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India opposes new US proposal on food stockholding at WTO

The Economic Times

Geneva, March 23, 2015: India and other members of the G-33 grouping have opposed a new US proposal for a permanent solution to the factious issue of food stockholding for food security in developing countries at the second informal meeting at the World Trade Organization this year.

India said the US proposal may result in an outcome where countries are advised as to what kind of food security programmes they should adopt, which is not part of the existing mandate.

In trying to address the food security issue vis-a- vis the proposal, one of the outcomes could be a decision on public stockholding whereas the mandate is the other way round, India argued.

The G-33 countries, led by India and including China and the Philippines, want public stockholding for food security purposes to come under the ‘Green Box’ — subsidies that cause no or minimum trade distortion.

The G-33 on Friday debated the US proposal at the second dedicated session this year on the issue at the Geneva-based WTO. The proposal was among many others to clinch a deal.

The proposal comprises three main elements — reviewing efficacy and trade effects of existing food security programmes and the extent to which they meet their goals; evaluating the real and potential problems encountered in implementing food security programmes because of constraints in the existing WTO rules; and drawing from the best practices and recommendations on food stockholding.

Best practices in food stockholding would include programmes in states that are most economical, targeted and effective and the ones that are not trade distorting and have enhanced transparency.

Indonesia, speaking on behalf of the G-33 countries, said that the real issue is getting a permanent solution, not to engage in an academic programme or to expand the mandate to review existing programmes.

The informal meeting also saw the playing out of the old hardened battle lines between the proponents of another proposal to the issue, called the G-33 proposal, and the opponents of it.

The G-33 proposal suggests amending the Agriculture Agreement to provide new flexibilities for programmes when governments buy food from low-income farmers at supported prices to build up stocks, to be shifted from the 'Amber Box' - all domestic support measures considered to distort production and trade - to the Green Box.

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New foreign trade policy to stress manufacturing exports

Nayanima Basu, Business standard

New Delhi, March 28, 2015: The government is set to unveil the long-awaited new Foreign Trade Policy (FTP) for five years — from 2015 to 2020. The policy, poised to be "different" from previous such policies, will emphasise promotion of manufacturing and services exports and strive for greater use of free trade agreements (FTAs).

The FTP, set to be unveiled on April 1, seeks to offer an incentive package for the exporting community. Typically, it is typically released for five years, with annual supplements revising the sops offered to exporters, depending on domestic and global factors.

"The new Foreign Trade Policy will be for 2015-2020. This time, the policy is going to be different. We have taken a calibrated and open-ended approach to strengthen our exports," Commerce and Industry Minister Nirmala Sitharaman told *Business Standard*.

The new FTP was delayed by a year, as it had to be in tandem with Prime Minister Narendra Modi's Make in India, Digital India and ease-of-doing-business initiatives, said commerce department officials. They added the delay was primarily because last year's Budget wasn't a full-fledged one; it was only for eight months. As such, the government was left with small fiscal space to squeeze in various types of export-oriented incentive schemes.

"The policy had to be given a financial connotation, which was not there last year. Since the government came to power in May and the Budget was passed in July, it wasn't clear how much the export sector would get," said an official.

This time, it is unlikely the government will set specific export targets. Besides, through the past few years, the FTP has been more favourable towards exports compared to imports. Bucking the trend, this time, the government might announce measures to promote value-added imports.

This year, the thrust will primarily be on manufacturing exports and services exports. Within manufacturing exports, the government will chart out a strategy to promote the key sectors of engineering products, electronic goods and textile exports.

Within services, a host of incentives are likely to be rolled out to sectors such as tourism, hospitality, education, etc, which might be promoted in the form of project exports from India.

Sanjay Budhia, chairman of the National Committee on Exports and Export Competitiveness at the Confederation of Indian Industry, said, "The government should view the exports sector as an engine of growth and give it due importance. We need to retain our existing markets, as well as new markets, in line with the prime minister's Make in India vision. Besides, this year, the government should bring top exporting sectors under the purview of the Focus Market Scheme and provide interest subvention to these sectors."

The Focus Market Scheme is an incentive package under which exporters are entitled to duty credit

scrip equivalent to three per cent of the free-on-board value of exports in free foreign exchange.

This year, the FTP is also expected to put greater emphasis on more utilisation of FTA and other multilateral arrangements such as regional comprehensive economic partnerships. Apparently, after an internal study by the Ministry of Commerce and Industry, it was found the utilisation of FTAs was the lowest in India compared to its partner countries. As a result, exporters lost out in markets with which India had such bilateral arrangements.

In line with commitments made at the World Trade Organization, the FTP is expected to announce measures on how to achieve greater movement of goods and services, in line with the trade facilitation agreement signed last year.

For April 2014-February 2015, exports stand at $286.58 billion, compared with $314.40 billion for 2013-14.

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Labour-intensive exports set to get a boost

Amiti Sen, Business Line

New Delhi, March 30, 2015: The Foreign Trade Policy (FTP) to be announced on April 1 will focus on boosting exports from employment generating manufacturing sectors, streamlining incentive schemes for services exports, and increasing digitisation for seamless transactions. The FTP is for five years (2015-2020).

“Incentive schemes will be streamlined. Instead of a plethora of schemes, the focus will be on incentivising exports of identified products to targeted markets through the market-linked focus product scheme,” a Commerce Ministry official told *BusinessLine*.

Labour-intensive sectors, such as textiles and leather, will be in focus as it would promote exports as well as generate employment, which is a primary goal of the Centre, the official added.

The ‘Served from India’ scheme for services exporters is likely to see changes.

“The import duty exemption scrips (valued at 10 per cent of foreign exchange earned) could be made tradeable as several sectors that do not import can’t use them,” said Ajay Sahai, Director-General of Federation of Indian Export Organisations.

Incentive rates may be increased for sectors such as education, health and tourism, while foreign services companies in India may be denied the benefit, the official said.

The FTP, expected since last August, is being announced when exports are under pressure due to a contraction in global demand.

The target of $320 billion for the fiscal seems beyond reach as exports in the first 11 months, at $284 billion, are just 0.88 per cent higher than the previous year. A plan will also be laid out for increased digitisation and paperless transactions.

“We want to move to a system where no documents would be required to be submitted physically,” the official added.

May cut export obligation

In line with the concept of ‘Make in India’, the Commerce Ministry may reduce export obligation for procurement of domestic capital goods under the Export Promotion Capital Goods scheme, the official added.

The EPCG scheme waives duty on imported capital goods and excise on domestically procured goods against an export obligation on the purchaser. The Centre may also restrict import of used capital goods.

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India seeks Russian nod for its farm products certification

Amiti Sen, Business Line

New Delhi, March 19, 2015: Exports of buffalo meat and agricultural items from India to Russia are yet to pick up despite the removal of import restrictions early this year as the country has not relaxed its quarantine laws.

The Agricultural and Processed Food Products Export Development Authority (Apeda) is in talks with the Russian quality control organisation to convince officials to recognise Indian labs and certifications for speedy exports, a Commerce Ministry official told *BusinessLine.*

“Apeda officials are negotiating with Russian agencies for recognition of quality certifications given by the Indian government and also of its labs,” the official said.

Inspectors from Russia’s Federal Service for Veterinary and Phytosanitary Surveillance (FSVPS) visited some facilities in India recently and approved consignments for meat and dairy exports.

“Some exports of meat and agricultural items have started, but the process is long and tedious. We can reap significant benefits from the Russian market if we are allowed to give our own certifications,” the official said.

Russia allowed exports of buffalo meat and dairy products and also lifted several restrictions on agricultural items from India early this year after its relations with Western countries soured due to the Ukrainian crisis.

Apeda is trying to convince Russia about India’s impeccable track record of over four decades in exporting various farm products and buffalo meat.

“India exports boneless buffalo meat to over 60 countries around the world. There has not been a single incidence of livestock related disease outbreak for over forty years,” the official said.

Russia imported $43 billion worth of food items in 2014, and holds a big opportunity for India to tap.

India is also in talks for a free trade agreement with Russia and Customs Union members Kazakhstan and Belarus.

India’s total exports to Russia last fiscal were just $2.15 billion, which was a small fraction of total Russian imports worth $318 billion.

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India, East Africa set to tap joint business opportunities

Amiti Sen, Business Line

New Delhi, March 20, 2015: Businesses in India and East Africa are set to collaborate in sectors such as cotton and textiles, IT, leather, oil meal, spices, medical equipment and coffee under a programme rolled out by the International Trade Centre (ITC).

“We are mapping the business opportunities with entrepreneurs in both countries following which other details, including financing of projects, will be worked out,” Arancha Gonzalvez, Executive Director, ITC, told *BusinessLine* in an interview.

The Export Import (EXIM) Bank of India and industry body CII have partnered with ITC — a joint agency of the World Trade Organisation and the United Nations for enhancing trading capacities of developing countries — to identify potential trade partners from India and finance the ventures.

Gonzalvez is in New Delhi with a delegation of 200 business people from Rwanda, Uganda, Kenya, Tanzania and Ethiopia to launch the programme funded by UK’s Department for International Development (DFID).

“It (the programme) is not only about African countries exporting to India. It is also about Indian companies investing in Africa,” she said.

While ITC’s effort is to help African countries improve scale, technology and productivity, Indian investors too stand to gain a stronger foothold in the African market, which has been growing at 6-7 per cent over the last decade. “It makes sense for Indian companies to help African companies build these markets,” she said. Indian businesses, especially mid-size ones, have shown a lot of interest in the five East African countries ever since discussions on the programme began six months ago.

Key sectors

“Businesses in both countries and the EXIM Bank have identified sectors with potential such as cotton & textiles, IT, pulses, leather and medical equipment for possible cooperation. I expect deals in various sectors very soon. We will track the trade and investment generated under the programme so that we can expand it to other countries as well,” Gonzalvez said.

ITC and the Central government are helping to explain to the East African countries the export opportunities in India under the Duty Free Quota Free programme of the WTO for Least Developed Countries.

Financing investments of Indian companies in Africa will also not be a problem, as the EXIM Bank has existing lines of credit that could be tapped.

India’s exports to East African countries in 2013-14 were $10 billion, over 3 per cent of its total exports, while imports were stood at only $1 billion (0.23 per cent of total imports).

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India-South Asia trade reaches $19.21 billion in April-January period

The Times of India

New Delhi, March 20, 2015: India's merchandise trade with seven South Asian countries has reached USD 19.21 billion during April-January period of the current fiscal.

The same stood at USD 20 billion in 2013-14. "During the five-year period of 2009-10 to 2013-14, Indian exports to SAARC (South Asian Association for Regional Cooperation) countries grew at a compounded annual growth rate of 20.18 per cent, while imports grew at 10.52 per cent," Commerce and Industry Minister Nirmala Sitharaman said in a written reply to the Lok Sabha.

SAARC members are - India, Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka.

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As EU lifts milk quota, dairy exporters to face the heat

Tomojit Basu, Business Line

New Delhi, March 27, 2015: Indian dairy exporters are likely to be tested with the abolition of the milk quota regime in the European Union (EU) on March 31, with increasing competition within the block given the variance in production costs between the member States.

“The removal of the quota system will benefit low-cost producers, such as Ireland and The Netherlands, which will be able to produce greater quantities of dairy products. With consumption likely to remain constant in the region, exports will rise as well,” said Rs. Sodhi, Managing Director, Gujarat Cooperative Milk Marketing Federation (GCMMF), the owners of ‘Amul’.

The system, in place since 1984 to overcome surplus production, had in any case done little to dent EU dairy exports that grew 45 per cent in volume and 95 per cent in value over the last five years, as per a European Commission (EC) note issued this week. Members who exceeded their quotas were fined a ‘super levy’ of around 28 Euro (Rs 1,900) per quintal.

“Given our low-cost of production, we will be competitive. The industry has to focus locally anyway given rising consumption and output, while China and Russia have been scaling back on purchases,” added Sodhi.

SMP prices

While there is unlikely to be any impact on milk prices domestically, skimmed milk powder (SMP) prices may be dragged down once again after having inched up over the past few months. Globally, SMP prices fell from more than $4,000/tonne last April to about $2,300/tonne by November. Average prices rose to a little more than $2,700/tonne (approximately Rs.1.7 lakh) last month.

Domestic prices are currently rule between Rs. 180-200/kg from nearly Rs. 275-290/kg a year ago. Cooperatives are estimated to be sitting on stocks of almost 90,000 tonnes given the unviability of exports at present, while private sellers did negligible business in the category once prices declined. It is estimated that about 100,000 tonnes of SMP is produced domestically each year.

“Ireland has the lowest production costs in Europe, it’s supposedly on par with New Zealand. So countries like that which had traditionally been pushed down in the quota system should see a spurt in their production capabilities which will put negative pressure on SMP prices,” said an industry source, who did not want to be named, adding that Russian imports could see prices firm to Rs. 220-240/kg.

“With removal of the quota, EU countries are looking at aggressively growing their exports and have invested more than 1.5 billion euro collectively to increase their processing capacity over last few months. Weakening of the euro against the dollar saw EU players dumping their stocks piled up over last year in international market at throw-away prices,” said Devendra Shah, Chairman, Parag Milk Foods.

Competitiveness

Other industry voices were more circumspect, however, and believed that it was too early to tell if there would an impact on domestic exporters.

“No one can really say they will be affected since a lot of factors need to be assessed. For output to rise there, capacities need to increase, which is difficult since land holdings are capped and more expensive today,” said Sidhant Gupta, Director, Kwality Ltd., adding that increased production would be matched by rising demand.

Gupta said exporters need to become more competitive in the long run. “There might not be that much of an increase in EU output but Indian exporters have to become more competitive. The government needs to step in with incentives to help them,” he said.

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Lift ban on shark fin export: SEAI

The Hindu

Kochi, March 30, 2015: The Seafood Exporters' Association of India wants the recently-imposed ban on shark fin exports lifted.

The notification by Director General of Foreign Trade (DGFT) banning shark fin exports is "counterproductive and greatly affects the livelihood of the economically backward fishing communities living along both the East and West Indian coastlines", said a statement issued by the Association here.

The order reflects apprehensions of environmentalists that shark population is fast depleting because of they are being caught just for their fins. However, the case with Indian fishermen is different. In India, shark is not a focussed fishery and is a by catch along with other fishes like king fish and tuna. The meat is salted and sold. Hence, shark is a decisive component for making fishermen activities economically viable, the seafood exporters have argued.

Figures from Central Marine Fisheries Research Institute show that shark catch along the East and West coasts of India has remained more or less steady over the past 20 years. Indian shark resource can be declared sustainable, the seafood exporters have claimed to back their demand for a lifting of the ban.

They have also said that the ban had been brought without any prior notice and that exporters have commitments and large stocks ready for shipment.

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Exports likely to again contract in FY15

Nayanima Basu, Business Standard

New Delhi, March 16, 2015: Forget the target of reaching $340 billion - merchandise export in 2014-15 might even contract compared to the $314 billion of 2013-14.

Consecutive months of double-digit decline, coupled with poor performance of the top exporting sectors, are likely to drag down shipments, even as exporters continue their long wait for the government to unveil the new Foreign Trade Policy (FTP).

Exports had fallen 1.85 per cent in 2012-13, when shipments from India reached $300 billion compared to $306 billion in 2011-12. In 2009-10 as well, exports fell, by 3.4 per cent year-on-year. If exports do fall this financial year as well, it would be a third decline in six years.

In 2014-15, which ends this month, exports saw a double-digit fall in January and February - 11.2 per cent and 15 per cent, respectively. In fact, it was the third consecutive decline in exports in February and the fourth in the current financial year.

"This is the only financial year when the fourth quarter is performing poorly. Generally, exports have a tendency to pick up in the last quarter. This year, it looks difficult to reach even what we achieved last year," said Soumya Kanti Ghosh, chief economic advisor, State Bank of India.

The target was to achieve $340 billion worth of exports in 2014-15. However, the sector got adversely impacted on account of muted global demand, reflected in a huge fall in commodity prices. This led to a decline in export of the top five sectors, of which the biggest contraction was registered by petroleum products and agricultural commodities.

Petroleum exports used to be the biggest item of outward shipment, about 20 per cent of the country's total. In February alone, export of petro products fell 54.6 per cent to $2.1 billion, over the $4.6 billion in the same month of 2013-14.

"Lower oil prices have led to an almost 50 per cent decline in the dollar value of petro exports in January and February, year-on-year. At the current rate, exports will barely manage to touch last year's level," said D K Joshi, chief economist, CRISIL.

In fact, an official strategy paper of 2011 had envisaged a much higher export figure for 2014-15. The paper, prepared by then commerce secretary Rahul Khullar, had envisioned exports would reach $500 billion by 2014-15.

It had said there would be a big leap if there was diversification. As a result, the FTP in subsequent years offered a slew of sops for marketing of produce in the newer markets of Africa, Latin America and the Asean region. However, exporters failed to effectively look beyond the traditional markets of America and Europe. These failed to give robust returns, owing to the slowing in their domestic economies.

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Cheaper Indian cotton garners overseas orders

MR Subramani, Business Line

Chennai, March 24, 2015: Cotton exports have begun to pick up as the Indian natural fibre has become the cheapest in the global market from February-end.

“We are at least 5 cents a pound cheaper than US cotton and 2-3 cents than African cotton. Lower shipping charges to nearby destinations give us an added advantage,” said Anand Poppat, Chairman and Managing Director of Jalaram Cotton and Proteins Limited in Gujarat.

Currently, the Shankar-6 variety, in demand for exports, is quoted at 66-68 cents a pound f.o.b (₹32,300-33,500 for a candy of 356 kg). In the domestic market, the average price is quoted at ₹32,000.

Chinese appetite fades

“Demand from China is almost nil but we are getting enquiries from Bangladesh, Pakistan, Turkey, Indonesia and Vietnam,” said Poppat, also an official of the Saurashtra Ginners Association.

According to Edelweiss, China has not issued any additional import quota this year. It has been trying to reduce record stocks that have been built up over the last couple of years.

The International Cotton Advisory Committee (ICAC) has said that China’s ending stock (12 million tonnes) will account for 56 per cent of global inventory despite its efforts to cut it.

For the first time this season ending September, Indian cotton became the cheapest in mid-February.

Strong demand

Usually, this trend emerges in November-December and as a result, exports peak during December-February, Edelweiss said, adding that Indian cotton finds good demand when it rules 3-5 cents below the global Cotlook A Index.

“The working price for exporters is 68-70 cents since the rupee has increased to 62.15 from 62.70 against the dollar. Otherwise, we were comfortable with 66-68 cents,” Poppat said.

Even if China were to buy cotton, the gain would be less since Indian exporters have already locked their stocks in bonded warehouses there, he said. Currently, ample cotton is available in India, while the US and Brazil have almost sold out their produce.

Export projections

At least 35-40 lakh bales (170 kg) each have been exported since the beginning of the season ending September. They are, however, lower compared with the same period year ago, said Poppat.

Edelweiss said that exports are estimated to be 58 per cent lower compared with last year.

The Cotton Advisory Board (CAB), a body comprising growers, traders, exporters and the textile industry, has projected exports at 90 lakh bales this season against 117.92 lakh bales last season. The ICAC has also forecast lower exports, though it sees domestic demand growing four per cent year-on-year. CAB predicts domestic demand rising to 311 lakh bales against 298.88 lakh bales.

Referring to data from the Textiles Ministry, Edelweiss said demand for cotton till December increased 3.4 per cent over last year. Though exports are picking up, there is no danger of the domestic market being starved of supply.

CCI procurement

The Cotton Corporation of India, which has bought from farmers as part of the Centre's market intervention programme, will sell in the domestic market, said Poppat.

The Corporation has bought 74 lakh bales till February-end, said Edelweiss. Industry sources expect the corporation to buy some 90 lakh bales.

Edelweiss said if the CCI locks the produce it has bought from farmers, then, it will ensure that the carryover stocks are lower than last year. This is against the CAB projection of 38 lakh bales carryover stocks from 32 lakh bales a year ago.

As a result, domestic cotton prices could rule bullish in the medium term.

However, if the CCI times its domestic sale badly, then prices could come under pressure. The practice of spinning mills in South India buying cotton from West Africa later in the season could also help keep prices on leash, Edelweiss said.

The ICAC sees global prices ranging widely between 62 cents and 76 cents a pound with 68 cents being the mid-point.

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Stronger rupee hurting India's exports

Krishna Kant, Business Standard

March 26, 2015: Relative appreciation in India rupee against major currencies in the last 18 months has begun to hurt India's merchandise exports. Merchandise exports ex-oil and gems & jewellery is expected to grow by just 1.7 per cent in FY15 down from 6.9 per cent growth last fiscal and 5-year average export growth of 11.9 per cent in dollar terms.

Exports to European Union, India's biggest export market may grow by 2.6 per cent this year down from 7.2 per cent growth last fiscal and five-year average growth of 8.7 per cent. The calculation is based on the merchandise export data for April-December 2014 period.

Euro has lost nearly a quarter of its value against rupee since August 2013. In comparison, rupee has been one of the top performing currencies during the period. European Union accounted for 16.4 per cent of India's overall merchandise exports of $319 billion in FY14.

"The continued depreciation in the Euro is pinching us the most. Most of our raw materials come from China which is billed in dollars but Europe is our biggest export market forcing us to take a hit on margins," says Sunil Sikka, president, Havells India. Noida headquartered company's is India's largest electrical goods manufacturer and exported Rs 316 crore worth of goods in FY14.

The company's export volumes to the continent has been not been hit so far, but if the current trend in currency markets persists, it may be forced to take a price hike hurting its volumes. "We have absorbed the currency impact so far but sooner or latter we have to either take a price hike or curtail our exposure to the continent," adds Sunil.

India's global exports of electrical equipment are likely to decline by 15.3 per cent in FY15 over last year while those to European Union (EU) may fall by 10.6 per cent this year. The calculation is based on the export trend in the first nine months of current fiscal. EU takes in a third of the India's export of electrical equipment. A similar trend is visible in exports of auto & auto parts (down 7.9 per cent on y-o-y basis) and pharmaceuticals (down 2.1 per cent) to EU.

Economists agree. "India's nominal and real effective exchange rates are moving in the same direction and currency is now over valued relative to competing currencies such as such as Euro, Yen, Indonesian Rupiah and Brazilian Real. This has made exports uncompetitive in many markets hurting our chances. Slowdown in exports may also have some negative impact on GDP growth going forward," says Madan Sabnavis, chief economist at CARE Ratings.

Exports are increasingly playing a major role in India's growth story and accounted for 18.1 per cent of GDP in dollar terms in FY14 up from 14.3 per cent in FY08 on the eve of 2008 global financial crisis.

Some experts however blame the recent deceleration in export growth on growth slowdown in major economies in last few years. "It's impossible to imagine faster export growth when two of the world's biggest economies, Europe and China, are slowing down. The US economy is doing well but there is limit to its contribution to India's incremental export growth," says Devendra Pant, head public finance at India Ratings.

He discounts the currency impact. "It's a fallacy that cheaper currency helps export and discourages imports. The key is the purchasing power of the customers in the destination market. Latter is under attack due to global economic slowdown," adds Pant.

Even if he is right, an overvalued exchange rate has made it tougher for Indian manufacturers to lure consumers when income growth in most market have either slowed down or plateaued.

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Rise of about 30% expected in castor oil export this year

Dilip Kumar Jha, Business Standard

Mumbai, March 28, 2015: India's castor oil exports are likely to rise this year by a third, on rising demand from America, China and the European Union (EU), its three largest importers. Because of an unusually weak demand trend, our castor oil export fell last year to 429,000 tonnes from 460,000 tonnes in 2012-13.

"This year, we are looking for exports to hit 570,000 tonnes at least, due to robust demand from developed countries," said Kanubhai Thakkar, managing director of Gokul Refoils & Solvent, one of the largest exporters of castor oil.

Castor oil and its derivatives find uses in agriculture, cosmetics, electronics & telecommunications, food, lubricants, paints, inks and adhesives, paper, perfumeries, pharmaceuticals, plastics and rubber, and textile chemicals.

Rising demand could affect availability in the Indian market due to shortage of output. India produces around 85 per cent of global castor oil. China has reportedly covered 85 per cent of its annual need of 180,000 tonnes so far. Europe and the US had also bought an estimated 85 per cent of their need of 120,000 and 60,000 tonnes by February. New season buying has also started in full swing. Demand from China, the US and EU are unlikely to pick up as they wait for arrival of the new crop and for rates to fall further. However, that from other countries is set to rise in the coming months.

Amid fear of supply shortage next year, demand from perennial buyers might also go up, said Thakkar who estimates the seed crop this year at a million tonnes. A survey by Religare Commodities says India's castor seed output would decline 11 per cent this year to 1.2 mt, as compared to 1.35 mt last year. Sowing was lower this year by 10 per cent at 0.98 mn hectares as compared to 1.09 mn ha last year.

"Given that unseasonal rain and hail hit the standing crop, total output would not surpass one mt. Thus, there will be an acute shortage of seed in the lean season when demand rises, post June," said Thakkar.

Hyderabad–based Trans-graph Consulting, in a separate survey, forecast India's castor seed output at 1.04 mt, due to low crop germination on extremely high temperature.

At an oil extraction rate of 46 per cent, total seed requirement is around 1.5 mt. Assuming carryover stocks at 400,000 tonnes, demand will nullify surplus availability towards the current year-end.

Castor prices have been under pressure for several months. According to Thakkar, farmers should fetch at least Rs 4,000-4,500 a quintal to re-sow. Any realisation below that is a loss for them. Castor seed for delivery in April is trading currently at Rs 3,690 a qtl, a marginal decline of one per cent so far this month. In the spot market, the seed is selling at Rs 3,565 a qtl in Gujarat mandis. The oil is quoted at Rs 74,500 a tonne.

Abhay Udeshi, chairman of SEA Castor Seed & Oil Council, projects the castor crop potential at 2.9 mt (equivalent to 1.3 mt of oil) by 2025.

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Silver marks record imports in 2014

Rajesh Bhayani, Business Standard

Mumbai, March 10, 2015: Silver usually keeps its sheen even when gold prices drop. However, in the past two years, silver prices have fallen sharply compared with the yellow metal.

Traders have used this as an opportunity to stock up silver. In 2014, silver imports reached a record high of 6,842 tonnes, an 18 per cent increase over the previous year, according to GFMS Thomson Reuters data. In value, however, the import bill fell, owing to the decline in silver prices. Silver imports in 2014 were worth $3.46 billion compared with $3.64 billion in the previous year.

Silver prices fell 24 per cent in 2013 and another 15 per cent in 2014 in Mumbai.

India's gold import bill in the past two years was $30-35 billion, with net imports registering 750-800 tonnes.

Gold trade was under stringent controls in 2013 and 2014, prompting several traders to move to silver. The commodity's lower price, which almost halved from the all-time high price seen four years ago, has generated huge investment interest. The increasing demand for silver jewellery and articles was also a factor that led to increase in imports.

"The surge of this magnitude in volume terms was attributed to higher investment demand and to risk-free returns in the cash-futures arbitrage. Silver jewellery and article fabricators re-stocked in high volumes as the price had declined sharply," said Sudheesh Nambiath, senior analyst, GFMS Thomson Reuters, a precious metals analytical company.

The silver trade, too, has changed, with imports — especially those by sea — now concentrated in Ahmedabad. Sixty per cent of imports happen via the sea route and40 per cent by air.

In 2014, half the import by sea landed in Ahmedabad. Sources say the ease of operating through the port there has attracted imported cargoes getting cleared from there. Mumbai's demand is also met through the Ahmedabad. Other major centres that have seen higher activities in silver trading are Salem and Chennai in south India and Agra in north India.

According to GFMS data, Germany has emerged a major exporter of silver to India. China, Hong Kong and Taiwan, the UK, Germany and Russia are the largest exporters of silver to India.

Monal Thakkar, director of Ahmedabad-based Amrapali Group, said: "Half of the incremental demand for silver is investment-driven. Silverware and gifting of silver articles have also become trendy.

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RBI further restricts gold imports

Rajesh Bhayani, Business Standard

Mumbai, March 17, 2015: The Reserve Bank of India yesterday late evening asked the banks not to sell gold imported on consignment basis to jewellers on outright basis. The clarification is expected to tighten gold imports.

On 18th February the central bank allowed banks to import gold on consignment basis and also allowed them to provide gold metal loans to jewellers. However, banks were found importing gold on consignment basis and selling that to jewellers against full payment. This has increased imports as jewellers were buying gold virtually off the shelf. Banks were also considering gold imported on consignment basis to provide gold metal loans to jewellers.

Now RBI has said that gold imported on consignment basis, where payment is to be made after realisation of money after sale, can be used only for providing gold metal loans to jewellers. The loan is for a tenure of 180 days. Prithviraj Kothari of RiddhiSiddhi Bullion said, "The move could tighten supply of gold as jewellers will have to place order for import with importing agency and wait for delivery."

Open market premium, which fell to $2-3 per ounce, may also inch up. However, an industry veteran said that banks will now try to increase gold metal loans by importing gold on consignment basis.

Imports in March have been rising after import duty cut on gold didn't materialise in budget and jewellers were out of stock and were expected to touch 90 tonnes. The latest clarification by the RBI through an email sent to importing banks would restrict import flow, said a jeweller. Import of gold in February was estimated at 52 tonnes on gross basis.

Sudheesh Nambiath, Senior Analyst- Precious Metals, GFMS Thomson Reuters said: "In February 2015 India imported 52.59 tonnes of gold compared to 32.75 tonnes in February last year. Duty- free imports for the purpose of exporting jewellery, medallions and coins were at 12.67 tonnes. Switzerland continued to retain its dominance by exporting 10.59 tonnes to India in February."

Meanwhile gold market has remained under pressure because of a possibility of an end to zero interest rate policy by the US as its Federal Reserve is slated to meet later today.

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Appetite for gold back, import at 4-year high

Rajesh Bhayani, Business Standard

Mumbai, March 26, 2015: Indian consumers' appetite for gold has increased again, with imports in 2014-15 rising to a four-year high, close to levels seen in the pre-import control days of 2012-13. Gold smuggled into the country, which has increased in the past two years due to a high 10 per cent import duty, is estimated at 200 tonnes a year by the World Gold Council.

Gold import this financial year is estimated at 945 tonnes, based on gross import data released by the government; this is 48 per cent higher than 2013-14. The import bill, however, is estimated to have increased only 16 per cent to $33.28 billion, owing to lower prices globally. Most aren't too

concerned about the bill, as India's overall current account deficit is under control due to a fall in the crude oil import bill.

In a departure from the past, demand for investment in gold has been replaced by demand for jewellery, as prices have fallen. The consumer sentiment hasn't been hit by the high import duty.

"As we have always maintained, controls might only harm the sector, not lead to reduction in consumption. The rise in gross imports is evidence to that. That said, it is important to acknowledge gold exports in various forms are estimated to have increased about 20 per cent compared to 2013. Therefore, the numbers are to be viewed on net terms, not gross terms," said Sudheesh Nambiath, senior analyst (precious metals), GFMS Thomson Reuters.

In 2012-13, the ratio of jewellery demand to investment demand was 62:38, which changed to 66:34 in 2013-14. But in 2014-15, investment demand fell significantly, with the ratio at 79:21, according to World Gold Council data.

Import this month is estimated at about 100 tonnes; many say this is double the import in February, due to an empty pipeline of stocks with jewellers. Compared to the import bill of $1.98 billion in February, the bill for this month is estimated at about $4 billion. Imports this month are the highest since November 2014 (146 tonnes). Though there was fear of more import controls, on November 28, the Reserve Bank of India) did away with the controls.

A major gold importer said the pipeline with jewellers was empty, as most expected a cut in import duty in the Budget. However, as that wasn't the case, import resumed this month. Though many jewellers hope gold demand will improve further in the coming months, some say the recent spell of unseasonal rain and hail, which affected the rabi crop, will hurt demand in rural areas in the coming months.

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Vietnam suspends Indian groundnut imports

MR Subramani, Business Line

Chennai, March 25, 2015: Nearly 500 containers of Indian groundnut shipments have been stranded at Haiphong port in Vietnam following the detection of groundnut seed beetle (*Caryedon serratus*) in the consignments.

The presence of the beetle has resulted in the Far-East nation issuing a circular on February 6 this year to suspend imports from India. The suspension will come into effect from April 7 if immediate

corrective measures are not taken by India. Exporters fear that with another 100-odd containers reaching Vietnam by the end of the month, ₹120 crore worth of groundnut could be held up there.

“Buyers are not responding to our call to get the shipments cleared from Haiphong. Clearance by Vietnam Phytosanitary authorities is tardy and not more than 20 containers are being cleared on a day,” said Saravanan L, Chief Executive Office of Chennai-based Agrocrops Exim Ltd.

The Vietnamese are clearing the consignments with great care since they fear that the beetle, which can get into the shell and damage the kernels, could affect their rice crop, the mainstay of its agriculture.

Groundnut exports to Vietnam are down to almost half in the last two months, while overall shipments have also dropped, sources said.

According to the Agricultural and Processed Food Products Export Development Authority, groundnut exports are up at 5.92 lakh tonnes (lt) during April-January period of the current fiscal against 4.07 lt in the same period a year ago. Value of shipment increased to ₹38,304 crore from ₹26,255 crore.

Saravanan said that Indian phytosanitary authorities have been alert to the situation and had suggested corrective measures such as fumigation.

“Our authorities have come up with new rules on fumigation levels. But they will have to hold discussions with Vietnam to solve the issue and ensure smooth trading. Vietnam buyers made some efforts to have the suspension revoked but in vain,” said Saravanan.

“I even have a buyer who has paid ₹1.8 crore as advance to buy groundnut but is not answering my calls,” he said.

Vietnamese buyers seem to be clueless as they unable to get their consignments cleared quickly. The suspension by Vietnam has percolated to the farm level also, with farmers in Gujarat’s Saurashtra region raising an alarm. They fear prices could drop. This could lead to lower acreage during summer sowing of groundnut that is currently on.

“Rejected groundnut consignments will add to local supplies, thereby suppressing prices. Farmers expected a good season with robust exports this year. In contrast, there is a glut leading to fall in prices,” said Ramesh Bhoraniya, a groundnut and cotton farmer from Rajkot district.

Around the same time a year-ago, farmers were getting about ₹98 for a kg of hand-picked and selected groundnut. There was good demand then. This year, prices are down to ₹55-60.

“Prices could drop further to levels of ₹40-45 if the situation continues,” said an industry source.

Sources say it will take at least a few months for the suspension to be lifted. This is because it will take time to hold a high-level meeting to sort out the issue.

However, industry sources say that the Ministry of Commerce can take up the issue on a war-footing and try to solve it.

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Govt to subsidise imported gas-based power generation

Business Standard

New Delhi, March 26, 2015: To revive gas-based power generation, the government on Wednesday approved a mechanism for importing gas for power generation and supply of such power through a subsidy grant.

The government approved a reverse bidding process through which power plants will quote a rate, the subsidy for which will be released through the Power System Development Fund. The fund was for grid stability and security and as gas-based plants were best suited to meet the peak load demand, the fund would be used for subsidising such power, Piyush Goyal, Union minister for power and coal, said after a Cabinet briefing.

The subsidy will be available to distribution companies. Goyal said the bidding, to be conducted by MSTC, would begin at Rs 5.5 a unit. Such a reverse bidding auction would help revive 31 projects, with a capacity of 14,305 Mw. Besides, it would also aid 12 additional power plants, currently working at less than 30 per cent of the plant load factor.

Unlike a proposal for gas pooling, in this case, there will be no change in the domestic gas allocation to existing users. “Domestic gas is already allotted and their allocation will not be touched,” Goyal clarified.

Power developers participating in the bidding will completely forego the return on equity. According to the mechanism approved by the Cabinet Committee on Economic Affairs, re-gasified liquefied natural gas (RLNG) will be imported for supply to these plants to generate power. Gas imports will be undertaken by GAIL India and Gujarat State Petronet.

“The mechanism also envisages sacrifices to be made collectively by all stakeholders, including the

central and state governments by way of exemptions from certain applicable taxes and levies on the incremental RLNG being imported for the purpose. Besides, gas transporters and re-gasification terminals have agreed to reduce their transportation coats, marketing margin and re-gasification charges on the incremental RLNG," said an official statement.

The government estimates with this arrangement, electricity generation in the country will be enhanced by 79 billion units, valued at about Rs 42,000 crore.

Goyal said the revival of stranded gas-based capacity would help meet operational and maintenance cost of developers, besides enabling repayment of debt. "This will kick-start growth and have a multiplier effect on the economy. It will also restore investor confidence in the power sector. The mechanism will also result in optimal use of gas infrastructure such as gas pipelines and re-gasification capacities in the country, currently underutilised," said in a statement.

Of the 24,150 Mw of gas grid-connected power generation capacity in the country, 14,305 Mw has no supply of domestic gas. On this front, an investment of about Rs 60,000 crore is at the threshold of becoming a non-performing asset. The remaining capacity (9,845 Mw), involving an investment of about Rs 40,000 crore, is working at a sub-optimal level, based on the limited quantity of domestic gas in India.

On January 8, 2009, an empowered group of ministers had decided "subject to the availability of gas, necessary allocations from Reliance Industries' KG-D-6 fields will be made to these projects in the pipeline, including the Dabri power project, as and when these are ready to commence production". However, owing to a sharp decline in KG-D6 gas production, gas couldn't be allocated to new projects.

The need for intervention has arisen because initially, with the discovery of domestic natural gas in the KG basin, it was expected the availability of domestic gas in the country would increase considerably. Therefore, a large number of gas-based plants were set up by power developers, some with firm allocation and others with expected allocation. However, the supply of domestic gas to power plants started declining from 2012; in March 2013, supply from the KG basin stopped completely. Since then, these plants have either not been operational or are under-utilised.

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