

Daily Economic News Summary: 4 July 2018

1. Energy Ministers' Meet: Hydro Power Revival Back On Discussion Table

Source: Business Standard ([Link](#))

In water-scarce Shimla, where energy ministers from across India flew to discuss woes of the power sector, the host state pushed for immediate and long-term reforms in the hydro power sector. Along with other hydro rich states, Himachal Pradesh asked the government to give hydro power the same status, priority and focus as solar power. “For years, the people of Himachal have given their land and labour for the growth of hydro power in the state. They have not been duly compensated till yet even after giving up their river catchment areas and natural resources. The pain of displacement from their ancestral land still exists. We urge the Central agencies to expedite the compensation,” said Jai Ram Thakur, chief minister of Himachal Pradesh. Union power minister R K Singh said the new hydro policy would come soon. Unlike other countries, India does not count hydro power as renewable except for plants below 50 Mw generation capacity. "All advanced countries are exhausting their hydro capacity. In the past few years, hydro projects have been stalled because of that (protests) and geological challenges. The hydro power (delay in commissioning of projects) then becomes costly," Singh said. The minister also said the new policy would suggest ways to bring down the capital cost of hydro power projects. There is a proposal to stop mandatory free power sale for 10-12 years so that the project developer can recover the cost. The policy also suggests soft loans for longer period of 30 years. This would in turn reduce the power tariff of hydro plants. He said the policy was pending with the Cabinet Secretariat.

2. No Dairy Product Imports Without Due Certification, India Tells US

Source: The Hindu, Business Line ([Link](#))

India has refused to wilt under US pressure for grant of market access to its dairy products and has maintained that the mandatory certification, specifying that imported dairy items were not from animals raised on feed made of bovine extracts, cannot be done away with as it was a matter of religious belief. “Indian officials have told USTR officials that while the country was exploring how the problem arising from price caps on medical equipment could be sorted out, it could not compromise on dairy certification,” a government official told *BusinessLine*. Dairy products and

medical equipment top the list of items for which the US is seeking market access. The US Trade Representative's (USTR) office has also linked market access in the two areas to continuation of Generalised System of Preferences (GSP) benefits to India under which the US allows market access at nil or low duties for about 3,500 Indian products, including chemicals and textiles "The certification requirement is not a non-tariff barrier that we have put in place for the US. It has cultural and religious significance for the country and not abiding by the requirement could lead to sentiments getting hurt and unrest," the official said. Other countries such EU members and New Zealand, that are exporting dairy products to India, all abide by the mandatory requirement and give a certification that the items were from animals that were not fed on bovine meat or extracts, the official added.

3. Vedanta Weighs \$7 Billion Merger With Anglo American South Africa

Source: Livemint ([Link](#))

Volcan Investments Ltd, the family trust of Vedanta Resources Plc. founder Anil Agarwal, is considering a plan to acquire control of Anglo American Plc's South African business by merging Vedanta Resources with the South African unit via a share swap, two people directly aware of the plan said. The merger of Vedanta Resources and Anglo American South Africa will create an entity valued at about \$7 billion and eventually give Volcan Investments control of the merged entity, the people said, requesting anonymity. Agarwal, through Volcan, already owns a 19.35% stake in parent Anglo American. The control of Anglo American South Africa will give Agarwal, who rose from a scrap metal dealer to become a metals billionaire, control of a company that owns the iconic De Beers, the world's largest diamond producer. Volcan Investments on July 2 offered to purchase the shares in Vedanta Resources that it does not already own and then delist the company from the London Stock Exchange, as part of a plan to simplify the company's structure. Anglo American SA's businesses include four firms—Anglo American Platinum Ltd, Coal SA, De Beers Consolidated Mines and Kumba Iron Ore Ltd. The four units own assets worth around \$12 billion in South Africa. At present, both Agarwal's Vedanta Group and Anglo American are valued at around \$35 billion each.

4. Govt Weighs Proposal To Sell Pulses Through PDS

Source: Livemint ([Link](#))

Faced with the twin challenges of large public stocks of pulses and dismal nutritional indicators, the centre is considering a proposal to introduce pulses under the subsidised public distribution system (PDS). The idea behind the scheme is driven by the fact that central agencies are saddled with 5.5 million tonnes of pulses following a record production last year. The centre is considering a proposal to introduce pulses under PDS in 200 districts faring the worst on nutrition parameters, said an official aware of the development. If indeed the government does implement the proposal, it could potentially net political gains to the Bharatiya Janata Party (BJP)-led National Democratic Alliance (NDA); especially since key state elections are due later this year and the next general election is less than a year away. The plan is to provide about 70 million households in selected districts with 2 kg of pulses every month at prices which are at least 50% cheaper than the market, the official cited above said.

5. PM Narendra Modi Holds Meeting On New Agri-Procurement Models To Ensure MSP

Source: Business Standard ([Link](#))

Prime Minister Narendra Modi on July 3 discussed about the financial implication of the proposed procurement mechanism to ensure that farmers get MSP if market prices fall below the government's benchmark rate. In his Budget 2018 speech, then finance minister Arun Jaitley had announced that think-tank Niti Aayog in consultation with central and state governments will put in place a fool-proof mechanism to ensure farmers get benefit of the minimum support price (MSP). According to sources, senior officials of Niti Aayog made a presentation before the Prime Minister on the proposed procurement mechanism and its financial implication. Niti Aayog has proposed that the states should be given the option of three models -- Market Assurance Scheme (MAS), Price Deficiency Procurement Scheme (PDPS) and Private Procurement and Stockists Scheme. Sources said that the Centre may to have bear Rs 120-150 billion annually to compensate farmers in case prices fall below the MSP in all crops except rice and wheat which are already being procured by state-run Food Corporation of India (FCI).

6. Tata Plans To Merge Food And Beverage Businesses

Source: Livemint ([Link](#))

Tata Group, India's biggest conglomerate, is evaluating a proposal to integrate its food and beverage businesses into a single company, people with knowledge of the matter said. The Mumbai-headquartered group is considering separating the salt and branded lentils businesses of Tata Chemicals Ltd. and folding them into Tata Global Beverages Ltd., according to the people who asked not to be named because the information is private. It's also weighing merging Tata Coffee Ltd., which owns coffee plantations and tea gardens, with the beverages company, and entering dairy, they said. The proposal is part of Chairman Natarajan Chandrasekaran's larger strategy to combine related businesses under a single umbrella to increase efficiency and simplify the conglomerate, which includes more than 100 independent operating companies. In April, the Tata group said it will create a single entity called Tata Aerospace & Defence by merging all allied businesses. "While shareholders will get a small piece of a larger universe that is less exposed to volatility, the company would get a management with sharper focus," said Arun Kejriwal, founder of Kejriwal Research & Investment Services Pvt. in Mumbai.

7. New Regulations For 'Used Cooking Oil' Come Into Effect

Source: The Hindu, Business Line ([Link](#))

With the new regulations for monitoring "used cooking oils" coming into force from July 1, the Food Safety and Standards Authority of India (FSSAI) on July 2 said the implementation of these regulations will require focus on consumer education, enforcement as well as creation of an eco-system for collection of "used cooking oil" to produce biodiesel. FSSAI said it is in discussion with the Indian Biodiesel Association to establish a nation-wide eco-system for collection of used cooking oil and its conversion to bio-diesel. The new regulations have set the maximum permissible limit of Total Polar Compound (TPC) in edible oil at 25 per cent. Repeated frying and usage of edible oil changes its physiochemical and nutrition properties and leads to the formation of TPC, which makes it unfit for human consumption. "From July 1, onwards, all Food Business Operators (FBOs) would be required to monitor the quality of oil during frying by complying with the said regulations," FSSAI said in a statement. The Food Authority has also established testing

protocols for Total Polar Compounds. Pawan Agarwal, CEO, FSSAI, said effective implementation of used cooking oil standards require “Triple E strategy” and a co-ordinated effort.

8. Portugal Pushes For Early Conclusion Of India-EU FTA

Source: The Economic Times ([Link](#))

Portugal is pushing for early conclusion of a free trade agreement between India and the European Union that will benefit growing New Delhi-Lisbon commercial ties and the Indo-EU economic and investment partnership amid the trend of protectionism elsewhere. “Portugal believes in free spirit of society and this translates into free trade and flow of investments,” Eurico Brilhante Dias, Portugal’s Secretary of State of Internationalisation, told ET during a visit to New Delhi last week. “India and Portugal can jointly show the world the way forward. Lisbon is pushing for early conclusion of Indo-EU FTA.” The election of Indian-origin Antonio Costa as prime minister of Portugal in November 2015 has energised bilateral relations, Dias noted. Portugal is also ready to be India’s bridge and gateway to the Lusophone world – Portuguese-speaking countries and territories, Dias pointed out. Portuguese is spoken by over 250 million people. More than 2% of India’s total trade is with the eight Portuguese-speaking countries across four continents – Portugal, Brazil, Angola, Mozambique, Sao Tome and Principe, Equatorial Guinea, Cape Verde, Guinea Bissau and Timor-Leste.

9. Venezuela's Declining Crude Exports Squeeze India's Refiners Amid Iran Woes

Source: Financial Express ([Link](#))

Venezuela's crude shipments to India, its third-largest export market, fell 21 per cent in the first half of the year, according to internal documents from state-run PDVSA, adding to supply troubles for Indian refiners as they are increasingly pressed to diversify oil imports. Venezuela's production decline to a 30-year low and export woes stemming from mismanagement, lack of investment and payment delays are affecting almost all of the OPEC-nation's customers. But the impact on India is notable and comes as its refiners are now preparing for a "drastic reduction to zero" of oil imports from US-sanctioned Iran. Last week, PDVSA officials met with executives from India's Reliance Industries and Russia's Rosneft, which owns a majority stake in India-based Nayara Energy, to discuss trade issues, the state-run company said. Venezuela sent almost 280,000 barrels per day

(bpd) of heavy crude to India in the first half of the year, a 21 per cent drop versus the 355,500 bpd shipped in the same period of 2017, according to PDVSA trade documents. The decline is the second steepest after the United States, which has suffered a drop of about 30 per cent in crude imports from Venezuela this year, the documents seen by Reuters show. If crude supplies from Iran and Venezuela, two of India's top five oil suppliers, cannot be secured in coming months, some of the nation's refiners would have to rely almost entirely on sourcing the heavy barrels they need from Iraq, according to analysts.

10. Nitin Gadkari Rules Out Stopping Highway Toll Collection

Source: The Economic Times ([Link](#))

Union road transport and highways minister Nitin Gadkari has ruled out any exemption from toll collection at the national highways, saying people should pay if they want good services. The minister said toll collection can "never go" if funds are to be raised for constructing roads under the build-operate-transfer (BOT) model. "The toll (collection) will never go. The toll will be there. If you want good services, you will have to pay for it," Gadkari said at a function of the employees unions here last night. Expressing concern over the rising instances of road accidents, he said his ministry is working towards ensuring safe travel on the highways. As many as 1.46 lakh people had lost their lives in 4.60 lakh road accidents across the country in 2017, he said. The demand for toll waiver has been a long-standing one with NGOs and Opposition parties like the Raj Thackeray-led Maharashtra Navnirman Sena pushing the case.