (9 per cent compound annual growth rate (CAGR) over FY24-FY27) hedges against the risk of lower oil/gas prices. The capacity expansion for Indradhanush gas grid and Numaligarh refinery, remains in line with the guided schedule, and will be instrumental in unlocking value in FY26 and beyond, MOFSL said in its recent update.

"Even in the unlikely scenario of crude prices declining to $60/bbl (and gas prices correcting to $6/mmbtu), our target price will be Rs 563/share, while the ROE will correct modestly from 15.6 per cent (FY27E) to 11.5 per cent. As such, we believe there is a limited downside for the stock from current levels," the brokerage firm said.

Oil India's production growth guidance remained robust, with drilling activities and development wells in old areas contributing to this growth. Moreover, Oil India is leveraging new technologies to increase production. The capacity expansion for NRL (from 3mmt to 9mmt) is expected to be completed by December 2025, further driving growth for the company.

Oil India has guided for a production target of 4mmt of oil and 5bcm of gas by FY26. On a conservative basis, analysts at Prabhudas Lilladher are baking in 8 per cent and 16 per cent volume CAGR over FY24-26 to 3.9mmt of oil and 4.3bcm of gas, respectively. Net oil realization at $75/bbl continues to remain at comfortable levels and gas realization would rise by $0.25/mmBtu to $6.75/mmBtu from 1st Apr'25, Prabhudas Lilladher said. Analysts at JM Financial Institutional Securities also maintained their 'Buy' on Oil and Natural Gas Corporation (ONGC) at a target price Rs 340 and Oil India with a target price Rs 695 given strong 4-6 per cent dividend potential, 30 per cent/15 per cent production growth outlook in the next 1-3 years and expectation of OPEC+ supporting crude $75-80/bbl. Oil India also benefits from lucrative NRL capacity expansion, those at JM Financial said.

ONGC and Oil India's net crude realisation adjusted for windfall tax will continue to be capped at $73/bbl with lower gross crude realisation QoQ (as Brent crude price averaged $80.3/bbl in 2QFY25 versus $84.9/bbl in 1QFY25) being offset by decline in windfall tax. ONGC and Oil India's gas realisations are also expected to be largely stable QoQ with domestic APM gas realisation being capped at $6.5/mmbtu, JM Financial said in oil & gas sector update.

*Source: Business Standard, Thursday, October 10, 2024*

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## AGRICULTURE

### As Customs officials hold up shipments at ports, rice exports get delayed

*to prevent fraud. Authorities are playing it safe to verify if consignments are of white or parboiled rice*

White and parboiled non-basmati rice consignments are being held up at major ports by Customs authorities despite the government easing curbs on shipments from the country.

According to trading sources, the consignments are held up at container freight stations (CFS) to ensure that parboiled rice is not exported in the garb of white rice to dodge the 10 per cent export duty.“The situation is opposite to what it was before the Centre eased the curbs last month-end,” said an exporter, who did not wish to be identified.

**Change in situation**

Until the end of September, Customs authorities held up parboiled consignments to check illegal shipments of white rice, which was banned since July 2022.On September 27 and 28, the Centre eased the restrictions on rice exports. First, it reduced the duty on parboiled rice exports to 10 per cent from 20 per cent and made the duty on white rice zero. Next, it allowed export of white rice.

Customs authorities are carrying out tests to ensure parboiled rice is not shipped out as white rice. In the global market, white rice is quoted at $491-495 and parboiled above $500 free-on-board.Since officials suspect that attempts could be made to ship out parboiled rice as white rice without duty being paid, they are testing if the rice is white as claimed by the shippers.

Exporters said this had led to a delay of nearly 10 days of export consignments, besides leading to $70-80 a tonne additional costs. They say this is particularly affecting small and medium exporters.

“When we take our rice consignments to any port, the container is offloaded at the CFS. Customs authorities draw samples from the container and until the results of the tests come, the container is held up at the CFS,” said an exporter.

**Risks involved**

Exporters said it takes at least three days for the results to come from the lab if it is a major city such as Chennai. If it is Kakinada or Vizag port, then it takes an additional 2-3 days.“We have to pay ₹7,000 to keep our consignment in CFS for nine days. Mostly, we find we have to pay additional money since the tests don’t get done by this period,” said an exporter from Kakinada.

In case of big exporters, the CFS does not charge them additionally since they are giving them continuous business, he said.

Another exporter in Chennai said shippers are beginning afresh after the ban was lifted on white rice exports. A delay at this time could cost them dearly.

“The additional costs that we have to incur itself will make exports unfeasible. And there are chances of the consignments missing the ship,” he said.Another exporter said those permitted to examine did not know how go about carrying out tests. This is resulting in “needless delay”, he said.

In July 2023, the government imposed a ban on exports of white rice due to fear that deficient rainfall would affect rice production. This was after it imposed a 20 per cent export duty in September 2022.In August 2023, the government imposed a 20 per duty on parboiled, brown and husked rice after the emergence of El Nino resulted in deficient rain in paddy-growing areas.

*Source: The Hindu Business Line, Thursday, October 10, 2024*

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## Fortified rice supplies under free ration scheme till 2028-end

*According to the National Family Health Survey (NFHS-5) conducted during 2019-2021, anaemia remains a widespread issue in India, affecting children, women, and men across various age groups and income levels.*

The Cabinet on Wednesday approved continuation of universal supply of fortified rice under Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), Integrated Child Development Service (ICDS), and PM POSHAN till end of December 2028. The extension would cost the exchequer Rs 17,082 crore.

The extra outlay would be part of the Union government's food subsidy, which is budgeted at Rs 2.05 lakh crore in FY24.

The initiative, aimed at addressing anaemia and micro-nutrient deficiencies among the beneficiaries, will continue as a centrally funded scheme under the food subsidy component of free ration scheme.

In April, 2022, the cabinet committee on economic affairs had approved providing fortified rice to all the beneficiaries under PDS by end of FY24. The target of universal coverage to supply fortified rice in all the social sector schemes of the government was reached by March 2024.

The government currently supplies around 38 million tonne (MT) of iron fortified rice to the 800 million beneficiaries under the free ration scheme or PMGKAY. There are 21,000 rice mills which have installed blenders.

Fortification of rice helps increase vitamin and mineral content in diets and helps achieve nutritional security.

Rice fortification is carried out by adding fortified rice kernels (FRKs), containing micro-nutrients such as iron, folic acid, and Vitamin B12, into regular rice. This is done by mixing 1 kg of FRK with 100 kg custom milled rice, and the final product is identical like traditional rice in taste, aroma and texture.

Prime Minister Narendra Modi, in his address on the 75th Independence Day speech, in 2021, made an announcement on fortification of rice so as to provide nutrition to every poor person of the country to overcome malnutrition and lack of essential nutrients in women, children, lactating mothers etc. as it poses major obstacles in their development.

According to a food ministry official, as per an analysis of benefits of rice fortification by the Food Safety and Standards Authority of India, there was an estimated savings of about Rs 49,800 crore of the expenses incurred in the health care cost annually.

According to the National Family Health Survey (NFHS-5) conducted during 2019-2021, anaemia remains a widespread issue in India, affecting children, women, and men across various age groups and income levels.

Besides iron deficiency, other vitamin and mineral deficiencies, such as Vitamin B12 and folic acid, also persist, impacting the overall health and productivity of the population.

*Source: Financial Express, Thursday, October 10, 2024*

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## Govt plans PLI scheme for drones sector

The government plans to come out with a Production-Linked Incentive (PLI) scheme for the drones sector that will be more effective in terms of implementation, documentation and other aspects. Civil Aviation Secretary Vumlunmang Vualnam on Wednesday said the government is looking at moving to the next PLI scheme for the drones sector. The first PLI scheme for drones, introduced in 2021 with an outlay of ₹120 crore for three financial years starting from 2021-22, has ended. While acknowledging that some procedures under the first scheme were onerous on start-ups and Ministry of Micro, Small and Medium Enterprises (MSMEs) in the drone sector, the Civil Aviation Secretary said the government will look at a more efficient PLI scheme in terms of implementation, documentation and the processes that are adopted.

**Three segments**

According to Vualnam, the drone sector has to be segregated into three segments — those for civilian use, security/ defence forces use, and the rogue or unregulated use of drones.

“We have to be very clear about how we approach the three areas,” he said and highlighted that certain incidents of rogue use of drones could become impediments when youngsters, start-ups and women self-help groups are to use more drones.

“We have to be cognisant of that... counter drone technologies are being developed,” he said, while speaking at a conference organised by industry body FICCI. In a discussion paper, FICCI suggested that the government should bring counter drone systems and components under the next phase of the PLI scheme.

The outlay under the new scheme should be increased to ₹1,000 crore to support start-ups and new entrants to develop drones with more indigenous components and sub-systems.

**Tenders ready**

The Civil Aviation Secretary also said tenders are ready for procuring 3,000 more drones under the Namo Drone Didi Scheme. The scheme seeks to provide agricultural drones to rural women and 15,000 drones will be given to women-led self-help groups.

The first set of 1,000 drones have been acquired and distributed.

The tenders for 3,000 drones under the scheme are ready and will be issued by the agencies concerned soon, Vualnam said. Additional Director General at the Army Design Bureau Major General C S Mann stressed on the importance of indigenisation.

“We need to have truthfulness in the claims of indigenous capabilities... Only then will we be able to address the challenges... we need to identify the critical components,” he added.

*Source: The Hindu Business Line, Thursday, October 10, 2024*

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## Why fair returns for farmers are elusive

*As mostly small and marginal farmers grow vegetables, scaling up farmer collectives via Farmers Producers Organisation (FPOs) and empowering them with incentives may help increase their bargaining power.*

A series of RBI working papers on food inflation says that tomato, onion and potato farmers get a raw deal despite seasonal spikes in prices. In contrast, those growing pulses or rearing poultry are better off. FE looks at the reasons behind this and how farmers' incomes can be enhanced.

### Findings of the RBI papers on the remuneration to farmers

The four RBI working papers focused on the value chains of vegetables — tomato, onion and potato (collectively known as TOP crops), fruits — grapes, bananas and mangoes, livestock — milk, poultry meat and eggs, and pulses — gram, tur and moong. In the case of fruits and vegetables, farmers get a low to moderate share in the range of 31% -43% in the consumer rupee. In case of pulses and livestock, farmers' realisation is much higher at 65% – 75% of the consumer rupee. During periods of high inflation, middlemen and retailers capture a significant portion of the price paid by consumers for fruits and vegetables, as per the working papers. This results in lower earnings for farmers. Spike in food inflation in recent months has been solely attributed to the rise in prices of tomato, onion and potato which have a weightage of 0.6%, 0.6% and 1% in the Consumer Price Index inflation respectively. The total vegetable basket has a weightage of 6.04% in the CPI.

### Reasons for the lower realisation in case of tomato, onion & potato

A key reason for the farmers' lower realisation in case of TOP vegetables is that it lacks an efficient value chain system and is highly fragmented. This is due to the perishable nature of the crop, regional and seasonal concentration, lack of adequate storage facilities, and presence of a large number of intermediaries. Agricultural Produce Marketing Committees (APMCs) markets are administered by respective states, which fix mandi fees, official commission charges, and user charges. An analysis of farmers' share in consumer rupee for the three vegetables suggests that farmers are getting around only one third of the price that a consumer is paying; the rest is apportioned by the wholesalers and retailers. As vegetables are perishable commodities, private mandis can provide a wider platform to farmers to sell their commodities.

### A better deal for dairy & poultry farmers

On an average, 70% and 75% of the consumer rupee goes back to the dairy and egg farmers, respectively, whereas 56% of the consumer rupee goes back to the farmers and integrators in the poultry meat value chain. The livestock sector exhibits seasonal variation in production as well as consumption. In the case of the egg value chain, farmers' share of the consumer rupee varies from 69% in summer to 89% in winter due to seasonality in the demand. Religious festivals also adversely impact demand for meat and eggs. Despite milk being a perishable commodity, farmers' share in the consumer rupee is higher due to efficient value chains developed by dairy cooperatives and private organised players who procure milk from the farmers at the village level and store it in chilling plants. Similarly, around 80% of the poultry (broiler meat) and egg (layer birds) industry is now managed by integrators like Suguna, Venkateshwara Hatcheries and IB Group who provide farmers with broiler birds and other inputs through buy back arrangement which largely insulate farmers against price fluctuations.

### Price realisation in pulses

Farmers get a larger share of the consumer rupee for pulses as compared to vegetables and fruits as these have a relatively longer shelf life. This renders pulses stock as an important determinant of price movement. Recent years have seen price spikes due to demand-supply gap, despite the country being the largest producer of pulses in the world. When domestic production falls, the government stabilises supply and price pressures by liberalising imports. It also ensures continued remunerative prices for farmers through assured procurement at minimum support price (MSP) to create buffer stocks. India imports mostly tur, urad and masoor (lentils) and imports would be around 15% of the total consumption of 26-27 million tonne.

### How can the value chains be improved?

In order to enhance incomes of TOP farmers, the working papers have suggested allowing private mandis (wholesale markets) besides stepping up electronic linking of the government's digital wholesale market — National Agriculture Market (e-NAM) — with the thousands of APMCs and their sub-yards to enable farmers and traders to trade online. As mostly small and marginal farmers grow vegetables, scaling up farmer collectives via Farmers Producers Organisation (FPOs) and empowering them with incentives may help increase their bargaining power. Relaunching of potato futures trade in commodity exchanges and launching futures trading in onion especially for the rabi variety can be explored for optimal price discovery. The operational efficiency of the dairy industry can be improved by creating a more efficient value chain through dynamic milk procurement methods, strengthening of the cooperative and organised sectors, besides creating a feed bank and increasing fodder productivity.

*Source: Financial Express, Thursday, October 10, 2024*

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**Burning Issue**

*Minimum support price has been a bone of contention between the farmers in Punjab and the state and Centre*

# BURNING ISSUE

## Minimum support price has been a bone of contention between the farmers in Punjab and the state and Centre

**SARTHAK CHOUDHURY**
Amritsar/Ferozepur/Patiala, 9 October

On September 28, as people gathered around Hall Gate in Amritsar to commemorate Bhagat Singh's birth anniversary, a sight left the people entering the walled city shocked.

A group of farmers, riding on tractors and trucks, scattered basmati rice on city roads and demanded that the government ensure a fair price. Starting outside the office of the Deputy Commissioner, the farmer's cavalcade later moved through various roads in the city and scattered the produce on the road.

Anguished over the low prices being offered to them for basmati, a farmer said: "We sold this for ₹3,500-4,000 last time. This time we are selling it for nearly ₹2,000 per quintal. We are poor farmers and don't like wasting. But we see no other way of putting our point across."

MSP or minimum support price has been a bone of contention between the farmers in Punjab and the state and central government. MSP has largely been touted as one of the obstacles in the diversification push the Centre advocates, largely leading to farmers resorting to a two-crop cycle.

This has led to incidents of stubble burning, as the farmers burn the paddy residue to sow wheat. Unlike previous years, the number of stubble burning incidents has reduced considerably this year. From the onset of the stubble burning season (widely considered September 15), the number of farm fires in Punjab has been 234 till October 8. This is down from 969 last year. The number of farm fires in 2022, 2021 and 2020 were 711, 500, and 2,227, respectively.

With the paddy procurement season beginning on October 1, Punjab Chief Minister Bhagwant Mann chaired a meeting to make sure the procurement of paddy is hassle-free.

Explaining the costs behind paddy harvesting, Pulwinder Mann, a farmer in Attari, explains how the MSP of paddy (₹2,300) falls short of the costs incurred by farmers.

"For one acre of land, we'll need one sack of dhai that would cost around ₹1,300. Seeds would cost around ₹1,500. ₹1,000 for one acre waihya. We normally need two packets. Then you can add the costs of labour. For nearly one acre of land, the cost would go up to ₹6,000. If you had manure, fertilizers etc, it can also go up to ₹10,000. So you can judge for yourself," said Mann.

Procurement of moong was also a rallying point between farmers and state authorities this year. Farmers were forced to sell moong below the MSP to the private players as the AAP-led Punjab government has not purchased a single grain of moong so far this year.

After coming to power two years ago, the Punjab government announced that it will purchase this pulse as part of the state's crop diversification push. A number of reports suggest that there has been no government procurement of moong this year. As a result, a majority of the produce was sold to private players at nearly ₹800 less than the MSP (₹8,555 per quintal).

A number of farmers said that they managed to cut losses as moong was sown in a much larger area this time compared to previous years.

"The problem is that if you come up with a policy, you also need to stick to it. First you introduce a policy and within two years you don't work on it. How will people be incentivised to grow other crops? This is why some of them resort to paddy, and hence, stubble burning happens. And if you burn stubble, you are either penalised or a 'red-entry' is marked against your land record," said a farmer on the condition of anonymity.

He adds: "Lately, this concept of 'red-entries' has been introduced. We are at the receiving end of both the problems. You (the government) have a policy issue which compels us to burn stubble. And when we do that, our land records are targeted. At times, they even cut our land's electricity."

Punjab has so far marked red-entries in the revenue record of 28 farmers, all of them from Amritsar. Those found involved would not be able to avail loan, mortgage, or sell their land. They would also not be able to apply for arms licences or renew licence.

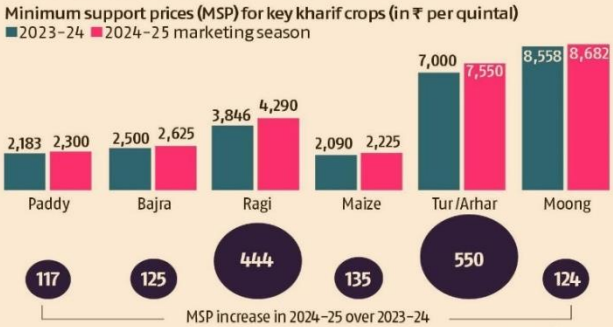
Jagtaur Singh, sarpanch of Bapraur, a village 26 kms from Patiala, says growing potatoes, a crop which doesn't involve much expense, is turning out to be a difficult task. "Potatoes are being sold for ₹100-150. It costs ₹200-250 just to grow it. A crop like peas is being sold at nearly the same price for as long as I have been farming (₹10-15). This time, it was sold for ₹5 in some mandis. If we get a fixed rate, there is no reason for us to grow only these crops," he said.

He adds: "This heavy-handed approach to stubble burning won't help anyone. Decisions can't be made in Chandigarh or Delhi. You have to take our insights as well."

"Do you think they (government) would have the same laws for industries? They use the same straws which we burn in their industries and pollute the environment. Do you see red-entries against them? Smoke may be burning in our fields but there is no haze in our minds," the aforementioned anonymous farmer said, with a hearty laugh.

### DRAWING A COMPARISON

Minimum support prices (MSP) for key kharif crops (in ₹ per quintal)




source: Cabinet note

### DWINDLING CASES

Number of stubble burning incidents reported (Sep 15 – Oct 8)

Source: Creams-IARI

*Source: Business Standard, Thursday, October 10, 2024*

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## Scarcity of coconut shells may hit activated carbon exports

India's activated carbon exports are likely to face a bumpy ride in the wake of a shortage of coconut shells and higher freight cost triggered by the Red Sea crisis. The crisis has led to delayed delivery of cargo by around 30 days to Europe and the US markets due to diversion of ships via the Cape of Good Hope.

India is a major producer and exporter of activated carbon, which is mainly used for gold extraction and purification of water and air.

Insufficient coconut shells, the primary raw material for activated carbon, have stoked charcoal prices, which reached ₹45,000 per tonne from ₹27,000 in January, causing the production cost to surge by 30 per cent.

Increased demand for carbon in the gold mining industry has also squeezed the supply of raw materials.

**Problem for Lanka**

Joshy Joseph, Director of IndCarb, the Palakkad-based manufacturer and exporter of coconut shell-based steam activated carbon, said coconut shell shortage is posing a concern not only for India but also for Sri Lanka, the leading producer.

He attributed the reasons for the shortage to declining raw nut production due to climate change in major producing countries and dispatch of ball coconuts in bulk to north India for making various value-added products.

India exported about 1,41,861 tonnes of activated carbon in 2023, valued at $242 million. Other significant exporters are Philippines at 62,724 tonnes, followed by Sri Lanka with 54,069 tonnes. The global market is projected to reach $7 billion by 2030 from the present $4.4 billion.

Out of the ₹3,469 crore exports of coconut products in FY24, around 60-70 per cent was activated carbon shipments.

*Source: The Hindu Business Line, Thursday, October 10, 2024*

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## Archer-Daniels-Midland's FPOs, farmer base in Maharashtra to be digitalised by Mastercard

Mastercard has announced its collaboration with Archer-Daniels-Midland Company (ADM), a global agricultural supply chain manager and processor, to enhance the digitalisation of ADM's farmer producer organisations (FPOs) and farmer base in Maharashtra. ADM will register its FPOs, collection centres and farmers for participation in farm pass, a technology powered by Mastercard.

The collaboration aims to scale ADM's direct sourcing from small-holder farmers, enhance crop traceability and improve transparency within the farmer-FPO channel. ADM will also leverage existing farm pass programmes to encourage more FPOs in the region to join its oilseeds sourcing programme, the company said in a statement.

As part of the collaboration, ADM will explore working with Mastercard community pass card issuers to offer unique financial inclusion and loyalty solutions to approximately 2,50,000 farmers.

The initiative will enable farmers and FPOs to receive the value for produce sold to ADM directly onto the community pass financial inclusion cards.

**Loyalty benefits**

ADM also will have the opportunity to offer farmers innovative loyalty benefits. The financial inclusion cards will provide access to credit and government welfare schemes to the farmers and are expected to facilitate $30 million in welfare schemes and credit flow over the next few years.

Community pass is a digital platform that includes the existing farm pass programme offering and connecting the agricultural ecosystem — farmers, agri- buyers, lenders and service providers — to enable farmers to adjust their supply and production according to the demand. Mastercard community pass enables low-income communities to access critical services through interoperable digital technology to provide a unified user experience and divide the cost of delivering digital services between multiple providers like governments, banks, and agri tech firms.

Tara Nathan, Executive Vice-President and Founder, Mastercard Community Pass, said, "Digitalisation can offer great value to farming communities across India. Mastercard is delighted to collaborate with ADM to empower small-holder farmers and FPOs by enabling digital access to buyers and increasing transparency in the value chain. This initiative reaffirms Mastercard's commitment to leveraging technology and innovation to drive inclusive growth."

Starting with Maharashtra, the entities will look to expand their collaboration to cover small-holder farmers in other States.

*Source: The Hindu Business Line, Thursday, October 10, 2024*

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ECONOMY

**(Opinion)**

## MPC's nuanced 'wait and watch' approach

*Rate path. The shift this time lies is in the change of liquidity stance to 'neutral'*

By Himadri Bhattacharya

The MPC of RBI in its fourth bi-monthly meeting in the current fiscal, which concluded on October 9 decided to hold the policy repo rate unchanged at 6.5 per cent, with one dissent vote from one of its newly appointed members. The stance of the policy was shifted to 'neutral' from 'withdrawal of accommodation' for the first time since June 2019. This decision was unanimous. The outcomes of this meeting of the MPC are broadly in line with the market's expectations, although on the issue of the stance of the monetary policy, some prominent analysts didn't anticipate any change. Their argument has been that as things have evolved since the introduction of the flexible inflation targeting framework in 2016, the policy stance is more about providing future guidance than about money supply and liquidity. And in the recent past, the MPC has steered clear of providing any future guidance about its rate decisions. Another aspect of the meeting's outcome that has caught attention of the observers is the dissent vote by a member in favour of a cut in the policy rate by 25 basis points. In each of the last two meetings of the MPC, there were two dissenting votes for a rate cut.

However, with all the three external members being new this time, it was thought unlikely that any of them will vote against the three RBI officials on the MPC so early on. But the fact now is otherwise, which should be seen as positive for the reputation and credibility of the MPC. The equity market experienced some early gains after the policy announcement which were pared later on. The yield on the benchmark 10-year G-Sec moved a bit lower.

### Growth, inflation prospects

In the lead up to the MPC meeting, a view was gaining ground on the back of a slower GDP growth of 6.7 per cent in the April-June quarter, below the RBI's projection of 7.1 per cent, and signs of soft urban consumption that growth risks were getting tilted to the downside. Manufacturing PMI falling to an eight-month low and services PMI easing to a 10-month trough in September, 2024 supported this impression.

Against this backdrop, the general expectation has been that the meeting will provide insight into India's broader economic growth trajectory.

Annual CPI inflation at 3.65 per cent in August remained below the target of 4 per cent for a second consecutive month. Notwithstanding the dip, as per a poll conducted by a wire agency a few weeks back, inflation was likely to rise again, averaging 4.5 per cent in FY 2024-25 and 4.3 per cent in the next fiscal. Food inflation has remained elevated at 5.65 per cent.

The MPC, however, has kept the real GDP growth projection for 2024-25 unchanged at 7.2 per cent, with the projection for Q1:2025-26 a tad higher at 7.3 per cent. The lower GDP growth number for the first quarter of the current fiscal is most possibly seen as an aberration caused by a fall in government expenditure due to the holding of parliamentary elections during that period.

### Positive outlook

Going forward, the outlook for private consumption and investment seems good. On the whole, the MPC does not foresee any notable downside risk to the country's growth trajectory in the foreseeable future. In other words, there is no slowdown story yet. The MPC expects a significant pick-up in CPI inflation in September broadly in line with the conclusions of the poll referred to above.

However, it expects food inflation to ease by Q4:2024-25 on better kharif arrivals and rising prospects of a good rabi season. Input cost pressures are also likely to ease. Overall, CPI inflation for 2024-25 is projected at 4.5 per cent with Q2 at 4.1 per cent; Q3 at 4.8 per cent; and Q4 at 4.2 per cent.

CPI inflation for Q1:2025-26 is now projected at 4.3 per cent vis-à-vis 4.4 per cent in the last meeting. The very recent upturn in key commodity prices, especially metals and crude oil is possibly being seen as a source of risk to the inflation trajectory, as above. However, by the RBI's own admission the last mile for durably aligning the headline inflation with the target of 4 per cent has not yet been traversed yet. The metaphorical 'horse' has to be tamed to stay inside the stable. Otherwise, it can bolt anytime.

What happens after the shift in stance?

Before the meeting, a good number of market analysts expressed an opinion that a shift in policy stance to 'neutral' would imply commencement of policy rate cuts later this fiscal itself. Some expect the rate to be cut by a cumulative 100 basis points by the end of December 2025.

However, no commensurate indications in this regard have been noticed in the movements in G-Sec yields and 1-year Overnight Index Swap rate. However, if the food inflation behaves well consistently and if there is no flare up in the crude oil price due to a marked escalation in the current geopolitical tension in the Middle East, the MPC is likely to slash the policy rate by 25 basis points either in Q4: 2024-25 or in Q1: 2025-26.

The 51st meeting of the MPC also marked eight years of its existence. The adoption of flexible inflation-targeting framework was indeed a significant structural reform. It altered and set right many of the inadequacies and imperfections of the conduct of monetary policy in the past. Equally importantly, it irreversibly reset the institutional relationship between the RBI and the Central government.

Fiscal dominance over monetary policy has largely ended, as a result. One hopes that the same benefit will extend to the conduct of the RBI's policies for the financial sector in the foreseeable future.

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*Source: The Hindu Business Line, Thursday, October 10, 2024*

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