India gives loans to sugar mills to help clear $3.3b owed to farmers

REUTERS/FILE

A farmer works in his sugarcane field on the outskirts of Ahmedabad, India.

REUTERS, Mumbai/New Delhi

India has approved interest-free loans for cash-strapped sugar mills to help them pay nearly 30 percent of the record $3.3 billion they owe cane farmers, many of whom are struggling with huge debts as the first country-wide drought in six years looms.

Mills in India, the world's biggest sugar producer after Brazil, have been lobbying the government for months seeking relief as prices of the sweetener have fallen below the cost of production due to ample supplies.

Sugar cane prices, meanwhile, have jumped over the years due to the populist policies of state governments to raise minimum support prices for farmers.

The federal government earlier this year approved a subsidy to export raw sugar, although that failed to boost shipments amid a global glut. On Wednesday, a ministerial committee chaired by Prime Minister Narendra Modi agreed to provide a loan of 60 billion Indian rupees ($940 million) to mills for which the government will bear the interest for a year.

"This is a significant immediate step to provide relief to farmers," Road Transport Minister Nitin Gadkari told reporters after the committee's meeting, which also cleared a proposal to raise imports of pulses to cool prices.

Farmers welcomed the move, and shares of companies like Bajaj Hindusthan Sugar Ltd, Sree Renuka Sugars Ltd, Dhampur Sugar Mills Ltd, Andhra Sugars Ltd, Mawana Sugar and Balrampur Chini Mills Ltd jumped as much as 17 percent.

"The government should make sure that mills pay us fair and remunerative price," said Raghunath Patil, a farmer from top sugar producing Maharashtra state. "If mills pay us in the next few weeks, it will help us buy seeds and fertilisers."

A senior industry official said the loan will do little to prop up sugar prices critical to sustaining the industry.

"Instead of the loan, the government should have created a buffer stock," said the official, who declined to be named.

India, the world's biggest sugar consumer, is likely to start the 2015/16 marketing year starting Oct. 1 with carry-forward stocks of 10.3 million tonnes, up 37 percent from the current year, an industry body said last week.

The country is likely to produce 28.5 million tonnes of sugar in the current marketing year ending on Sept. 30, nearly 4.5 million tonnes higher than local requirement. Exports could be just 700,000-800,000 tonnes.

Iceland central bank raises rates, first time since 2012

AFP, Reykjavik

Iceland's central bank said Wednesday it had raised its interest rates for the first time since November 2012, citing the risk of rising inflation as an economic recovery accelerates after a devastating crash.

The bank hiked the seven-day collateralised lending rate by 0.5 points to 5.75 percent, while the seven-day term deposit rate was increased by the same amount to 5.0 percent.

The bank said its decision was motivated by collective wage negotiations currently underway or recently concluded in several industries, where unions have called for or obtained salary increases as Iceland's economy improves.

"Although inflation is still low, the inflation outlook has deteriorated markedly from the bank's last forecast, and inflation expectations have continued to rise ... because wage increases recently negotiated have been significantly larger than was assumed," the bank said in its monetary policy statement.

After years of weakened purchasing power following Iceland's 2008 financial meltdown, employees and consumers are keen to see an improvement in their personal finances.

The central bank forecast growth of 4.5 percent in 2015 on the back of robust household consumption and corporate investments.

Iceland's oversized financial sector and economy collapsed in October 2008 in the wake of US investment bank Lehman Brothers' bankruptcy.

SUMMIT GROUP

Aziza Aziz Khan, a director of Summit Group, hands over ceiling fans to Samanta Lal Sen, chief coordinator of the burn unit of Dhaka Medical College and Hospital, at a programme in Dhaka recently.

Airlines grapple with rich, poor divide in global emissions scheme

REUTERS, Miami

Diplomats working to reduce carbon emissions from passenger planes globally may give some developing countries more leeway to meet new rules, a key official with the world's main airline industry group said on Tuesday.

Paul Steele, senior vice president at the International Air Transport Association, emphasized that nothing has been decided, but outlined some options being discussed at the United Nations' International Civil Aviation Organization (ICAO).

ICAO is working on two policies to address greenhouse gas emissions from the global aviation sector for adoption in 2016 - a market-based system to enable airlines to reduce emissions by buying carbon offsets or allowances and a global emission standard for aircraft.

"There's a number of ideas about stringency or even time, where you let certain states reach a certain standard at a different time," said Steele.

Steele said ICAO countries hope to narrow down options for a market-based system early next year and agree on it by next September. Meanwhile, ICAO counties will unveil its CO2 standard in February.

Standards that vary around the world would be an unusual move for ICAO, a Montreal-based agency that helps governments coordinate aviation policy. Typically its guidelines are meant to apply without discrimination to all member states.

Setting different targets and standards could ease tension between emerging economies and richer states that has dogged ICAO's years-long push to develop a global, market-based system to reduce greenhouse gas emissions.

In the ICAO talks and wider UN climate change negotiations, some states have argued that developed countries should shoulder most of the burden of cutting emissions. The issue is particularly complex in aviation, because some financially vulnerable airlines are based in rich countries.

A recent working paper from Russia, India and China obtained by Reuters said proposals in the works would let some players "preserve their leading positions" in aviation, rather than solving environmental problems. The paper suggested that ICAO may not be able to agree on a plan in time for next year's general assembly, as planned.

Steele, a key figure in the ICAO talks since before the last general assembly in 2013, disagreed: "I'm more optimistic now than I've ever been that there will be an

VU MOBILE

Kaymun Amin, founder and managing director of VU Mobile, and Diego Conforti, chief business officer of Zed, attend a programme to celebrate the 10th anniversary of business operations of VU Mobile, at Bistro-E in Dhaka recently.

EU rejects Greek plan as Tsipras-Merkel meeting in doubt

AFP, Brussels

The EU scathingly rejected Athens's new bailout reform plan Wednesday, throwing into doubt a crunch meeting between Greek Prime Minister Alexis Tsipras and the leaders of Germany and France aimed at ending the crisis.

Brussels took just a day to dismiss the proposals that Greece submitted on Tuesday to its EU-IMF creditors, which have demanded tough reforms in exchange for giving Athens the rest of its international rescue package.

The mood darkened further as officials meanwhile refused to confirm that an expected meeting between Tsipras, Angela Merkel and Francois Hollande on the sidelines of an EU-Latin American summit in Brussels would now take place.

European Commission President Jean-Claude Juncker's spokesman said that the "ball is clearly in the court of the Greek government" if the radical Syriza administration wants to end the five-month stand-off with its creditors.

"Their latest suggestions do not reflect the state of discussions between President Juncker and Prime Minister Tsipras Wednesday night" and further talks in Brussels this week, spokesman Margaritis Schinas told reporters.

He declined to say whether the EU was insisting on higher budget surplus targets than those proposed by the Greek government, a key sticking point along with reforms to Greek pensions.

Radical leftist Tsipras's government was elected in January on the back of its promises to end the "humanitarian crisis" caused by five years of devastating austerity imposed under two international bailouts.

But its creditors have refused to pay out the final 7.2 billion euros ($8.1 billion) of its bailout, which is due to expire at the end of the month after two previous extensions from last year.

Without external help Athens could default on huge payments due to the IMF and European Central Bank over the summer, leaving it at risk of a possible messy exit from Europe's 19-country single currency area.

There had been hopes of a breakthrough on the sidelines of Wednesday's Brussels summit but officials said it was not sure that Tsipras would meet the German chancellor and French president.

"Nothing has been confirmed for the moment on a Merkel-Hollande-Tsipras trilateral," a European diplomatic source told AFP. "The question remains open."

However Juncker looks almost certain not to be involved, having told fellow European commissioners on Tuesday that a new Tsipras meeting would be a "waste of time" and that it would be "better to meet with the Latin Americans", an EU source said.

Juncker has been a key broker in the Greek talks but his own head-to-head with Tsipras last week in Brussels disastrously ended with the Greek premier dismissing the EU president's "absurd proposal".

Nevertheless, the euro strengthened Wednesday as investors bet Greece was nearing a bailout deal with its international creditors. The 19-nation currency rose to $1.1297 and 140.51 yen in Tokyo trade from $1.1280 and 140.23 yen in New York.

Valdis Dombrovskis, the EU's vice president responsible for the euro, said Tuesday a deal was possible "within coming days" but urged "less tactical manoeuvring and more work on substance" from the Greeks.

Tsipras will meanwhile use the EU-Latin American summit to have his first meeting with like-minded leaders including Bolivia's anti-capitalist Evo Morales and Dilma Rousseff of Brazil.

Tsipras issued a dire warning on Tuesday that the fate of the eurozone, the central plank of a European project formed in the ashes of World War II, was at stake if the negotiations fail.

Yet Tsipras is also under fire from the most radical elements of his ruling Syriza party, and urged party members during closed door meeting on Tuesday to "back the efforts of the government", warning the moment

Falling yen raises spectre of 'currency war' in Asia

REUTERS, Singapore

REUTERS/FILE

Passers-by are reflected in a signboard of a currency exchange service in Tokyo.

From South Korea to Indonesia and India, monetary authorities are preparing to let their currencies weaken as a falling Japanese yen makes their economies uncompetitive, and drags them into what some policymakers are calling a "currency war".

The Indonesian rupiah, Malaysian ringgit, Thai baht and other currencies had been sliding gradually against a broadly strong US dollar this year.

They hit fresh lows this week, their sudden declines coming after the yen dropped to a 13-year low on Friday. The region's normally interventionist authorities, however, kept their feet off the brakes.

An adviser to India's finance minister said the country's export growth was flailing not just because of weak global demand but also as a result of the currency-weakening monetary stimulus policies pursued in major economies such as Japan and the euro zone.

"Call it competitive devaluation, currency war or something else, the fact is such policies are having and will have implications for trading partners," the adviser said. "We cannot afford to let our currency become less competitive."

India's rupee INR=IN has been an outperformer as most other currencies ceded ground to a dollar that has been pushed up by expectations that US interest rates will rise at some point this year.

Indonesia's rupiah (IDR=> is down nearly 8 percent against the dollar so far in 2015, eclipsing a 7 percent decline in Malaysia's ringgit MYR=.

While the yen has lost 16 percent in 9 months and the euro has fallen 18 percent since early May 2014, Asian currencies have depreciated far less, making their exports less cheap in international markets.

Theoretically Asian currencies ought to be weaker as, in general, inflation levels in the region are higher than those of major trading partners, most of which are dicing with deflation.

Yet, data from the Bank for International Settlements (BIS) shows China's yuan was 30 percent higher in April in trade and inflation-adjusted terms than in 2010. Korea's won was 15 percent more expensive than in 2010, while the yen was 28 percent weaker.

Korea's exports have fallen every month this year while Chinese exporters have seen both their sales and profits fall.

"There is a risk of currency war where the dollar tends to strengthen, so other countries will be affected," Indonesian central bank Governor Agus Martowardojo told reporters on Monday.

NOT AS BRUTAL AS 1997

There are parallels with 1997 when an extremely weak yen, highly uncompetitive exchange rates and current account deficits culminated in the Asian currency crisis.

"I don't think it is going to get as brutal as that," said Gaurav Saroliya, a macro strategist at London-based Lombard Street Research, listing crucial differences.

Inflation is less of a problem than it was then, making it easier for Asia to cope with weaker currencies. Asian central banks possess far bigger currency reserves. Moreover, the regions' markets are more flexible and foreign investment flows are less volatile than they were in 1997.

Without going anywhere near as far as the massive quantitative easing policies employed in Japan and Europe, authorities in Asia have been subtly nudging their currencies lower.

India's central bank effectively capped the rupee by mopping up investment inflows and building currency reserves.

Thailand eased controls on domestic investors moving cash abroad, while Indonesia loosened its tight grip on rupiah trading.

South Korea is particularly sensitive to the yen's faster depreciation as its exporters compete with Japanese firms in the same markets for cars and electronic goods.

Officials in Seoul told Reuters, however, that they lack the tools to push the won KRW= down to the same extent as the yen.

Whereas Asian currencies have undergone a creeping depreciation since 2014, the yen's fall last week could prove to be a trigger for Asia's currencies to weaken further.

"A lot of these countries are facing a double whammy of poor exports because of a very uncompetitive exchange rate, thanks to Japan and years of portfolio inflows during the QE environment, and also poor household demand," said Saroliya.

"It is overall a major headwind. So they will be forced into choosing a weaker exchange rate through monetary easing or non standard measures."