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RCEP talks: India wants different market opening offers for members

Amiti Sen, Business Line

New Delhi, February 9, 2015: India will insist on giving separate market opening offers for goods to different members of the proposed regional comprehensive economic partnership (RCEP) pact depending on its country-specific ambitions and vulnerabilities.

Proposal for cuts

In the crucial seventh round of talks beginning in Thailand on Monday, between 16 countries, including the 10-member ASEAN, India and China, New Delhi will also try to ensure that the ambition and time-line for liberalising the service industry keeps pace with goods, a Commerce Ministry official told*BusinessLine*. “We are supporting a proposal for cuts on 40 per cent of items in our initial offers. But we want country-specific deviations on the basis of request-offer with each country,” the official said.

Members of the RCEP, which also includes Japan, South Korea, Australia and New Zealand, are trying to stick to the timeline of concluding the pact by year-end. The ambitious pact, which includes goods, services, investment, economic & technical cooperation, intellectual property, competition and dispute settlement, is expected to create the largest regional trading bloc. India’s primary interest is in the services sector as it sees a lot of potential for its professionals in the markets of the member countries.

Reduced tariffs

RCEP countries account for 45 per cent of the world population with a combined gross domestic product of $21.4 trillion.

Deviations in the market opening offers will ensure that India gets to protect its market for different products from different countries where it faces threat — such as electronics from China and dairy products from Australia and New Zealand. However, it will have to offer market openings for an equal number of items for every member. “India, China and South Korea, in the last RCEP meeting in New Delhi, insisted on reducing tariffs on 40 per cent of their products as opposed to 80 per cent being pushed by others. We will continue to hold our ground in Thailand,” the official said.

Cautious approach

New Delhi is not comfortable with the idea of making substantial offers to China, Australia and New Zealand, as it does not have existing Free Trade Agreements (FTA) with these countries. The Indian industry is also wary about opening up the economy to China, which poses strict competition in a large number of sectors. India has FTAs with the ASEAN, Japan and South Korea and has already agreed to substantial market openings in those pacts.

In services, India wants to ensure that not only negotiations on services take place parallely with goods, but should be based on a positive list approach where only those sectors that are mentioned in the pact are opened up. This would ensure that it inadvertently doesn't liberalise a sector that it did not intend to.

"We will also not agree to anything in FDI or intellectual property that will go beyond our domestic laws," the official added.

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FDI demand to be taken up at RCEP meet in Thailand beginning Monday

Dilasha Seth, The Economic Times

New Delhi, February 6, 2015: India's ties with Japan, which have strengthened after Narendra Modi's visit to that country months after taking over as prime minister, may be in for a test-over substantial liberalisation of the ecommerce sector. That, and retail in general, is one of the few segments in which the administration is not too enthusiastic about overseas entry due to domestic political considerations.

But the Shinzo Abe government wants India to open the ecommerce sector to foreign investment, seeking space for the likes of Rakuten, one of Japan's big online retail companies that has plans to become a global player, and Uniqlo, a clothing retailer with a strong global presence both online and offline and looking to expand in the country.

Tokyo has not made the demand directly and has instead proposed it as part of talks at the Regional Compre Regional Comprehensive Economic Partnership (RCEP) grouping. This grouping comprises the Association of Southeast Asian Nations (Asean) and countries that Japan has free trade agreements (FTAs) with -China, India, South Korea, Australia and New Zealand.

India does not allow foreign direct investment in the business to consumer (B2C) segment but 100% FDI is allowed at the business to business (B2B) level.

In the paper floated by Japan at the previous round of negotiations in New Delhi, it sought most favoured nation and national treatment to be accorded to the ecommerce sector, which is not in line with the Modi government's current policy.

India wants to politely resist the Japanese pressure. “We don't think we are in a position to take on any commitments right now as far as e-commerce is concerned (but) the Japanese are pushing very hard,“ said a government official. An expert-level meeting has been planned on ecommerce in the wake of this.

“They want some commitments on non-discrimination of digital products as far as national treatment is concerned. We need to know what the definition of `digital products' is,“ the official said.Japan is pushing for a permanent zero tariff structure for `electronic transmission' that includes software and books. This is a concern as this segment is yet to take off in India.

The 16-member RCEP will meet in Pattaya, Thailand, on February 9-13 for the seventh round of talks. The RCEP pact seeks to include goods, services, investments, competition and intellectual property.

The official said Japan hasn't talked about the investment aspect yet but is likely to bring that up in discussions soon.

The Japanese ecommerce market looks saturated and companies are looking to expand their presence overseas.Uniqlo plans to invest and open close to 100 stores in India. Meanwhile, Japanese telecom company and investor SoftBank has be come the largest investor in the Indian ecommerce segment, having bought into companies such as Snapdeal and Olacabs.

Most overseas companies including Amazon and eBay operate in India through the marketplace model, where sellers use the firm's platform to reach out to buyers, rather than being involved in retailing goods themselves.

The paper by Japan makes no distinction between B2C and B2B, the way ecommerce is seen globally. It seeks minimum barriers in ecommerce, seeking harmonisation of the regulatory framework.

“India is not keen on that at the moment. There are several complexities including no distinction between B2B and B2C model. Australia and New Zealand also want a separate chapter on ecommerce,“ said another government official.

Amazon has been lobbying India to allow 49% FDI in B2B and B2C ecommerce. However, the BJP-led government regards opening up ecommerce as giving a backdoor entry to foreign multi-brand retailers, something it's opposed to.The BJP government is against its predecessor's decision to allow 51% FDI in multi-brand retail, but hasn't yet done anything to reverse that decision.

India has FTAs with Japan, South Korea, Singapore, Malaysia and the Asean grouping.

Trade experts feel it will be too early for India to sign a pact on ecommerce when the sector is still evolving in the country.

“This is not the right time. At the moment, we are just trying to understand the dynamics of this form of enterprise in India. Only after gaining some experience can we think of a fruitful plurilateral discipline. Once we commit under RCEP, it will be almost irreversible. All these ecommerce companies in India are just a few years old and it must be ensured that they keep their momentum,“ said Biswajit Dhar, professor at Jawaharlal Nehru University.

“Ecommerce has become very important and there is a strong interest to enter the Indian market.India distinguishes between B2B and B2C, which creates a grey area for international companies.Government needs to take a consistent position on ecommerce policy in India,“ said Arpita Mukherjee, professor at ICRIER (Indian Council for Research on International Economic Relations), a thinktank.

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India to prune duties for Pak, Sri Lanka under SAFTA

Business Line

New Delhi, February 3, 2014: India will bring down the list of sensitive items that are presently shielded from duty cuts under the South Asian Free Trade Agreement (SAFTA) for Pakistan and Sri Lanka in a calibrated manner.

"'I think in the next committee of experts meeting, we will see a further pruning of list, “said A M Gondane, Joint Secretary, Ministry of External Affairs, at a conference on 'enhancing India-Pakistan trade' organised by ICRIER on Monday.

Gondane said that India had already almost dismantled the sensitive list for all least developed country members of SAARC.

“We will also be doing it for Pakistan and Sri Lanka. Sri Lanka had earlier told us that bringing down the sensitive list would have revenue implications for them, but I think some movement is likely to happen soon," Gondane said.

On what could be done to enhance trade between India and Pakistan currently stuck at a little more than $ 2 billion, Gondane said that one needed to go beyond rhetoric and try to analyse what the real problems were.

"Two countries may have political differences, but it need not restrain trade and economic relations," pointed out Ishrat Husain, Dean and Director, IBA, Karachi.

Husain said that trade between India and China had prospered despite political differences and so had China - Taiwan trade. “The same can happen for India and Pakistan and the two countries need to seriously look at it," he said.

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India, Israel to gain from proposed FTA

The Financial Express

New Delhi, February 11, 2015 : Israel has “no concerns” over the free trade agreement (FTA) being negotiated with India and industry should not consider the agreement as a threat, as both the nations stand to benefit from it, Amit Lang, the director general of Israel’s ministry of economy, said here on Tuesday.

Lang, who is on a two-day visit to the country accompanied by several other Israeli officials to take forward the negotiations on the FTA and enhance economic cooperation between the two nations, told reporters, “I don’t see any obstacles.

Indian side is looking to benefit from the FTA and similarly, Israel is also looking for the same opportunity. We are not threatening India like the US, EU. Industry should not be threatened by us. Industries which are considered big in Israel, will be considered small and medium industries in India”.

Without giving a timeline for the completion of negotiations, he added that the FTA would be complementary for both the countries as while Israel is good in innovation, India leads in services and manufacturing. The trade between the two countries stood at $6 billion in 2013-14.

With regards to the government initiatives including Make in India, building smart cities and digital India, he said that Israel wants to offer its expertise on the “components of smart cities like security, water management, energy solutions among others.”

“We are going to meet officials of the ministry of urban development on Wednesday for the smart city project,” he added. Israel is looking to partner with India in areas including medical devices, clean technology, and energy, with the main focus on clean water. Lang said that Israel, which has the world’s largest and cheapest desalination plant in the world, can offer its expertise on water purification and waste water treatment for the cleaning of the Ganga river and “we have met the government’s water secretary here”.

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India, Israel FTA not likely to be signed soon

Nayanima Basu**,** Business Standard

New Delhi, February 13, 2015: Amit Lang, director-general of Israel’s Ministry of Economy, told *Business Standard*: “As I understand they (Indian government) are a little bit afraid of FTA as a whole because of the industry and the impact on the local industry. But Israel is not a big market player globally, it is not Europe and it is not the US. FTA with Israel can only do well. We should not look at each other as competitors but each others’ complementaries.”

The West Asian nation is planning to expand its footprint in water management, pharmaceuticals and biotechnology.

Lang said India and Israel are toying with the idea of completing the talks one step at a time — FTA on goods will be signed, followed by an agreement on trade in services and investment.

“India mentioned that the FTA should be more comprehensive and not just about trade in goods…. But I am not sure whether it will be concluded as a whole. It may be concluded in steps. We have so far had seven to eight rounds, which is normal when you negotiate a FTA, especially when India does not have a lot of FTAs. But Israel has much more FTAs and that, too, with big nations like the US, EU, Canada and others,” he added.

During the visit of Israel's economic minister, Naftali Bennett, both sides had agreed to increase bilateral trade to $10 billion from around $5 billion now. Lang said as a result, both sides are trying to identify common areas of interest. “We explained to each other what the obstacles are to the free trade agreement. The Indian side explained to us what is holding back the negotiations.… We concluded that we will try to move forward. I don’t know eventually if we will get to a full-scale agreement but there are things that we want to proceed with in areas of mutual interest.”

Israel, he said, can introduce to the Indian market efficient use of technology in water management and agriculture. Israel is also keen on entering cyber security and life sciences. “We would like to enlarge our areas of cooperation and go beyond defence. India faces a big challenge today in terms of water. Be it the Ganga river or any other river (cleaning), India needs technology. We know it well because we in Israel have faced worse water scarcity and we have overcome that in the last decade.”

Indian and Israeli companies are looking at joint ventures in water technology. Lang, who is heading a delegation of 10 leading Israeli firms, also held discussions with some leading Indian companies.

Some of the leading Israeli companies interested in the water management technology space are Mekorot, Baran Group, ARI, Amiad, Aqwise and Arad Group. Some of the states where Israel is focusing are Haryana, Rajasthan, Maharashtra, Karnataka, Andhra Pradesh and Punjab.

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Will not cut farm subsidies unless India and China do: US

D. Ravi Kanth, Live Mint

Geneva, February 6, 2015: The US says it will not cut its trade-distorting domestic farm subsidies unless India and China agree to substantial subsidy cuts of their own, a demand that fundamentally undermines all the existing mandates of the Doha trade negotiations.

The US also wants India and China to provide enhanced market access for five products—beef, pork, poultry products, wheat and corn. The US trade envoy ambassador Michael Punke made the demands during closed-door meetings convened by the chair for Doha agriculture negotiations ambassador John Adank with a group of 10 select countries over three days from Monday to Wednesday, people familiar with the meeting said. India's trade envoy ambassador Anjali Prasad has rejected the US's demands on the grounds that they are inconsistent with the Doha mandate. The objective of the chair-led meetings are to formulate what is called the post-Bali work programme with precise modalities (benchmarks) for reducing agriculture tariffs and subsidies so as to conclude the Doha trade negotiations by the end of this year. Taking part in the meeting were: the US, the European Union (EU), China, India, Brazil, Japan, Canada, Australia, Norway and Switzerland. Prime Minister Narendra Modi and US President Barack Obama had agreed during their recent meeting in New Delhi to cooperate at the World Trade Organization (WTO) for formulating the post-Bali work programme. As part of the new "India-US Delhi Declaration of Friendship", India and the US had agreed that "the two sides also committed to continuing to cooperate on the finalization of the Post-Bali Work Programme in the spirit of the Doha mandate". Despite this understanding between Modi and Obama, the US is asking India to agree to substantial commitments in agriculture which are inconsistent with the Doha mandates. Countries which are required to undertake commitments in the Doha round are only those which had taken commitments in the previous Uruguay round of trade negotiations. As India did not take any commitments in the Uruguay round in amber box (producer subsidies) like the US, the EU, Japan, Norway and Switzerland, New Delhi is not required to take any commitments in the Doha round.

The Doha mandates—which include the 2001 Doha work programme, the July 2004 modalities and the 2005 Hong Kong Ministerial Declaration—coupled with the 2008 revised draft modalities have clearly indicated what WTO members are required to do for concluding the final agreement. The US, according to these mandates, is required to do the most for reducing its trade-distorting farm subsidies. But the US, along with the EU, Japan and Canada, is maintaining that the existing Doha mandates are irrelevant due to changed conditions. The US says it had never agreed to the 2008 revised draft modalities on the ground that they were imbalanced. Washington also maintains that there is a sea change in the subsidies provided by different countries, particularly India and China.

“Just last year, a group representing agriculture-exporting countries, developed and developing alike, published a report listing the top four users of trade-distorting agricultural subsidies in today’s world, with India first, followed by China, the European Union, and the US,” said ambassador Michael Froman, the US Trade Representative, in an article published by Reuters last month. Ambassador Punke told the closed-door meeting on Wednesday that if China and India are not ready to undertake substantial reduction commitments for subsidies, then Washington will not do anything either. The US wants to abandon a tiered-formula for reducing subsidies and tariffs, thereby causing uncertainty about the way forward, said a South American trade official. Last year, the US passed its new farm bill which will be in force for the next five years. The new US farm bill goes against what is envisaged in the Doha agriculture negotiations, the trade official said. It remains to be seen whether Modi will agree to the US’s demands that will severely jeopardize Indian agriculture, several analysts said.

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Coffee exports to fall 10% on lower arabica output

Business Standard

Mumbai, February 4, 2015: India's annual exports of coffee are set to drop by a tenth in the marketing year ending September 30, hit by lower output of the arabica variety as farmers' demand for higher prices erodes foreign competitiveness.

Lower shipments by India, the world's sixth-biggest coffee producer, could further stiffen global prices of arabica, which jumped 50 per cent in 2014. Italy, Germany and Belgium are India's main coffee buyers.

"Exports will drop at least 10 per cent," Ramesh Rajah, president of the Coffee Exporters' Association of India, told Reuters. "Indian coffee is too expensive compared to other destinations."

Attacks by the stem borer pest and dry weather have hit arabica output, prompting Indian planters to demand a hefty premium for both arabica and robusta grades over New York and London futures.

India, which exports three-quarters of coffee production, shipped 303,290 tonnes in the 2013/14 marketing year. But since the start of the latest season on October 1, exports have fallen 13 per cent to 75,179 tonnes.

Production of arabica, which makes up a third of India's total coffee output, could fall 12 per cent to

90,000 tonnes this season, Rajah said. Arabica harvesting has nearly been completed but farmers are not willing to sell, holding out for prices to rise.

"The price has been fluctuating a lot abroad, expecting a drought in Brazil," said Anil Kumar Bhandari, a planter and a member of the state-run Coffee Board. "Indian farmers are waiting for prices to climb up again so they can commit sales." Adverse weather in top producer Brazil could widen a global coffee supply deficit in 2014/15 and prop up prices, a Reuters poll of 13 traders and analysts showed.

Arabica coffee is typically roasted and ground for brewing and can vary widely in quality, with some reaching top levels.

Robusta, however, is more bitter, and either processed into instant coffee or added to a roasted blend to reduce the cost.

"A significant amount of arabica is still unsold," Bhandari said. "If prices stabilise, arabica exports can pick up from March-April onwards. Robusta supply will also start around that time."

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Ban on exports hurts potato growers

Rajeev Bhaskar, Business Standard

Jalandhar, February 6, 2015: At the time of sowing, potato prices had increased from Rs 1,500 to Rs 1,600 a quintal, resulting in farmers increasing crop acreage. However, the prices took a downward turn of late. As per the information, the drop in prices has been caused due to the ban on export of the vegetable in order to control inflation. Earlier, the government's export ban had not included Pakistan but the recent decision has included our neighbour as well, increasing the pressure on prices. Pakistan is the largest market for Indian potatoes during the first half of this financial year (April-October).

Farmers who were already facing losses to the tune of Rs 20,000 per acre due to a fall in prices from Rs 1,600 to Rs 600 a quintal, would now have to bear losses of Rs 30,000 per acre.

The situation is exacerbated by the fact that farmers were forced to buy potato seeds at high rates, as at that time the price of potato was at a peak.

Kuldeep Singh, a farmer, said he had paid Rs 1,700 for a 50-kg bag of potato seeds during the sowing season. He said including expenses such as seeds, irrigation, labour, pesticides and fuel, a farmer would have spent nothing less than Rs 80,000 per acre this season.

"The prices have now dropped to just Rs 400 a quintal. If a farmer has harvested 100 quintals of potato from one acre, he will get only Rs 45,000 in the market and will face a minimum loss of Rs 30,000 per acre," said Dhot, who has cultivated potatoes on 400 acres.

Resham Singh Chandi, vice-president, Potato Growers Association, Kapurthala, blamed the government for the situation and said if the government had not put a ban on the export of potatoes the farmers would have got good prices of their hard work.

"If the apathetic government still fails to give attention to the issue, the price of the crop might drop further in coming days and the farmers would not be able to bear the losses then," he said.
Meanwhile, supervisor of vegetable market, Sukhdev Singh said the fall in prices was due to the increased harvest. "It is obvious that the rates will be go down when the production of the crop increases and demand decreases," he said.

Following the arrival of the fresh potato crop last month, prices of potatoes have fallen considerably. With the slide in prices, the Jalandhar Potato Growers Association (JPGA) has urged the state government to intervene. Around 80,000 hectares are under the potato cultivation in the state. Around 25 per cent of the total area in the state is under the crop in Jalandhar district.
Jagat Parkash Singh, a representative of JPGA, said, "We will hold a meeting to discuss the future course of action. The government should extend freight subsidy for the export of potatoes to the other states like they did in 2004 when potato prices were at the all time low."

"This is exploitation of farmers and consumers. The government must come up with a plan to bail them out." He said export should be allowed to neighbouring countries like Pakistan.
"The Centre intervened when potato prices were at a peak. They must intervene now when the prices are sliding. The farmers will be able to meet the input cost if the crop is sold at Rs 800 per quintal," he claimed.

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Miners seek removal of export duty on iron ore, pellets

Mahesh Kulkarni, Business Standard

Bangalore, February 10, 2015: With iron ore export hitting a low of 14.42 million tonnes (mt) in 2013-14, the mining sector has made a fresh plea before the new government to take measures to revive exports. The Federation of Indian Mineral Industries (Fimi) has urged the Ministry of Commerce to do away with the 30 per cent and five per cent export duty on iron ore and pellets, respectively, to enable them to export iron ore fines, for which there isn't much demand in the domestic market.

In a presentation before the ministry earlier this week, Fimi said as of March-end 2014, a total of 62 mt of iron ore fines were lying unused at various mine heads in the country. The production of iron ore is export-fed; with the decline in exports, production, too, is falling. Domestic demand for iron ore stands at 90-100 mt a year. Therefore, the government should encourage export of excess iron ore, said R K Sharma, secretary-general, Fimi.

He added the overall requirement of fines in India was 40-50 mt. “In case there is any shortage of iron ore in any part of the country, it is not because of incapacity of the industry to produce more, but because of the faulty policy of the Odisha government, which doesn’t allow transport of more than 50 per cent of the total production out of the state, despite the Centre’s directive to withdraw the order in February 2013,” Sharma said.

As the requirement of the steel industry in Odisha wasn’t enough to consume even half the production, iron ore was lying at mine heads, he said.

Fimi has also urged the government to increase the import duty on iron ore from 2.5 per cent to 30 per cent, so that steel makers use local unused iron ore fines. Instead of removing the duty on imported iron ore, the government should impose duty on import of finished steel, which would aid consumption of the material in the domestic market and consumers would benefit from low-cost steel products, Sharma said.

As a result of the 30 per cent duty on exports, neither had the steel sector gained due to a possible glut of iron ore, nor had the central and state governments benefited in terms of revenue, FIMI said.

“To fully utilise the resources, without detriment to the domestic steel sector, it is imperative to make Indian exports competitive by withdrawing export duty completely and bringing railway freight on par with domestic freight,” Sharma said.

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Raw sugar export subsidy may be tied to mills’ ethanol supplies

The Financial Express

New Delhi, 11 February, 2015: The food ministry has suggested that only those sugar factories that supply ethanol to oil marketing companies (OMCs) be eligible for availing of subsidy for raw sugar exports, sources said on Tuesday.

The latest recommendation, clubbed with an earlier proposal on the continuation of the raw sugar export subsidy scheme for the current marketing year through September, will soon be placed before the Cabinet Committee On Economic Affairs (CCEA) for approval.

The recommendation is aimed at nudging both private mills and co-operatives, which are the main producers of ethanol, to supply more to OMCs so that the target of blending the bio-fuel with petrol at a 5:95 ratio is met. However, if approved, the proposal could make some sugar co-operatives, which are reluctant to either produce or supply ethanol to OMCs, ineligible for the export subsidy. The government had last year made it clear that it wanted to even double the ethanol blending limit to 10% at the earliest. The country could achieve only 2% ethanol blending limit in the last fiscal, even more than a decade after the government first mooted the idea and endorsed it at various stages.

Last month, the food ministry also proposed that the quantity of raw sugar exports under the subsidy scheme be restricted to 1.4 million tonne for this year.

However, in his meeting with food minister Ram Vilas Paswan and finance minister Arun Jaitley last month,Maharashtra chief minister Devendra Fadnavis had demanded the subsidy be provided for at least 2.5 million tonne of raw sugar in 2014-15 sothat the cash-starved sugar industry makes timely payments to farmers for cane purchases. Sugar prices havefallen below cane costs in Maharashtra and Uttar Pradesh, hurting the already-stressed sugar mills.

Considering that only 7.50 lakh tonne of sugar was exported under the scheme in 2013-14, the latest proposal aims to restrict subsidised raw sugar exports at 21.50 lakh tonne by September 2015, compared with outbound shipments of up to 40 lakh tonne, approved by the CCEA in February last year. The ministry has also recommended a subsidy of Rs 4,000 per tonne for raw sugar exports this year.

Last February, the CCEA had approved the subsidy proposal for two seasons through September 2015, aimed at helping mills cut a glut in refined sugar and improve cash flows so that they can repay dues to farmers as well. However, it had also said the “incentive shall be reviewed before the commencement of the next sugar season (2014-15)”.

However, even though the last marketing year ended on September 30, the food ministry hasn’t yet sought the CCEA approval for either the continuation or change to the subsidy scheme, leading to uncertainties and halt in shipments since October. Any further delay will cost the mills dear as they won’t be able to encash the full benefit of the scheme, which will be in effect only up to end-September.

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Food ministry favours sugar export subsidy up to 1.4 mn tonnes

Business Standard

New Delhi , February 12, 2015 : Ram Vilas Paswan (pictured), Union minister for Consumer Affairs, Food and Public Distribution, has said the export subsidy on raw sugar might be extended for sale of up to 1.4 million tonnes (mt) in the 2014-15 crop marketing year (October-September).

The Department of Food and Public Distribution has proposed a subsidy of around Rs 4,000 per tonne of export, which will be finally decided by the Union Cabinet.

"A Cabinet note has already been circulated. But a final decision has not yet been taken on the issue. Our Department's view is that export subsidy should be given for up to 1.4 mt sugar," Paswan told reporters here on Wednesday.

According to Paswan, 1.4 mt of sugar exports can be undertaken during the year as there would be surplus quantities even after meeting the domestic demand of 24.8 mt.
The food and public distribution department's proposal says that only those mills that have sold ethanol from crushing sugarcane will be eligible for the subsidy.
Although the sugar output is pegged at 25 mt in the 2014-15 marketing year, it could surpass the target, he added.

Last year, the Centre had announced a subsidy for exports of raw sugar of up to four mt in order to help the cash-starved industry clear sugarcane arrears to farmers. The subsidy scheme ended in September 2014. It had reviewed the quantum of subsidy every two months.
The food department had first fixed subsidy at Rs 3,300 a tonne for February-March, and later reduced it to Rs 2,277 for April-May. The figure of Rs 3,300 was reinstated for June-July, before increasing it to Rs 3,371 for the August-September period of the last marketing year.

Sugar mills exported about 750,000 tonnes of raw sugar in the 2013-14 marketing year with an incentive of about Rs 200 crore.
The sugar sector has sought export subsidy extension for this year as well. Mills say they are under financial crisis in the wake of depressed local prices as a result of higher production in the past few years.

According to Indian Sugar Mills Association (ISMA), domestic sugar prices are below the cost of production and that it has become difficult for mills to even pay cane price to farmers.

Sugar production in India, the world's second-largest producer after Brazil, has increased by 27.3 per cent to 7.46 mt in the first three months of the current 2014-15 season, according to the ISMA.
ISMA estimates sugar production at 25-25.5 mt for the current season, while the government's projection is at 25.05 mt.

During the 2013-14 season, India produced 24.4 mt of sugar and exported 2.11 mt, with consumption at 22-23 mt.

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Corn farmers pin hopes on local poultry feed demand

Meenakshi Sharma, The Economic Times

Mumbai, Feb 12, 2015: Indian corn producers, after scoring virtually no major export deal for months, are counting on local chicken farms to absorb millions of tonnes of the grain as poultry output heads for yet another record year.

India, a key exporter of the grain to Asia, has struggled to find takers for its relatively expensive corn after global benchmark prices hit five-year lows late last year on record production in the United States and South America.

"No major corn export deal has been signed since October," according to Amit Sachdev, India Representative of the U.S. Grains Council, leaving grain with the producers.

Rising domestic orders for chicken feed will help soak up some of the grain, with poultry producers expected to increase corn consumption by around 10 percent this year, analysts say.

India's poultry output has been scaling yearly records as higher incomes boost demand for meat in the world's second-most populous country after China. India's broiler production will hit a fresh all-time high of 3.9 million tonnes in 2015, U.S. Department of Agriculture estimates published in October show.

"We expect to breed about 10 percent more chicken in 2015 from 2014," said Prasanna Pedgaonkar, deputy general manager at Venky's, an Indian chicken processing and product firm that also owns the English football club Blackburn Rovers.

The higher use of corn as feed would make up somewhat for weak exports that traders see easing by as much as 12 percent to 2.2-2.3 million tonnes in the year to September 2015.

Indian chicken farms will consume 10-10.5 million tonnes of local corn this year, up 1 million tonnes from 2014, according to Deepak Chavan, a commodity analyst with Agro Futures.

Local corn demand eyed

Major Indian corn exports have ground to a halt as buyers balk at the sizeable premium for Indian supplies.

Despite a 10 percent drop in Indian corn prices to around $20 per 100 kg since August, export rates of $210-$220 a tonne, free on board, remain significantly higher than the $180-$190 quoted by the United States.

India usually attracts deals when it offers corn at a 5-6 percent discount to rival supplies. It is expected to produce around 22 million tonnes of corn this year, dealers said, down 10 percent from a year ago.

With export deals hard to come by, demand from the poultry sector is what corn farmers are now pinning their hopes on.

It is more feasible for poultry farms to source their corn locally as imported corn would be expensive after including freight charges and other transportation costs, traders said.

India's per capita chicken consumption is among the lowest at around 3.5 kilogram (kg) versus a global average of 11.6 kg, but that is fast changing due to new food consumption trends and a younger average age of the population, industry sources say.

Michelin-starred Indian chef Vikas Khanna said the age groups of 12 to 35 years order poultry the most, using his restaurant Junoon in New York as a case in point.

More than half of India's population is below 25 years and the average Indian age is set to be 29 in 5 years, a demographic that suggests poultry demand will continue rising.

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Coal imports fall 20% in January, snaps surging trend

Business Standard

New Delhi, February 9, 2015: The surging trend of coal imports in recent times snapped in January as shipments fell by 20 percent over the previous month due to lower demand from domestic steel makers, as per mjunction data.

Online marketplace mjunction, a Tata Steel and SAIL joint venture, today said India's coal imports in January stood at 15.73 million tonnes as against 19.75 MT in December, 2014. The January imports, however, were a marginal 2 percent more than the 15.37 MT imports in the same month of last year.

Of the total imports during January this year, non-coking coal was at 15.91 MT compared to 15.36 MT in December, led by higher demand from country's fuel-hungry power plants, which have been battling fuel scarcity for a long time now.

Indian power companies had imported 163 MT stem coal out of the country's total coal imports of 210.55 MT in the entire 2014, accounting for more than 77 percent of imports.

However, the fall in imports of January was mainly due to lower demand from the country's steel producers. Collectively, they imported 2.4 MT coking coal during the month compared to 3.2 MT in December. Coking coal is a key raw material in the making of steel.

Imports of metallurgical coke, which is also used by the steel firms, were down to 98,770 tonnes from 1.76 lakh tonnes. Petroleum coke imports also decreased to 4.78 lakh tonnes from 6.9 lakh tonnes in December, 2014.

There was no pulverised coal (PCI) imports in January as per the provisional compilation, mjunction said, as against 2.9 lakh tonnes in the previous month.

Anthracite coal imports on the other hand rose to 52,293 tonnes in January from 33,190 tonnes in December 2014.

India's imported coal stocks, including steam coal and coking coal at eight major and two private ports edged up 2.27 per cent to 8.207 MT in January-end against 8.025 MT as on December 26, mjunction said.

According to the data, non-coking coal stocks at Kolkata, Paradip, Vizag and Mundra, as on January 23, fell by 17 per cent to 3.1, from 3.8 MT as on 26 December. Coking coal stocks increased sharply to 3.2 MT against 1.9 MT.

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To help growers, rubber import duty hike likely

Amiti Sen, Business Line

New Delhi, February 5, 2014**:** The Centre is looking at raising import duty on natural rubber to protect domestic growers against cheap imports and check a further fall in prices. The duty hike could be announced in the Union Budget.

"The Commerce Ministry has proposed to the Finance Ministry to increase the duty on natural rubber from the current 20 per cent to 30 per cent," a Government official told *BusinessLine*.

Rubber growers have been asking for a higher increase in import duties, with some demanding that it be raised to 75 per cent. "Such a sharp rise would hit rubber users such as tyre manufacturers. We can't allow that as all interests have to be kept in mind," the official said.

With international rubber prices dropping to a seven-year low, imports have increased several-folds forcing domestic prices down to a five-year low. On Wednesday, RSS-4, which is used mainly by various industries, was quoted at ₹122 a kg at Kottayam and Kochi.

Rising imports

In the first three quarters of the fiscal, rubber imports increased by 24.89 per cent to 3.26 lakh tonnes compared with the same period a year ago.

Rubber growers argue that their conditions are worse off because of the tyre industry's preference for cheaper rubber from South-East Asian countries such as Indonesia, Vietnam and Thailand.

Low prices and demand have also dealt a blow to domestic production with several farmers either stopping tapping or reducing acreage. According to industry estimates, production in the first three quarters this year was lower by 17.33 per cent at 5.17 lakh tonnes compared with the previous year.

"We don't want domestic rubber production to stop because of cheaper imports. That is why we think there is indeed a case for raising duties," the official said.

Rubber growers associations such as UPASI, APK and IRGA have sought imposition of safeguard duties (levies imposed to check a sudden surge in imports) on rubber and have submitted a petition to the Directorate-General of Safeguards. In order to take a balanced position on rubber keeping in mind all interest groups, the Government is formulating a National Policy for the rubber sector. An expert committee has been constituted to evolve a suitable regime for production, consumption, manufacture, and imports of rubber in the short term and long term.

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India's trade deficit at 11-month low

The Financial Express

February 14, 2015: India's trade deficit narrowed to an 11-month low of $8.3 billion in January 2015 due to the sharpest contraction in imports since May last year, helped by easing global oil prices. Trade deficit in the April-January period of this fiscal stood at $118 billion.

Exports sharply contracted 11.19% in January to $23.8 billion, while imports declined 11.39% to $32.2 billion, official data released by the commerce ministry showed on Friday.

A steep fall in the price of global crude primarily led to contraction of imports, apart from a lack of pick up in demand for other items. The oil import bill fell by a steep 37.46% in January to $8.24 billion. Non-oil imports grew just 3.45% in January to $23.9 billion and 7.84% in April-January to $258.6 billion.So far this fiscal, the value of oil imports declined by 7.87% to $124.7 billion compared to what the country paid for the fuel in the same period a year ago.

Gold imports grew 8.13% in January to $1.55 billion. Export of cotton yarn, chemicals, pharmaceuticals and gems and jewellery, tea, coffee, rice, tobacco and spices contracted in the month under review.Exports, however, showed 2.4% growth in April-January of this fiscal to $265 billion due to the growth recorded in the first half of the fiscal. Imports too grew 2.17% in the first ten months of the fiscal to $383.4 billion.

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