Contents

Tobacco board expects 10% rise in exports

Prashanth Chintala, Business Standard

August 30 2012, Hyderabad: The Tobacco Board, which regulates production of the commodity with regard to the domestic and export markets, expects a 10 per cent rise in the export of tobacco and tobacco products in the current financial year.

"This year, there is an increase in demand for Indian tobacco in the international markets," board Chairman G Kamala Vardhana Rao told Business Standard.

Accordingly, the board had restored its original ceiling on the crop size at 170 million kg (mkg) for Andhra Pradesh and 100 mkg for Karnataka, the main tobacco growing states, for the current crop season. Last year, the crop size was fixed at 162 mkg and 98 mkg for the two states, respectively.

This apart, the board has sought permission from the Union ministry of commerce for distribution of last year's left over crop of 1.76 mkg to the tobacco growing regions equally. Besides the two southern states, tobacco is cultivated in small amounts in Maharashtra and Odisha.

In the past two years, there had been a marginal decline in exports. In 2011-12, India had exported 240,395 tonnes of tobacco and tobacco products worth Rs 4,100 crore. This represented a five per cent decline in volume and three per cent decline in value compared to the previous year's exports. Even in 2010-11, there had been an year-on-year decline of three per cent in quantity and four per cent in the value of exports.

For the quarter ended June 2012, export of tobacco and tobacco products stood at 60,121 tonnes, valued at Rs 1,083 crore. Compared with the corresponding quarter last year, the volume of exports (63,614 tonnes in June 2011) had declined by five per cent, but the value (Rs 1,023 crore in June 2011) increased by six per cent. The increase in value was attributed to the depreciation of the rupee against the dollar.

Nevertheless, Rao said the quantum of exports would pick-up from now. Tobacco auctions would start next month in Karnataka, while they would be held in Andhra Pradesh from the last week of February
2013.

Europe is the main importer of Indian tobacco, accounting for 51 per cent of total exports from the country last year. The other major importing regions were South and South East Asia (19 per cent of exports), Africa (14 per cent), North and South Americas (nine per cent) and West Asia (seven per cent).

[Back to top]

Export curb likely on rice, wheat, sugar & cotton

Anindita Dey, Business Standard

September 25, 2012, Mumbai: The government might soon review its export policy for rice, wheat, sugar and cotton. Shipments abroad of these commodities might be curbed till the full harvest arrives and the festival season ends.

Their export is currently allowed under Open General Licence, meaning no permission is required. According to officials, the departments of food and consumer affairs have both objected strongly to the free commercial export of rice, wheat and sugar, with their high prices in the domestic market. Rice and wheat stocks available in storages were for maintaining buffer stock levels and for the Public Distribution System (PDS); these could not be diverted for retail consumption in the domestic market, they said.

The domestic price of rice has been going up. The first advance estimates of the Union agriculture ministry says rice output is being projected at 85.6 million tonnes (mt), compared to a record 91.5 mt last year. Official sources said the recommendation is to restrict free export of rice for the rest of this financial year, except for the top-end basmati rice, mainly produced for export. The price of rice across the country has gone up by two to 30 per cent year over the year, barring the eastern states, which are having a second crop.

Sugar is witnessing a rise in prices and officials feel even if the output of cane is high, productivity (conversion to sugar after crushing) will be lower due to lack of rain. Export of sugar had stopped since domestic prices began rising. The ministry has recommended banning export till at least December, when the festive demand is over and the second harvest will arrive in the market.

Across the country sugar prices have gone up by 25-58 per cent year on year and might go up further. Output this year is estimated to be the same as last year.

A ban on sugar export, say officials, wouldn't hit millers, as the government proposes to raise the price of levy sugar for the PDS to Rs 22 a kg from the Rs 13.5 a kg fixed since 2002. This would help the industry recover around Rs 12 a kg from selling sugar under PDS.

A shortage in cotton output is expected due to erratic rain. The free export policy comes to an end in a month. The textile ministry had already recommended a ban on export till the market showed surplus availability for the domestic industry.

Cotton prices in Tamil Nadu and Uttar Pradesh have risen 25 per cent over a year. The first advance estimates, show cotton production at 32 million bales (of 170 kg each), compared to last year's 35.2 million bales.

[Back to top]

Guar price crashes on export drop fears

Dilip Kumar Jha, Business Standard

Mumbai, October 2, 2012: The spot price of guar has crashed in Rajasthan mandis on concern of high output and a drastic decline in import orders from America, the European Union and the Gulf countries, the three leading export destinations of guar derivatives from India.

The guar seed price has plunged 44 per cent in the past six weeks, to trade currently at Rs 80 a kg, from Rs 145 a kg in mid-July. The gum price dived to Rs 240 a kg today from Rs 400 a kg in mid-July, down 40 per cent. The levels in that month were recent highs, when both guar seed and gum found sudden buying interest from retail farmers for sowing, following intermittent rainfall.

The Union agriculture ministry had estimated a 20 per cent increase in sowing area this kharif season, after revival of monsoon rainfall in the first week of August. The area under guar seed was forecast at 3.5 million hectares (ha) this sowing season, as compared to 2.91 mn ha last season. Purushottam Isaria, president of the All India Guar Gum Manufacturers Association, forecasts a 25 per cent rise in seed output this season. The estimate is 1.5-1.8 million tonnes, as compared to 1.2 mt in the previous season. However, this is significantly lower than earlier trade estimates of a 300 per cent increase in output. At the beginning of the kharif sowing season, traders said farmers would respond promptly to last season's record high prices and bring as much area under the seed as possible. Farmers did eye guar at the beginning of the season but a lack of rain hampered sowing. Then, water logging on excessive rainfall hit germination in the sown crop, lowering overall output estimates.

"Hence, the output, though higher this year, is unlikely to achieve the previous estimates. Overall, output might remain marginally higher by 20-25 per cent this year compared to last year," said B D Agarwal, managing director of Vikas WSP Ltd, one of the largest guar gum exporters.

The 90-day guar crop requires four-five spells of intermittent rainfall. Sowing begins with the onset of the monsoon rain, for harvesting in October.

The drastic price decline has created a massive trade imbalance between exporters and importers of guar derivatives in the US market.

Importers of Indian origin based in America have started re-negotiating prices after the shipment of guar gum from India. According to a leading exporter, around 15,000 tonnes of gum are lying at US ports due to the price negotiations; US buyers who booked at $27,000 a tonne are now seeking delivery at $10,000 a tonne. The exporter said the government's help had been sought on the issue.

Importers abroad had also built a massive stockpile last year, assuming an increase in prices. According to Ravikant Kanoongo, director of Hindustan Technosol Pvt Ltd, a leading exporter from Rajasthan, guar gum import orders are very low today and are unlikely to resume soon. Once the crop prospects become clear, stockpiles decline and the price continues to soften, demand would rebound, he said.

Also, the US government has initiated working on an alternative to guar gum for its application in hydraulic fracturing - the process for extracting hydrocarbons from tight formations that have revolutionised oil and gas production. Indian exporters feel this substitution is unlikely soon and so demand would continue to pour in from foods, cosmetics, drugs, explosives, fire retardant and paper industries.

[Back to top]

Cotton export registrations to remain under DGFT

Anindita Dey, Business Standard

Mumbai, October 2, 2012: The cotton registration for the new season, 2012-13, continues to remain with the Director General of Foreign Trade (DGFT) under the ministry of commerce.

This is despite repeated requests of the textiles ministry to regulate cotton exports and export registration to better manage supply, demand and prices in the domestic market. The request was made especially on the back of cotton imports this year, despite India being an export hub of the commodity traditionally. Under the ministry, the textile commissioner gets to handle registration of cotton exports.

In a meeting last week, it was seen that imports were not due to rise in the domestic price of cotton or shortage in availability. These were triggered primarily due to a fall in international prices. There was contraction in the data of the two ministries as well. While the ministry of textiles has shown a total import of 1.5-2 million bales (a bale is 170 kg), commerce data shows only 500,000 bales of import this year. Therefore, the registration continues with DGFT, said sources.

Earlier, the ministry had also written to the ministry of commerce and to DGFT on this issue. Sources said the proposal had been endorsed by the minister of textiles, Anand Sharma, who also holds the commerce portfolio.

DGFT has cited instances of mismanagement of export registration, raised by cotton associations under the open general licence (OGL) in the ensuing season, commencing October. The commerce ministry had put cotton under OGL in 2011 for the cotton season ending September 2012.

In the domestic market, cotton prices are currently at Rs 37,000-38,000 a candy (a candy is 356 kg of cotton). In August, say sources in the ministry of textiles, Indian cotton mills had already contracted 10 million bales for imports and around three to four million bales have already been imported in the last two-three months. Until recently, India was a big exporter of cotton. The country's annual harvest was 35.2 million bales, while domestic requirement was just 26 million bales. Currently, there is hardly any stock in the domestic market to feed the domestic market, a peculiar situation, said officials.

Reportedly, in the current procurement drive, arrivals in mandis have started tapering. This year, cotton output has been 33.6 million bales, of which 12.5 million have been exported, mainly to China. Against 200,000 bales of daily arrivals during the peak season, arrivals have dropped to 15,000 bales a day. The government's plan to create a special buffer of one million bales under the Cotton Corporation of India looks stretched because only 350,000 bales have been procured, at a cost of Rs 500 crore. The government has sanctioned Rs 2,500 crore for the purpose.

[Back to top]

Dip in Chinese orders pulls down cotton export

Business Standard

Mumbai, October 5, 2012: India's cotton export in 2012-13 is expected to fall to seven million bales (a bale is 170 kg) compared with 12.8 million bales last year, following a sharp fall in Chinese demand, according to the Cotton Advisory Board (CAB), headed by the textile commissioner. China's total imports are projected to fall to 2.5 million tonnes this year, half of last year's. Around 65 per cent of India's cotton export goes to China.

China's imports will be lower as their crop is good; they also have huge stocks," said A B Joshi, textile commissioner. India's cotton prices are higher compared to global ones."Although China is expected to reduce import of cotton from India, they may start importing cotton yarn," said Umang Kapasi, joint managing director of the Coimbatore-based Shri Vardhaman Cotton Corporation, which is also an indenting agent.

CAB has estimated this year's (the cotton year starts in October and ends in September) total cotton production at 33.4 million bales compared to 35.3 million last year. The 2012-13 production would be lower due to scanty rainfall in major growing areas of Gujarat, particularly Saurashtra. However, output in Andhra Pradesh is expected at 7.2 million bales compared to 5.6 million last year, compensating for the loss in Gujarat.

Consumption of cotton by mills and non-mill consumption is expected to be higher this year compared to last year (see table). "Mill consumption is higher this year due to rise in productivity of smaller mills, which are in a financially better situation compared to last year. Also, the order inflow is much better this year," said D K Nair, secretary general of the Confederation of Indian Textile Industry. Last year, many mills had financial issues, which led to their taking less of orders.

Internationally, too, mill consumption is put higher. According to the estimates by International Cotton Advisory Committee, "outside of China, mill use is expected to increase by five per cent, to 14.9 million tonnes (mt). Taking into account reduced shipments to China, cotton production is forecast down by six per cent to 18.6 mt, while stocks in the rest of the world are expected to grow by 16 per cent to nine mt in
2012-13."

According to ICAC, with this projected fall in Chinese imports, the price outlook in the rest of the world is conducive to lower international prices in 2012-13.

[Back to top]

Cotton exports come to a halt

Sharleen D`Souza, Business Standard

3 November 2012, Mumbai: Cotton exports from India have come to a halt, as prices in the global markets are lower than in India. Earlier, the textile commissioner had said this year, Cotton exports would stand at seven million bales, compared with 12 million bales last year, as China, which accounts for about 65 per cent of India's cotton exports, was cutting its imports by half. However, considering the current trends in India and global markets, exporting even seven million bales would be difficult.

Though some traders who had received orders earlier have exported the commodity, no new orders are being recorded. Prices of Indian cotton are higher than those of international cotton by Rs 2,000-3,000 a candy, and this has led to the commodity being imported in the past few months. Cotton prices in the Gujarat market currently stand at about Rs 32,500 a candy for the Shankar 6 variety, the benchmark quality.

Cotton exports haven't been affected in India alone. According to Rabo Bank's agri-commodity report for November, “US export commitments for the 2012-13 cotton year are trailing the five-year average. The International Cotton Advisory Committee has said global cotton trade is expected to shrink significantly this year. “After an unexpected jump in 2011-12, global cotton trade is expected to fall 21 per cent to 7.7 million tonnes this season due to lower demand from China,” it said.

However, imports by the rest of the world could rebound 18 per cent. Exports from most large exporting countries would decline, particularly those from in India, owing to increased domestic consumption. “Global cotton production and mill use are estimated at 25.9 million tonnes and 23.4 million tonnes, respectively, resulting in an oversupply of 2.4 million tonnes," it said.

Rabo Bank expects China's stock-to-use ratio for 2012-13 at 103, the highest since 1998-99, and this would curtail demand for cotton.

"There is no export demand from major markets, and this may continue for a while," said Shirish Bhai Shah, a Mumbai-based cotton trader.

So far, cotton arrivals across the country stand at 1-1.2 million bales, compared with 1.6 million bales last year. The average arrivals of cotton in this period are 2-2.5 million bales.

[Back to top]

India’s agricultural exports see 121% jump on guargum, rice

Sandip Das, Financial Express

9 November 2012, New Delhi: The country's agricultural and processed food exports saw a huge jump — of 121% — during first two quarters of the current fiscal to Rs63,000 crore in comparison to Rs 28,500 crore during same period last year. The jump is mainly attributed to the surge in shipment of Guargum (488%) and non-Basmati rice (993%) in the first half of 2012-13.

According to the latest data released by the Agricultural and Processed Food Products Export Development Authority (APEDA), Guargum exports stood at Rs 21,536 crore, which is around 45% of the total agricultural exports.

The rise in Guargum exports this fiscal was more than 488% in comparison to the same period last year.
The global demand for Guargum — an extract from Guar seed used as sealant in oil and natural gas drilling — had been on the surge during last one and half years due to soaring crude prices.
“If the growth in export trend continues, we will cross the Rs1-lakh crore export mark by the end of the current fiscal,” Asit Tripathy, Chairman, APEDA told FE.

Another key commodity that pushed up agricultural exports was non-Basmati rice. The total exports of non-Basmati rice during the April – September period this year was around Rs6285 crore, a jump of more than 993% from the previous year. India lifted a ban on non-Basmati in September last year after a three-year restriction.

The exports of India's flagship agri-product basmati rice grew marginally by 4.5% to Rs9,054 crore during first two quarters of current fiscal. The exports jump is mainly because of rising demand for aromatic long grain rice in Gulf countries, European Union and United States. Iran and Saudi Arabia constitute more than half of basmati exports.

Cumulative rice exports were at Rs15,339 crore during the April-September period. Another key commodity that saw a significant jump in export growth was wheat. India exported Rs3619 crore worth of wheat in this fiscal till now, which is a huge jump from last year's marginal exports worth of Rs33 crore.
Other key commodities that saw growth in shipments include meat products (Rs7595 crore), dairy products (Rs523 crore), groundnut (Rs2,475 crore) and fruits and vegetables (Rs2,700 crore).

For giving a further boost to exports, APEDA has identified 20 odd clusters located across the country for maintaining healthy growth in the country's food products exports during current fiscal as well. These clusters include basmati rice (Haryana & Punjab), buffalo meat (western Uttar Pradesh), grape and grape wine (Nasik region, Maharastra), pomegranate (Satara and Pune regions of Maharashtra), dehydrated onions and garlic (Gujarat), poultry or egg (Namakkal) and mango pulp (Uttar Pradesh and Maharashtra)

Although the country exports products from the APEDA basket to 80 countries, India's share in the global trade of agri processed products is only 2 %. Only 15 countries including Saudi Arabia, UAE, UK, Bangladesh and South Africa account for more than 65% of the country's export of fruits, vegetables and other agricultural products.

[Back to top]

Govt eases cotton export rules

Komal Amit Gera, Business Standard

6 December 2012, Chandigarh: Cotton export procedures have been liberalised, in the backdrop of market prices barely ruling above the government support price, at a time when new crop arrivals have begun.
A notification by the directorate general of foreign trade (DGFT) says the cap for obtaining a registration certificate (RC) has been increased to 30,000 bales (a bale is 170 kg), from the present 10,000 bales, unless the quantity exported was less than this in the previous season. In the latter case, the RC would be given for the previous amount, if it was more than 3,000 bales; those who'd exported less and newcomers would get an RC for up to 3,000.

DGFT has been allowed to issue multiple RCs within this eligibility, subject to some riders. Also, applications are now possible from three more centres — Ludhiana, Rajkot and Visakhapatnam.

Alok Sekhsaria of P D Sekhsaria Trading Co, Mumbai, says the decision would make operations easier. However, the price of cotton in the international markets is about the same as the domestic market, so the impact would not be substantial, for now. Dilipbhai Patel, president of the All Gujarat Cotton Ginners Association, said the price of the Shanker-6 benchmark variety was close to Rs 33,400 a candy (356 kg), which does not make export viable. However, if the price falls with the arrivals picking up, it might benefit more exporters.

Bhagwan Das Bansal, president of the Punjab Cotton Ginners Association, said the price of J-34, the variety grown in the region and Rajasthan, was Rs 33,210 a candy. Traders are projecting a fall of about Rs 500 a candy after the entire crop arrives in the market. The current decision of the government will then bear fruit, he said.

[Back to top]

Cotton exports to dip 60% this year

Economic Times

New Delhi, 8 January 2013: India's cotton exports are likely to tumble by 60 per cent to 5.7 million bales in the marketing year ending July compared to last year level, a USDA report said.

India, the world's second-largest exporter, is estimated to have shipped a record 14.7 million bales in the last marketing year, it said. One bale has 170 kg of cotton.

"The 2012-13 export estimate is unchanged at 5.7 million bales (of 170 kg)," the US Department of Agriculture (USDA) said in the report.

China, the world's biggest cotton consumer, continues to be the major export market for Indian cotton. Indian cotton prices are trading slightly lower to world prices. Exports have also been aided by a weak rupee, it added.

The USDA did not give any specific reasons for a decline in cotton exports. The domestic traders and experts said shipments could slow down due to lower Chinese purchases in the wake of huge inventories.

According to the USDA report, cotton exports in the country have reached an estimated 2 million bales during August-December period of the ongoing marketing year.

"Preliminary data suggest that exports surged during November and December at nearly 1.65 million bales. Cotton exports during December were an estimated 950,000 bales, the highest monthly level since April," the report said.

Other major markets for Indian cotton exports include Bangladesh, Vietnam and Pakistan.

The USDA maintained its estimate on cotton production at 32.5 million bales and domestic consumption at 26.4 million bales for the current year.

Domestic demand for cotton has been weak of late, but is expected to improve over the next few months as mills work off their supplies of imported cotton and the domestic cotton they had in place to cover their pre-harvest needs, it added.

At present, harvesting is underway and the pace of cotton arrival continues to lag from over last year period.

Weak domestic prices have prompted the Cotton Corporation of India to begin procurement under minimum support price (MSP) operations, mainly in Andhra Pradesh where the crop was affected by a cyclone a few weeks ago, the report said.

The government has fixed the MSP at Rs 3,850 per quintal for the long staple shankar 6 variety.

[Back to top]

No curb on cotton exports for now, govt to keep watch

Banikinkar Pattanayak, Financial Express

New Delhi, 22 February 2013: The government is in no hurry to ban cotton exports in the year through September despite a recent spike in the registration of deals, as domestic prices are still much lower than the record levels hit in 2011, official sources said on Thursday. This could be the first year since 2009-10 when cotton exports are unlikely to witness curbs.

In fact, a late evening statement by the commerce ministry said: “The committee (of secretaries) noted that the situation with respect to cotton availability, prices and export is satisfactory and decided that the current dispensation (free trade of cotton) may continue. The committee has decided to keep a watch on the situation and meet as and when the situation warrants.”

A panel of secretaries, comprising the top bureaucrats of the departments of textiles, commerce and agriculture, reviewed cotton supplies following a massive pick-up in export registration of late, as demand from China returned just as fears about a smaller global harvest loomed. The panel met weeks after the state-run Cotton Advisory Board (CAB) had pegged exportable surplus of cotton for the marketing year through September at 8 million bales. One bale equals 170 kg.

“There is no reason to ban cotton exports as of now. Prices are still at resonable levels and way below the elevated levels witnessed in the past two year,” a senior government official told FE, corroborating the commerce ministry’s statement. “There is a slight pick-up in garment exports of late as orders from Europe have started coming in good deal. So I think textile companies shouldn't have any problems in the days to come to manage with the current price level of cotton,” said another official.

A ministerial panel had decided in November that the exportable surplus of seven million bales would be adhered to in the registration of shipment contracts during 2012-13. The panel comprised agriculture minister Sharad Pawar, fm P Chidambaram and textiles and commerce minister Anand Sharma.

India's cotton export registration has reached around 6.5 million bales this year after remaining subdued until December.

[Back to top]

SMEs join tyre cos' clamour against duty hike on rubber

Msaritavarma, The Financial Express

Thiruvananthapuram, 7 March 2013: Immediately after Kerala chief minister Oommen Chandy confirmed that the Union finance ministry is about to notify a hike in the import duty of natural rubber, from Rs20 per kg to Rs34 per kg, the rubber-consuming industry roped in 4,500 rubber SMEs to join its clamour to shout down the hike. According to the SMEs, the import duty on natural rubber cannot be seen as the single major factor in the price differential of rubber.

Since over 90% of the country's rubber production comes from Kerala, the fall in prices has ruffled the state's economy. A delegation of ministers led by the Kerala CM met the Union commerce minister and Union finance minister on Tuesday.

"The move to clear a notification hiking the import duty on natural rubber from R20 per kg to R34 per kg is already on," Oommen Chandy told FE. From R230 per kg last year, natural rubbber prices have nosedived to R160 per kg this year, almost seeking policy intervention, he said.

Alarmed by the imposition of import price curbs on natural rubber, SMEs in AIRIA (All India Rubber Industries Association) have joined hands with ATMA (Automotive Tyre Manufacturers' Association) in urging the commerce, finance and MSME ministries. An increase in the import duty on natural rubber will severely hit 4.5 lakh people working in rubber SMEs, according to the representation by AIRIA.

"There is no significant differential between the current domestic and international prices of natural rubber, which should warrant drastic action on the lines proposed. According to Rubber Board's data, the price differential between domestic and international prices is currently less than 5%. The key concern of natural rubber growers and their representatives was that there was a significant price differential, to the tune of R20 per kg, and necessitating import curbs was no longer required", said Niraj Thakkar, president, AIRIA.

AIRIA contests the rubber-grower organisation's argument that rubber prices can be attributed to imports. It quotes a press release by the Rubber Board, which says that "Rubber price is a function of several factors."

Thakkar argues that a panel constituted by the ministry of commerce to examine the duty structure had met on 27 December, 2012, recommending to maintain status quo with regard to the rubber import policy.

AIRIA pleads that the economic slowdown is affecting both the rubber-consuming industry and the rubber plantation sector.

[Back to top]

Humble guar gum India's top farm export

Surojit Gupta & Sidhartha, The Times Of India

New Delhi, 10 March 2013: Guar gum has emerged as India's top farm export overtaking traditional heavyweights rice and cotton and looks set to power into the league of top 10 shipments from the country, thanks to the demand from the US oil and gas industry. Latest government data shows that guar gum exports have shot up nearly 139% on a year-on-year basis between April and January with shipments of about $4.9billion. In the previous year, it rose 374% in January alone compared to the same month of 2011. At $4.9billion, guar gum exports during the April-January period were a shade below the exports of plastics and linoleum products at $5billion. Basmati rice exports during the same period totalled $2.7 billion while raw cotton exports stood at $2.6billion. The shift in fortunes for the hitherto unknown guar gum has been phenomenal in recent years. Growing demand for the gum from the petroleum industry in the US has seen a sharp increase in the prices of the commodity, which is commonly known as guar phalli and has a variety of uses in sectors ranging from food to oil and gas drilling.

Magic Beans

Guar, from which gum is extracted, is mainly grown in Rajasthan and Haryana India accounts for nearly 80% of global production of guar gum, now bringing in $4.9 billion Used as controlling agent in oil wells for easy drilling Also used in textile, food & cosmetics industries Guar gum prices rose 1,000% in '12

The sharp rise in exports, thanks to the scorching demand from the US oil and gas industry, which uses the commodity while drilling for shale gas, has helped propel prices to stratospheric levels . The robust return from the crop has changed lifestyles and incomes in Rajasthan and Haryana where it is predominantly grown. TOI had earlier reported the dramatic impact of the sharp increase in guar gum demand and prices on lifestyles in Rajasthan. While the growth in demand may have slowed compared to the dizzy heights scaled in 2012, experts say the commodity will hold up for some time. Last year, prices shot up in the 900% to 1,000% range and a quintal of guar gum fetched more than Rs100,000 while prices for the seed shot up from Rs 3,000 to Rs 35,000. "More or less the demand will be there largely because of the requirements of US shale gas drilling," said Naveen Mathur, associate director commodities and currencies at Angel Broking.

[Back to top]

India, China sell cotton stocks to soften global prices

Mayank Bhardwaj and Lewa Pardomuan, Reuters

New Delhi/Singapore, 20 March 2013: India will sell cotton to local buyers from government stockpiles, joining China as the world's top two consumers try to cushion domestic textile mills against soaring costs.

The sales by China and India, also the two leading producers, should ease tight supplies and help cool global prices that have soared 20 percent this year on strong demand - partly because of the Asian giants' hoarding.

China, the world's largest consumer, is expected to sell about 3 million tonnes of cotton this year from state reserves of around 10 million tonnes, Terry Townsend, executive director of international farm group ICAC, said on Wednesday.

"We expect China stocks at the end of the season will be down to 7 million tonnes," Townsend told Reuters in an interview in Singapore.

In India, an official at the partly state-run National Agricultural Cooperative Marketing Federation said a decision was being taken on stock sales that should take place from April.

Earlier, replying to a query on whether the cotton Corporation of India would sell stocks in the open market, Trade Minister Anand Sharma said: "That will happen."

Both India and China have bought domestic production to guarantee returns for their farmers, but the move appears to have backfired, squeezing profits for textile mills as prices have surged.

Domestic prices in China are 50 percent above world prices, while in India they are roughly on par, against a usual discount of around 5 to 7 cents per pound.

China's stockpiling is expected to gobble up more than half the world's cotton surplus - even though it should be a record - by the end of the crop year in July, according to the U.S. Department of Agriculture.

Investment from speculators on expectations of continued hefty purchases from China helped push U.S. cotton futuresto a one-year high of 93.93 cents a pound last week, but they remain well below their record above $2.20 a pound hit in March 2011.

Cotton on ICE Futures U.S. fell on Wednesday as fears the release of government stocks could hamper demand.

"This reminds people that there is still cotton that could potentially come onto the market," said Peter Egli, director of risk management for Plexus Cotton Ltd, a British-based medium-sized merchant.

The most-active May cotton contract on ICE was down 0.81 cent, or 0.89 percent, at 90.22 cents a lb at 11:23 a.m. EDT (1523 GMT).

Merchants and mills in the United States, the world's largest cotton exporter, said physical supplies have tightened recently due to continued strong export demand even as futures prices have rallied.

"The current price level is supported only by this reserve policy of China," ICAC's Townsend said. "If the reserve did not exist, prices today would be around 60 or 70 cents a pound."

While the USDA expects an annual rise of 4 percent in cotton consumption in the year to July 2013, that would still be 12 percent below its peak in 2005/06, due in part to high prices that have made cotton less competitive.

"Cotton needs to come down to around 70 or 80 cents a pound to be competitive with polyester," Townsend added.

India will sell cotton from stocks of 2.5 million bales (425,000 tonnes) out of a crop expected to total 33 million bales in the year to Sept. 30, 2013. Domestic mills normally use about 26 million to 27 million bales.

"This move will support the industry and stabilize prices, restricting any further rise," S. Dinakaran, joint managing director of Sambandam Spinning Mills said, adding that private traders might then also sell stocks to pre-empt price falls.

He expected prices to drop by around 1,000 rupees per candy from current spot prices for the most commonly traded Shankar-6 variety of 38,500-39,200 rupees per candy of 356 kg. Spot prices hit a record high around 62,000 rupees in March 2011.

Both countries could also import to help tame domestic prices.

China could double volumes approved to nearly 1.7 million tonnes from April, according to trade sources, favoring mills that sell their textiles for export.

India will also turn to imports, which could jump about two-thirds in 2012/13, according to the Confederation of Indian Textile Industries.

[Back to top]

Coir exports to 112 countries reach all-time high of Rs 1,116 cr in 2012-13

Kochi, 17 May 2013: Coir exports from the nation during the last fiscal touched a record high of Rs. 1,116.02 crore despite reversals in the share of traditional items. According to data released by the state-run Coir Board, 4,29,500 tonnes of coir and coir products were exported in 2012-13 as against 4,10,854 tonnes during the preceding year. Value realised during FY12 stands at Rs1,052.6 crore. Volume has increased by 5% and value by 6% during the fiscal, board sources added.

Traditional items of exports like handloom mats and rugs have been seen declining in both volume and value during the last few years. About 76% of the total exports were contributed by non-traditional products, whereas handloom products like mats, matting, coir geo-textile put together, contributed only
24% of the total exports.
During the period April 2012-March 2013, 112 countries imported coir and coir products from India, Coir Board chairman G Balachandran said. “USA continues to be the major importer of coir and coir products with a share of 12.93% in volume and 22.79% in value. China became the major importer of coir in terms of volume with a share of 33.88%, but value realised stands lower at 19.38%. China continued to be the largest importer of coir fibre from India. Interestingly, the growth of export of raw materials like fibre and pith to China has declined when compared to previous years. It is reported that China is now sourcing coir raw materials from Vietnam and Thailand. This could put less pressure on raw material availability for Indian manufacturers.”

Despite the global recession, particularly in Europe, achievements in exports of coir have been quite encouraging, Balachandran said. Board sources feel that the market for such items will improve as the economy of Europe stabilises.

[Back to top]

Export controls are disastrous

Tejinder Narang, Business Line (The Hindu)

After wheat and iron ore, the Government is messing around with cotton exports.

The Textile Ministry wants to create a “Market Stabilisation Fund” (MSF) by imposing a cess/tax between Rs 1,000 and 2,000 per candy (356 kg) on cotton exporters. The new policy suggests that “surpluses only” may be permitted for exports after determining domestic demand. Some of the other ‘straight out of the 70s’ ideas are to permit exports “after the crop is ready” with farmers; and providing loan waver for weavers.

Indian cotton export has demonstrated consistent performance over the last three years — $3 to $4 billion per annum. This year, it may decline to $2 billion (one million tonnes). China’s appetite for imports is tapering. The US Department of Agriculture (USDA) report of July 11 reflects higher global inventories, production almost unchanged at a high of 20 million tonnes (118 million bales) and falling prices. The need of the hour is to ensure more exports at best prices to improve foreign exchange earnings and bring down the current account deficit, especially due to the highest-ever output seen in 2013-14 owing to a good monsoon. *Ad hoc* interventionism by various arms of the Government has undermined macroeconomic fundamentals. The ban on iron ore exports has made the country suffer. Wheat export has been hit by inflexibility in pricing by the Food Ministry, while a surplus of 16 million tonnes lies hoarded.

High “State Advisory Prices” (SAP) on sugarcane has priced India out of the export market, while making the country a net importer of sugar despite having abundant local supplies. The brunt is borne by the farmers as the industry is unable to make payments for the cane supplied. Now, cotton export is under threat of being destabilised.

Unfair Tax On Exporters

The proposed “export tax” for MSF is to be levied on cotton exporters. The Government is attempting “to kill the export demand” by diverting a large part of the proceeds to this fund.

Poor demand will manifest in more market availability. Such domestic surpluses will be openly exploited by the spinning/textile mills at their whims and fancies by pushing domestic prices down.

This will result in lesser realisation for farmers. Undeniably, exports contribute to demand expansion, which has been a major driver of production of cotton over the past decade. The Textile Ministry’s intent is to provide freebies before elections to the industry. This is contrary to the recent directions of the Supreme Court to the Election Commission.

Act of Discrimination

Cotton “export tax” smacks of the domestic industrial lobby trying to dupe farmers, on the one hand, and mismanaging the export economy, on the other through the introduction of a new scheme proposed by the Ministry. Such a fund is also an arbitrary discrimination between exporters *vis-à-vis*spinners, textile mills, garment exporters and retailers at the cost of farmers. Legally and morally, this may be untenable.

A sugar development fund (SDF) under the Ministry of Food has been in operation since 1983 for modernisation of the sugar mills, funded by Indian consumers as part of the price of sugar paid to mills. As per the Food Ministry Web site, the status of SDF up to 2010 is — Rs 5,132 crore disbursed and Rs 2,352 recovered, indicating loss/under recoveries of 54 per cent. The disbursements of such funds (SDF or MSF) are subject to discretionary patronage by politicians and bureaucracy at the behest of lobbies. Money once disbursed cannot be monitored or accounted.

Spinners and mills suffer from logistical, labour-related, technical and performance-centric inefficiencies, apart from acute shortage of power. Had it been otherwise, Indian textiles and garments would have been cheaper than those exported by China, Vietnam, and Bangladesh. Mills cannot be compensated by taxing the farmers.

Further, the quantum of cess also indicates the ignorance of margins that the market allows internationally. It is not a cakewalk to do business in cotton export where competition is intense and market volatility ranges between 20 per cent and 50 per cent. Profits are scant, say, Rs 200-400 per candy or (0.5-1 per cent) — for an export value of Rs 40,000/candy.

The cotton crop arrives in October and goes through a variable supply/demand/speculative cycle in the next 12 months. There is no way by which the "quantum of surplus" can be predetermined after covering domestic demand. The pattern of production of *kapas*, ginning, spinning, milling and garments is a continuous process in which the trade participates on a daily basis. That is the way "marked to market prices are discovered" locally and abroad.

Stable Policies

All commodities are purchased and sold throughout the year and cannot be linked to "physical arrival" of crop. Futures are traded and hedged in exchanges and business is done by mitigating the risk. Indian cotton export market cannot be "closed" or temporarily terminated till such time each bale is counted. The fundamentals of doing any business, including export, is to have stable policies, rather than to be influenced by vote-bank politics. Domestic supplies are good and augmented by e-auction of Cotton Corporation of India's 22 lakh bales. Authorities must understand that market is a natural balancing force and globally interlinked.

[Back to top]