INDIA'S TRADE NEWS AND VIEWS

15 September to 30 September 2015

Taiwan takes India to WTO over duties on USB drives
Chinese Taipei has dragged India to the World Trade Organization's dispute settlement body for imposing anti-dumping duty on pen drives. In May, India had imposed an…

Farm subsidies: India stands its ground against US proposal
India is standing its ground against a proposal by the US seeking voluntary reduction commitments in market price support programmes and input subsidies provided…

India likely to ratify WTO trade pact by November
India is likely to ratify an agreement on trade facilitation so that it can negotiate from a position of strength when taking up issues such as food subsidies at the next…

India's farm subsidy programme may face fresh challenge at WTO
India's market price support and input subsidy programmes for millions of resource-poor farmers are in serious jeopardy if an unofficial proposal from the US gains currency…

US may not give India time to lift ban on poultry imports
India is finding it difficult to convince the US to grant it a year and a half — the maximum time allowed for implementation of World Trade Organisation (WTO) panel…

India's exports problem: Global export economy has changed fundamentally
With even non-oil exports contracting for the 8th month in a row – the August contraction was 13.9% versus 1.7% in July – the outlook for exports looks quite terrible. At an overall…

Buffalo meat exports down by 30% on lower Chinese demand
India's buffalo meat exports have come down by close to 30% in the last three months. The fall has been mainly on account of more than 50% fall in Chinese demand…

India's merchandise exports slide as commodity prices dip
India's merchandise exports will be between $265-268 billion in 2015-16, significantly lower than $310.5 billion in the previous fiscal, stung by the sharp erosion in….

India's sugar exports may pick up after March: Kingsman
India's sugar exports will likely rise after March when international prices of the sweetener may go up following erratic weather in some other producing nations, the…

India's spice exports up 30 percent in Q1
Spice exports from India grew 30 percent in value terms to touch Rs. 3,976.65 crore ($626.81 million) during the first quarter of 2015-16 as compared to Rs 3,059.74 crore…

India's cooking oil imports to rise at slowest pace in 3 years
Vegetable oil imports by India are set to rise at the slowest pace in three years as consumption growth is curbed by higher prices and increasing domestic cooking oil…

Drought to lift India's palm oil imports by 6.2 per cent: Veteran trader
India's palm oil imports are likely to rise 6.2 per cent to a record 9.6 million tonnes in the year starting November, as the first back-to-back drought in three decades…

India's vegetable oil imports to rise 19% this season: Industry body
India's vegetable oil imports will rise 19 percent to 14 million tonnes this marketing year ending Oct. 30, an industry body said on Monday, after weak monsoon rains late…

India's iron ore imports set to fall 60% in FY16
India's iron ore imports are set to decline drastically during the current financial year as the domestic production has shown considerable improvement and prices…
Govt raises import taxes on vegetable oils
New Delhi, September 18, 2015**:** India has raised import taxes on crude and refined vegetable oils by 5 percentage points, government and trade sources said, as the world's largest buyer seeks to curb…
Russia restricts import of meat from UP plants
India's buffalo meat exports to Russia, which commenced earlier this year, have hit a roadblock following several cases of foot-and-mouth disease reported from Uttar…

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Taiwan takes India to WTO over duties on USB drives

Kirtika Suneja, The Economic times

New Delhi, September 26, 2015: Chinese Taipei has dragged India to the World Trade Organization's dispute settlement body for imposing anti-dumping duty on pen drives. In May, India had imposed an anti-dumping duty of $ 3.12 per unit and $ 3.06 per units on USB Flash Drives imported from China and Taiwan, respectively. The anti-dumping duty is valid for a period of five years.

Chinese Taipei notified the WTO Secretariat on 24 September 2015 of a request for consultations with India regarding anti-dumping duties imposed by India on USB flash drives imported from Chinese Taipei," the WTO said in a release.

USB Flash Drives includes products known in the market parlance by various other names such as pen drive, keychain drives, key drives, USB sticks, flash sticks, jump sticks, USB keys or memory keys.

The request for consultations formally initiates a dispute in the WTO. Consultations give the parties an opportunity to discuss the matter and to find a satisfactory solution without proceeding further with litigation. After 60 days, if consultations have failed to resolve the dispute, the complainant may request adjudication by a panel.

India decided to levy the duty after the domestic industry represented by Moser Baer India Limited had made a case to safeguard the industry from cheap imports in December 2014. The government then took a call on the duty after establishing that the domestic industry has suffered material injury due to dumping of these goods.

[Back to top]

Farm subsidies: India stands its ground against US proposal

D. Ravi Kanth, Live Mint

Geneva, September 25, 2015**:** India is standing its ground against a proposal by the US seeking voluntary reduction commitments in market price support programmes and input subsidies provided to low-income and resource-poor farmers by governments, insisting it will amount to killing public stockholding programmes.

Last week, the US circulated a non-paper at a meeting attended by trade officials. Those from the European Union (EU), China, India, Brazil, Australia, Japan and the US were in attendance. Washington proposed that all members of the World Trade Organization (WTO) undertake voluntary commitments to reduce their market price support and input subsidy programmes.

Although developing countries are exempted from commitments to reduce their market price support or input subsidies for "low-income and resource-poor farmers" under the existing WTO rules, the US proposed a gradual phase-out of these two schemes in its non-paper.

A non-paper is a discussion paper that does not necessarily represent the official position of the institution or country that drafted it.

On Wednesday, the chair for the Doha agriculture negotiations, Vangelis Vitalis of New Zealand, convened the meeting of select trade envoys from over two dozen countries to discuss the way forward for the WTO's ministerial meeting in Nairobi, beginning on 15 December.

At the meeting, the US spoke about its proposal and what it intends to accomplish in reducing trade-distorting domestic farm subsidies. The proposal states that "each member shall, with respect to agricultural products undertake commitment(s)" not to increase either "the applied administrative price for any agricultural product receiving market price support" or "not increase its budgetary outlays for, or the scope of, product-specific input subsidies for agricultural products above the (existing) level".

The US provided a menu of options as to how members must undertake commitments to do away with market price support and input subsidies such as "a) fertilizer, b) seeds, c) electricity, or d) diesel fuel".

Deputy US trade envoy Christopher Wilson justified the proposal on the ground that "certain forms of domestic support (such as market price support and input subsidies) are more trade distorting than others", according to a participant in the meeting.

The US official maintained that Washington's idea to reduce market price support and input subsidies on a voluntary basis by all members will lead to less distortion in agriculture.

According to people familiar with the meeting, India's trade envoy Anjali Prasad responded by saying the US's proposal "kills many birds with one shot and among the birds one big bird is public stock-holding programmes".

The Indian stand is that the US proposal is targeted at specific programmes offered by developing countries for their resource-poor farmers under what is called *de minimis* (negligible) subsidies.

China flatly rejected Washington's proposal saying it is "politically and economically unacceptable". The landing zones for commitments in trade-distorting domestic support are clearly laid out in the 2008 revised draft modalities or the Rev. 4 and they remain the basis for undertaking commitments in the domestic support pillar, China's trade envoy, ambassador Yu Jianhua, said.

Many other countries such as Mexico, Canada, Australia, Norway, the EU, New Zealand, Brazil, Argentina, Colombia and Paraguay, among others, raised several questions and doubts about the US' proposal and whether it would tackle all trade-distorting domestic subsidies.

At issue is the US's refusal to accept the Rev. 4 commitments under which Washington is required to reduce its trade-distorting domestic subsidies below $14.5 billion. Washington had passed a new farm bill last year under which its overall trade-distorting subsidy programmes crossed all the limits that were negotiated in the Doha Round.

Former US chief trade negotiator Joseph Glauber, along with Patrick Westhoff and Scott Gerit, have argued that the latest US farm bill, passed last year, goes beyond the proposed commitments in the 2008 modalities. "Because of the shift to a much more extensive reliance on amber box (most trade distorting) subsidies and other less direct forms of income transfers to farmers, the 2014 farm bill has complicated trade negotiations by making compliance issues more problematic, especially in the context of the 2008 Doha Development Agenda proposal for substantially lower limits on farm subsidies," Wethoff, Gerit, and Glauber wrote in their article published in *Choice* magazine.

Given the stark domestic realities in which the US's farm lobby plays a dominant role in American politics, the US is unwilling to undertake any commitments in terms of domestic support and is determined to bury the Doha Round at the Nairobi meeting, said a trade envoy who asked not to be quoted.

The US's proposal strikes a body blow to what was negotiated in the ongoing Doha agriculture talks, especially the July 2004 Framework Agreement, the 2005 Hong Kong Ministerial Declaration and the unsettled 2008 revised draft modalities. The developing countries are exempted from undertaking any commitments under these ministerial declarations as well as the 2008 revised draft modal.

[Back to top]

India likely to ratify WTO trade pact by November

Kirtika Suneja, The Economic Times

New Delhi, September 21, 2015: India is likely to ratify an agreement on trade facilitation so that it can negotiate from a position of strength when taking up issues such as food subsidies at the next

World Trade Organization ministerial meeting in December. The government has started simplifying trade-related processes and classifying them as per WTO norms as it plans to ratify the Trade Facilitation Agreement by November.

India had earlier refused to sign the global protocol to speed up world trade until its demands related to public stockholding for food security purposes were met. Subsequently, it was agreed that WTO members would not challenge such programmes of developing countries until a permanent solution is adopted.

Recent measures by India such as the reduction in the number of documents required for export and import of goods and the facility of online filing of applications by exporters and importers are likely to make it to Category A of the agreement, which are provisions that can be complied with immediately and have to be implemented as soon as the accord comes into force. Similarly, online submission of applications for issue of online Importer Exporter Code in digital format, too, could be a Category A item. "We are readying the draft and are compliant with most of the provisions of the agreement.

These commitments can't be taken lightly once notified," a commerce department official. The agreement has 13 articles with more than 130 provisions for countries to comply with.

[Back to top]

India's farm subsidy programme may face fresh challenge at WTO

D. Ravi Kanth, Live Mint

Geneva, September 17 2015: India's market price support and input subsidy programmes for millions of resource-poor farmers are in serious jeopardy if an unofficial proposal from the US gains currency ahead of a crucial World Trade Organization (WTO) ministerial meeting in Nairobi in three months' time.

Effectively, the Narendra Modi government will be forced to curtail the public distribution programme, which is based on market price support, and other input subsidies given to poor farmers if the US non-paper finds its way to Nairobi.

A non-paper is a discussion paper that does not necessarily represent the official position of the institution or country that drafted it.

Also, New Delhi's demand for a permanent solution to public stockholding programmes for food security by the Nairobi ministerial meeting has almost been consigned to the dustbin in the face of roadblocks created by major industrialized countries.

On Tuesday, Washington circulated a two-page draft of the non-paper at a meeting of senior trade officials from industrialized and developing countries.

Officials from the US, the European Union (EU), China, India, Brazil, Australia and Japan, along with WTO director general Roberto Azevêdo, took part in the closed-door meeting to discuss a package of deliverables for the WTO's 10th ministerial conference in Nairobi on 15 December.

The confidential paper, accessed by *Mint*, calls for avoiding using "market price support and input subsidies for agricultural products". It says "each member shall, with respect to agricultural products, undertake commitment(s)" not to increase either "the applied administrative price for any agricultural product receiving market price support" or "its budgetary outlays for, or the scope of, product-specific input subsidies for agricultural products above the (existing) level".

The draft gave the examples of four areas where it said members must undertake commitments to do away with market price support and input subsidies—fertilizer, seeds, electricity and diesel fuel.

Effectively, the US is asking countries to undertake commitments to reduce "market price support and input subsidies" regardless of their current categorization as industrialized, developing and least-developed countries.

The US does not provide input subsidies, but offers market price support for just one commodity—sugar. The EU, too, does not provide market price support and input subsidies. In short, the two trade majors do not have to undertake any commitments under this proposal, but developing countries such as India will be forced to undertake substantial commitments even though they are not required to under the existing WTO agriculture rules or the Doha negotiating parameters.

The US has proposed these commitments in the non-paper notwithstanding the exemption of input subsidies and market price support under Article 6.2 of the WTO's agreement on agriculture for developing countries.

Further, the US paper goes against what was negotiated in the ongoing Doha agriculture talks, especially the July 2004 framework agreement, the 2005 Hong Kong ministerial declaration, and the unsettled 2008 revised draft modalities. Developing countries have been exempt from undertaking any commitments under these ministerial declarations as well as the 2008 revised draft modalities.

At the meeting on Tuesday, China and India dismissed the US proposal as unacceptable under any circumstances. The two countries told the US that its proposal was an attempt to avoid arriving at

credible outcomes in the Doha agriculture package in which the US is required to cut its farm subsidies to below $14.5 billion, according to people familiar with the meeting.

"Clearly, the US non-paper is targeted at China and India, who are asking for credible outcomes in agriculture," a trade official said.

Both China and India provide only *de minimis* (negligible) support. China provides 8.5% while India provides 10% under product-specific and non-product support. The two countries, along with other developing countries, are exempt from reducing their *de minimis* support under the Doha negotiating mandates, particularly the 2005 Hong Kong ministerial declaration.

"This is a most destructive proposal and it spoils the whole negotiating climate before the Nairobi meeting," a trade official said, on condition of anonymity.

The US maintains its non-paper offers "a new idea"—rather than a one-size-fits-all approach, the proposal would allow explicitly for differentiated contributions, but all subsidizers would be expected to make a contribution, a US official maintained.

[Back to top]

US may not give India time to lift ban on poultry imports

Amiti Sen, Business Line

New Delhi, September 22, 2015: India is finding it difficult to convince the US to grant it a year and a half — the maximum time allowed for implementation of World Trade Organisation (WTO) panel verdicts — to remove restrictions on the import of poultry from the country.

Earlier this month, in a meeting between officials from the two countries in Geneva, agreement over a reasonable duration could not be reached, a Commerce Ministry official told *BusinessLine*. If both the nations fail to reach a consensus, the matter will be referred for arbitration, following which the arbiter will determine the period of implementation.

The US has been insisting that the ruling should be implemented immediately since it required a single notification from the Indian government, the official said.

It is important for India to postpone implementation as long as possible as cheap chicken legs from the US are likely to make a big dent in the business of the local poultry industry.

India's four lakh-plus poultry farmers, who produce an estimated 3.5 million tonnes every year, could lose up to 40 per cent of their domestic market once US products start flowing in, according to industry estimates.

A delay would also give the Centre time to come up with more valid import restrictions on US poultry, which the local industry has been working on for some time. The Department of Animal Husbandry, Dairying & Fisheries, together with poultry associations, is examining US practices that may not be acceptable in India, such as giving genetically modified feed to chicken or keeping meat frozen for long periods, to see if these could be used for restricting imports on health grounds.

"We have explained to the poultry industry that any restrictions to be imposed on imported chicken on health grounds need to be backed by credible international organisations so that they can't be challenged easily at the WTO," the official said.

Last November, a WTO panel had ruled that India's ban on US poultry product imports flouted global norms. India appealed against the verdict in January. The WTO Appellate Body, however, upheld the panel's findings that India's avian influenza measures were neither based on, nor conformed to, the relevant international standards.

US to decide

It is now up to the US to decide how much time India should be given to remove the ban. The WTO allows a maximum of 15 months for implementation of verdicts and up to 18 months in case of 'exceptional circumstances'. New Delhi had allowed Washington 18 months to implement the verdict against countervailing duties imposed by the US on steel imports from India.

"It is not strictly a case of quid pro quo as all cases differ in their character. But, we hope that as a sign of courtesy and goodwill, we too are allowed the maximum period for implementing the decision on poultry," the official said.

[Back to top]

India's exports problem: Global export economy has changed fundamentally

The Financial Express

September 16, 2015: With even non-oil exports contracting for the 8th month in a row – the August contraction was 13.9% versus 1.7% in July – the outlook for exports looks quite terrible. At an overall level, including oil, April-August exports fell to $110.6 bn this year as compared to $133.1 bn last year. Within this, oil exports fell to $13.7 bn from $28 bn and non-oil to $96.9 bn from $105.1 bn. Given that imports have also collapsed during this period, though, the trade deficit may not be a problem – this was $57.9 bn this year as compared to $57.5 bn, just a marginal change.

There are various reasons for the collapse, some local, but mostly global. In the case of engineering exports which contracted 29% in August, one of the reasons cited is the fact that, while the hike in steel import duty in June made imports more expensive, the government did not commensurately increase the value of the duty drawback – given the 20% safeguards duty imposed a few days ago, the drawback will have to be increased even more, and fast if engineering exports aren't to be further hit. And, despite talk of it for months, the government has still not been able to finalise the interest subvention scheme for labour-intensive exports. Given how exports have been falling for so long, it is unacceptable that the government has not been able to cobble together a plan to combat this in a manner which is not violative of WTO conditions. More so, since the share of manufacturing is high in the manufacturing sector and also plays a significant role when it comes to capital investments by the non-formal sector. It has to be more than a coincidence that, for instance, in the last decade, India's IIP growth was the highest in the years when exports grew at around 25% in dollar terms.

There is, however, a far more important reason for the export collapse, and the government may not be able to do too much in the short run. In the glory days of 2004-08, when global GDP was growing at around 5% per annum, exports were growing at roughly double the pace at 9-10%. Over the past 3-4 years, however, this relationship has broken down and, in some years, global trade has grown slower than GDP. In 2012, for instance, while global GDP grew 3.4%, trade grew just 2.8%; in 2013, it was 3.4% and 3.5% respectively and in 2014, both grew 3.4%. In 2015, while the IMF has projected a lower GDP growth of 3.3%, it is looking at a higher export growth of 4.1%. But that was in July, in the latest update before the G-20 summit, it talked of manufacturing growth in the first half of 2015 slowing markedly over that in the second half of 2014 and of world trade contracting in volume terms in the second quarter of this year. The reason for the shift in the global export paradigm, according to an article written in the Financial Times by Herald van der Linde, HSBC's head of Asian equity strategy, China has integrated production a lot more over the years, necessitating lesser imports from the rest of the world – the share of imported components in China's total exports fell from a peak of 60% in the mid-1990s to around 35% today. That, of course, also underscores the need for India to jumpstart its trade talks since, only if it is a part of large trading blocs will its exports stand a better chance.

[Back to top]

Buffalo meat exports down by 30% on lower Chinese demand

Namrata Acharya, Business Standard

Kolkata, September 29, 2015: India's buffalo meat exports have come down by close to 30% in the last three months. The fall has been mainly on account of more than 50% fall in Chinese demand. India's export of buffalo meat to China is routed from India through Vietnam as China has yet not started importing from India directly despite understanding signed between the two countries three years ago. Buffalo meat has traditionally been India's top agri-export commodity generating over $4 billion a per year.

According to Agriculture Processed Food Product Export Development Authority data In the first three months of the current financial year (April-June), buffalo meat exports were down by almost 10% in terms of quantity, and 11% in terms of value. Exports to Vietnam were down by nearly 20% in terms of both quantity and value. Exporters said, in the subsequent months, the fall in exports have been sharper. Fall in Brazilian Currency also impacted India's competitiveness as Brazil is also a major buffalo meat exporter and India lost out to it.

"The exports to China is slowly picking up. However, over the past few months the market was totally closed. As a result, buffalo meat exports have come down by at least 30% in the last three months. We believe, there have been some issues with the customs clearance at China, which has been reluctant to buy buffalo meat that has been indirectly exported to their country via Vietnam," said D B Sabharwal, secretary of All India Meat and Livestock Exporters' Association.

According to Mohammed Ather (Chairman & Managing Director), Azan Group, his company's monthly exports to China via Vietnam has come down from close to 160 containers (each container 29 metric tonne) about six months back, to less than 50 containers per month at present. China accounts of nearly 80% of total exports of the Azan Group.

In the financial year 2014-15, Vietnam accounted for nearly 42% of the total buffalo meat exports from India to China. In terms of valuation, Vietnam accounts for about 45% of the total realization from buffalo exports from India. Last year, India exported about 14.75 quintal of buffalo meat worth $4781 million. Of this the share of Vietnam was about 6.3 quintal worth $ 2153 million.

In 2014-15, buffalo meat was India's largest agri-export commodity, surpassing Basmati rice, which had been traditionally occupied the first position.

"While ahead of the Spring Festival, China has recently opened its market for buffalo meat, the supply has been lower by at least 30%. This is significantly hurting exports," said Ather.

China is yet to open its door for direct import of buffalo meat from India. In 2013, India and China signed a pact for direct export of buffalo meat but it is yet to be implemented.

In tandem with the huge fall in demand from China, the average prices of buffalo meat has also come down by more than 25% in the last six months. At present, the average price of buffalo meat in the international market is between $3000-4000 per metric tonne.

Amidst an economic slowdown, China had been curtailing imports from Vietnam. China is the biggest trading partner of Vietnam. Soon after Chinese devaluation of yuan by nearly 2% on August 11, Vietnam had devalued its currency, dong, by close to 1%, third time in a year. This apart, strained relationship over South China Sea had also been a cause of tension between between the two countries.

[Back to top]

India's merchandise exports slide as commodity prices dip

Business Standard

New Delhi, September 20, 2015: India's merchandise exports will be between $265-268 billion in 2015-16, significantly lower than $310.5 billion in the previous fiscal, stung by the sharp erosion in commodity prices globally, according to Assocham.

The country's outbound shipments stood at around $314.4 billion in 2013-14, $300.4 billion 2012-13, and $306 billion in 2011-12.

"Indian exports had achieved a landmark of $300 billion in 2011-12 for the first time making the country a sizeable player in global exports.

"But the fall this year is going to be very steep," the chamber said.

Bulk of India's export basket comprises commodities, be it engineering goods (mostly iron ore/steel and other metals), or petroleum products, which have been hit in value terms.

However, the entire export drop is not coming around on the back of fall in demand for Indian goods only, it said.

The global merchandise economy has moved away sharply from a very high cost, ultra bullish commodity situation to a bearish and low cost situation where demand relates mainly to the actual consumption which is rather low key, Assocham pointed out.

The pricing power as was being mirrored in the futures trading markets all over the world turned out

to be rather myopic and has totally disappeared, it said.

"Thus, there is no sentiment build-up around commodities and the demand is actually restricted to the real consumption. Nobody is willing to bet for futures and thus there is a meltdown in prices," its analysis noted.

[Back to top]

India's sugar exports may pick up after March: Kingsman

The Financial Express

New Delhi, September 29, 2015: India's sugar exports will likely rise after March when international prices of the sweetener may go up following erratic weather in some other producing nations, the founder of Platts' Kingsman, a global consultancy, said on Monday.

"I am optimistic that India will be able to export into the rising market by March as bad weather in Central America, Thailand, EU and in some parts of India will lead to a rise in global prices," Jonathan Kingsman told reporters on the sidelines of a conference here. Reduced cane acreage in China will also help boost global prices, he said.
Currently, sugar exports from India aren't viable as its prices are higher than the levels globally.

Earlier this month, the government made it mandatory for mills to export 4 million tonnes of sugar in 2015-16 to cut the inventory so that a fall in domestic sugar prices could be arrested. However, government will have to offer subsidies to make the exports viable, Kingsman said.

"I am optimistic that India will be able to gradually export into a rising market," he added.

Narendra Murkumbi, managing director of Shree Renuka Sugars — the country's largest sugar refiner—said domestic companies may report higher losses due to compulsory exports as global prices are ruling low. The exports could become viable if the government took steps to make cane prices affordable, he said.

Raw sugar futures gained 0.2% at 12.42 cents a pound by 5:35 pm (India time) on ICE Futures in New York. The futures prices have advanced 19% since hitting a seven-year low on Aug 24.

[Back to top]

India's spice exports up 30 percent in Q1

Business Standard

Kochi, September 29, 2015: Spice exports from India grew 30 percent in value terms to touch Rs. 3,976.65 crore ($626.81 million) during the first quarter of 2015-16 as compared to Rs 3,059.74 crore ($511.22 million) in the corresponding period of 2014-15, an official said on Tuesday.

Through this, the exports so far have achieved 28 percent of the total export target of Rs. 14,014 crore ($2,260 million) set for 2015-16.

Garlic, pepper, small cardamom, fenugreek, nutmeg, fennel, spice oils and oleoresins contributed substantially to the spice export basket during April-June period.

"The substantial increase in exports in Q1 is the result of market promotion activities by Spices Board to promote Indian spices globally," said its chairman A.Jayathilak.

Exports of pepper, known as the "King of Spices", stood at.Rs 635.9 crore in Q1, marking an increase of 201 percent compared to the first quarter of 2014-15.

In terms of volume, pepper recorded a growth of 148 percent in April-June 2015-16 compared to the corresponding period last year to reach 10,750 tonnes.

Around 3,725 tonnes of spice oils and oleoresins worth Rs 564.65 crore were exported during April-June this financial year, recording an increase of 24 percent in terms of volume and 40 percent in terms of value from the same period last year.

[Back to top]

India’s cooking oil imports to rise at slowest pace in 3 years

Swansy Afonso, Live Mint

Mumbai, September, 29 2015: Vegetable oil imports by India are set to rise at the slowest pace in three years as consumption growth is curbed by higher prices and increasing domestic cooking oil supplies, according to G.G. Patel and Nikhil Research Co.

Overseas purchases, including for industrial use, may rise 6.6% to a record 15 million tonnes in the year starting 1 November from a year earlier, Govindlal G. Patel, managing partner of the research company, said in remarks prepared for an industry conference in Mumbai on Monday. Imports surged 20% and 12% each in the previous two years, Patel said.

Slowing demand from the world's biggest palm oil importer may stem a rally in futures in Kuala Lumpur amid record production and reduced demand for vegetable oils as biodiesel feedstock. Palm entered a bull market last week as the ringgit slumped and a strengthening El Nino spurred concern that output may shrink in top producers Indonesia and Malaysia.

"In the current year, the weighted-average price of edible oils was lower by around 8% in comparison with previous year and this boosted the consumption," said Patel, who's traded vegetable oils for more than four decades. "In 2015-16, it is likely that the consumption growth may be normal at around 5%. Due to the El Nino threat, palm oil prices may remain less competitive against soybean oil."

El Nino

Palm oil prices may rise if the El Nino worsens and trims crop yields in Malaysia and Indonesia, according to Bloomberg Intelligence analysts Tobias Nystedt and James Evans. This year's El Nino, which the Australian Bureau of Meteorology has said is the strongest since 1997-98, could restrict output in the Pacific region. Prices more than doubled within months during the record event, they said.

The benchmark futures contract on Bursa Malaysia Derivatives in Kuala Lumpur has climbed 28% from this year's closing low of 1,867 ringgit on 26 August, exceeding the 20% advance that's the common definition of a bull market. Prices surged 11% last week, the biggest weekly gain since November 2008.

Import tax

India's decision to increase import duties on cooking oils this month will also curb inbound shipments, Patel said. The South Asian country increased the import duty on crude palm and soybean oils to 12.5% from 7.5%, while the tariff on refined oils was increased to 20% from 15%, the Central Board of Excise and Customs said on 18 September.

India's cooking oil usage may total 21 million tonnes in 2015-16, with per-capita consumption growing at about 5% from 7.4% this year, Patel said. Palm oil shipments may jump to 9.6 million tonnes in 2015-16 from 9.04 million tonnes, while crude soybean oil imports are seen rising 18% to 3.55 million tonnes, he said.

India’s total vegetable oil availability may increase by 2% to 6.26 million tonnes next year, boosted by higher production of rapeseed oil this year, Patel said. Rapeseed production may jump 16% to 5.8 millions tonnes, while soybean output will be unchanged at 8.5 million tons and the peanut harvest may drop 12.7% to 3.1 million tonnes, he said.

“As the farmers have realized excellent prices for rapeseed, it is more likely that the area will increase substantially and rainfall in the last fortnight of September will likely prove supportive for the crop,” Patel said.

India meets more than half its cooking oil requirements through imports with palm oil shipped from Indonesia and Malaysia and soybean oil from the US, Brazil and Argentina. Vegetable oil purchases in the 10 months through August surged 23% to 11.7 million tonnes from a year earlier, the Solvent Extractors’ Association of India said on 15 September.

[Back to top]

Drought to lift India's palm oil imports by 6.2 per cent: Veteran trader

The Economic Times

Mumbai, September 28, 2015: India's palm oil imports are likely to rise 6.2 per cent to a record 9.6 million tonnes in the year starting November, as the first back-to-back drought in three decades restricts supplies amid a rise in consumption, a veteran trader said on Monday.

Higher purchases by the world's top importer of cooking oils could support benchmark Malaysian palm oil futures that have rebounded nearly a quarter since falling to the lowest level in six and a half years on August 25.

"Considering the marginal rise in the domestic production and much higher rise in consumption, our edible oil import requirement will increase to 14.85 million tonnes in 2015/16," said Govindbhai Patel, an influential trade expert and managing director at GG Patel & Nihil Research Co.

Nearly 70 per cent of India's annual edible oil demand is met by imports, mainly of palm oil sourced from Indonesia and Malaysia. It also buys soyoil from Latin America and sunflower oil from the Black Sea region.

India's soyoil imports are likely to rise 18 per cent to a record 3.55 million tonnes as discount of palm oil over soyoil has been narrowing due to concerns over the output of the tropical oil, he said in a presentation at an edible oil conference in Mumbai.

Sunflower oil imports during the period could drop 4 per cent to 1.45 million tonnes as it's premium over rival soyoil has risen, he added.

n the past 20 years, India's edible oil output has risen only about a third, whereas imports have surged 12 times to nearly 15 million tonnes to keep pace with growing consumption, making it the world's top buyer of cooking oils.

Weather Woes

"Despite an increase in area, our soybean production is likely to remain unchanged from the previous year at 8.5 million tonnes," he said.

Soybean is the main summer-sown oilseed in India.

Ample rains in June helped farmers expand areas under soybean, but excessive rains in July and August hit crops in the top producing central state of Madhya Pradesh, while a prolonged dry spell trimmed yields in second biggest producer Maharashtra.

Production of summer-sown groundnut, another key oilseed, is likely drop 12.7 per cent from a year ago to 3.1 million tonnes due to reduction in acreage and poor rainfall, he said.

Rains were 14 per cent below average so far over the four-month monsoon season that ends this month due to an El Nino weather pattern, which can lead to scorching weather across Asia and east Africa but heavy rains and floods in South America.

Anticipating higher production of winter-sown rapeseed, Patel forecast a marginal 2 per cent rise in the South Asian country's edible oil output in 2015/16 to 6.26 million tonnes.

"As farmers have realised excellent prices for last year's rapeseed crop, it is likely that the area will increase substantially and rainfall in last fortnight of September will prove supportive for the crop's sowing," he said.

[Back to top]

India's vegetable oil imports to rise 19% this season: Industry body

The Economic Times

Mumbai, September 28, 2015: India's vegetable oil imports will rise 19 percent to 14 million tonnes this marketing year ending Oct. 30, an industry body said on Monday, after weak monsoon rains late last year hit output of rapeseed and other oilseeds.

Pravin S. Lunkad, president of the Solvent Extractors' Association of India, also said the government should lower the import duty on oilseeds to 5-10 percent from 30 percent currently so that under-utilised crushing plants in India can revive their business.

Indian oilseed crushers have been forced to use a fraction of their capacity as the domestic market stays awash with cheap rival palm oil from top producers Malaysia and Indonesia.

[Back to top]

India's iron ore imports set to fall 60% in FY16

Mahesh Kulkarni, The Financial Express

Bangalore, September 24, 2015: India's iron ore imports are set to decline drastically during the current financial year as the domestic production has shown considerable improvement and prices have seen a downward correction. The import of the key steel-making raw material is projected at 6 million tonnes in FY16, about 60% lower than last financial year, according to the Federation of Indian Mineral Industries (FIMI).

In 2014-15, Indian steel makers imported a record level of 15 mt after the global iron ore prices hit a historic low of $45 per tonne for 62% Fe-grade iron ore.

"There is an abundant quantity of iron ore available in the country. The total stocks lying at various mines is estimated at 150 mt. In addition, there will be fresh production this year. Overall, there is no need to import iron ore in the country," R K Sharma, Secretary General, (FIMI) said.

For the period April to August 2015, steel mills and traders imported around 2.8 mt of iron ore. JSW Steel, which was the largest importer of iron ore last year at 10 mt, has imported barely 700,000 tonnes in the first five months of the current financial year. The company might import more depending on the prices in the domestic market and supply situation in Karnataka, the company sources said.

Apart from JSW Steel, other importers this year include Tata Steel, Essar Steel, KIOCL and private traders.
Sharma said the steel mills are hardly producing around 45 mt of steel using iron ore as raw material, while the balance 42 mt of steel is produced by induction furnaces, which do not use iron ore. This means, the requirement of iron ore for integrated steel mills is not much and whatever they require is available in the country.

"Currently, the domestic iron ore with 62% Fe grade is available at Rs 2,500 per tonne, which is 50% lower than the landed cost of imported iron ore. Whereas the imported iron ore with similar grade

costs Rs 4,500 per tonne to R 5,000 per tonne. So, there is not much scope for importing iron ore this year," said Basant Poddar, senior vice-president, FIMI.

He said 62% Fe-grade iron ore fines were sold at Rs 4,500 per tonne about a year ago. Going by the current trend, the total imports for this year will not exceed 6 mt, Poddar said.

NMDC has reduced its prices by 33% between March and September this year. The company currently sells iron ore fines at R1,660 per tonne compared to Rs 2,460 per tonne in March this year. "The weak sentiment coupled with higher production estimated for the current fiscal has resulted in the lowering of prices in the domestic market. This situation has led to decline in import of iron ore this year," an analyst said.

Iron ore production for the fiscal 2016 is estimated at 160 mt, if Goa opens up mining, otherwise it will be in the range of 145-150 mt compared to 129 mt in FY15, the industry sources added.

[Back to top]

Govt raises import taxes on vegetable oils

Mayank Bhardwaj, Live Mint

New Delhi, September 18, 2015**:** India has raised import taxes on crude and refined vegetable oils by 5 percentage points, government and trade sources said, as the world's largest buyer seeks to curb surging supplies from Malaysia and Indonesia.

The cost of the edible oils imports are expected to rise about 40% to $14 billion this fiscal year from about $10 billion, driving several Indian mills out of business and forcing some farmers to switch to crops other than oilseeds such as soybeans.

The tax on crude vegetable oils has been hiked to 12.5% from 7.5%, and on refined oils to 20% from 15%, the sources said ahead of an announcement expected later on Friday.

"We welcome the step but the government should have increased the duties by at least 10 percent(age points)," said B.V. Mehta, executive director of trade body the Solvent Extractors Association of India.

Mehta said the government should have also raised the duty differential between crude and refined edible oils to protect Indian farmers and the refining industry from rising imports.

Malaysian palm oil prices have been trading near 6-1/2-year lows, boosting India's imports and undermining Prime Minister Narendra Modi's efforts to make the country self-sufficient in vegetable oils this decade.

Edible oil is the third-highest item on India's import bill after petroleum oil and gold.

Massive imports have driven down Indian soybean prices by about 20% in the past four months, discouraging farmers from expanding oilseed planting. Still, local soyoil is still much costlier than imported palm oil.

In the past 20 years, India's edible oil output has risen only about a third.

Imports of vegetable oils, however, have surged twelvefold to 14.4 million tonnes to keep pace with growing consumption, making India the world's top buyer of cooking oils.

Shares of Ruchi Soya, India's biggest edible oil refiner, rose as much as 7% after the report.

[Back to top]

Russia restricts import of meat from UP plants

Sandip Das, The Financial Express

New Delhi, September 17, 2015: India's buffalo meat exports to Russia, which commenced earlier this year, have hit a roadblock following several cases of foot-and-mouth disease reported from Uttar Pradesh.

Sources told FE that Russia had commenced import of buffalo meat earlier this year from four processing plants located in Aligarh, Barabanki, Rampur (Uttar Pradesh) and Aurangabad (Maharashtra) where inspectors from Russia had been stationed to monitor quality.

"Russia has decided to limit buffalo meat deliveries from units located in Uttar Pradesh following several cases of foot-and-mouth disease which had been reported from the state," an official said.

After months of discussion and inspections of plants last year, Russia has decided to import buffalo meat from India.

As Russia, Kazakhstan and Belarus have common customs standards, the buffalo meat exports commenced to these three CIS countries earlier this year.

Russia is among the few countries that had put a ban on import of meat and poultry products from India due to occurrence of foot-and-mouth disease years ago. Although, India is globally one of the largest buffalo meat suppliers, Russia did not import any meat from the country before 2015.

Russia's move to source buffalo meat from India follows the ban imposed on fruits, vegetables, meat, fish, milk and dairy imports from the United States, the European Union, Australia and Canada in response to the sanctions imposed on it last year.

The Russian president had asked for limiting food imports from those countries that had imposed sanctions on Moscow for its support of rebels in eastern Ukraine and the annexation of Crimea.

India had made it clear that it will not support sanctions sought to be imposed on Russia by a select group of countries led by the US.

Russia was earlier exploring possibility of importing from India and the decision to set up an office in the country for monitoring buffalo meat shipment was taken in a meeting last year in Delhi by Dmitry Rogzin, deputy prime minister of Russia, with external affairs minister Sushma Swaraj.

Meanwhile, officials said that concerted efforts to eliminate diseases such as rinderpest and foot-and-mouth disease among buffalo population have borne fruit with a sharp increase in exports of meat products from India in the last couple of years.

India's buffalo meat shipment has risen sharply from R13,745 crore in 2011 – 12 to R29,282 crore in the last fiscal. Countries such as Vietnam, Malaysia, Egypt, Thailand and Saudi Arabia are the key export destinations for the buffalo meat products.

The major areas for buffalo meat production include Uttar Pradesh, Andhra Pradesh, Maharashtra and Punjab.

[Back to top]