INDIA'S TRADE NEWS AND VIEWS

15 April to 30 April 2015

[Proposal on low-income farmers faces opposition at WTO]
The US, the European Union (EU), Canada and Australia have opposed a proposal from India and other developing countries at the World Trade Organization (WTO) that...
[Farm pact at WTO distant, but India wins support]
India's fight at the World Trade Organization (WTO) seeking continued legitimacy for its food procurement programmes has got a shot in the arm with a majority of...
[India may take WTO action against EU over drug clinical trials: GVK Bio]
India may go to the World Trade Organisation (WTO) if the European Union does not reconsider its decision to suspend the sale of about 700 generic drugs that were...
[Commerce ministry pushing for relaxation of services trade]
The department of commerce is pushing all ministries to ease the rules on services trade, even as the government is trying to bring out more robust data on services export...
[Low demand: March exports down 21%, FY15 target missed]
India's merchandise export for March declined sharply by 21.06 per cent to stand at $23.95 billion, amid weak global demand and contraction in major export commodities including...
[Sops to least developed nations in services won't threaten local industry: Ministry]
India's offer to give preferential treatment to service exporters from least developed countries (LDCs) at the World Trade Organisation (WTO) does not pose a threat to...
[Exporters need more policy support]
India's Foreign Trade Policy (FTP) 2015-20 sets an ambitious target of $900 billion in merchandise and services export by 2020. Which means, exports of goods and services must grow at...
[India-Australia FTA talks focus on services]
The focus of the India-Australia free trade agreement negotiations is on services. This is a fresh approach towards such negotiations, which usually focus on goods, said Australia's Minister for...
[Govt relaxes norms for sugar exports to EU, US]
With government relaxing norms, any trader or entity can export sugar to the European Union and the US under quota systems, which entitles shipments to enjoy low tariff...
[India looks to Russia to increase buffalo meat exports]
In response to Indian urging, a team of Russian phytosanitary agency officials will soon visit for inspection and approval of more units to handle processing and export of...
[Gem & jewellery export slightly down, might do better this year]
Gem and jewellery (G&J) shipments, nearly 13 per cent of India's overall merchandise export, fell a marginal 0.4 per cent in financial year 2014-15...
[Exports contract by record 21% in March, trade deficit widens]
At a time India is aspiring to double its exports to $900 billion by 2020, its merchandise exports contracted in 2014-15 after shipments in March shrank by a record 21.06%...
[Higher sales brewing for India's tea exporters as drought grips Kenya]
Lagging rains, output and demand were just some of the things worrying Bidyananda Barkakoty, a small tea garden owner in a northeastern Indian state, until about a month...
[Rubber imports at all-time high of 415,000 tonnes in 2014-15]
India's rubber imports touched an all-time high of 415,000 tonnes in 2014-15 owing to lower international prices and fall in domestic production...

Indian soybean imports to US jump as shoppers seek organic food
A growing demand for organics, and the near-total reliance by US farmers on genetically modified corn and soybeans, is driving a surge in imports from other nations where...
Govt likely to increase import duty on sugar
India, the world's second largest sugar producer, may hike the import duty on sugar to help its distressed cane farmers and mills that are reeling under the effect of low domestic...
Sugar import levy hiked to 40%; ethanol excise duty waived
In a bid to help cash-starved domestic producers, the Union Cabinet raised the import duty on sugar to 40 per cent from 25 per cent on Wednesday. The move will curb...
Pulses import surges to record 4.1 mt
Imports of pulses have topped a record 4.1 million tonnes in 2014-15 fiscal as erratic monsoon affected production and the recent unseasonal rains affected the standing rabi crop as well...

Centre for WTO Studies, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi - 110016

Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in

The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

Proposal on low-income farmers faces opposition at WTO

D. Ravi Kanth, Live Mint

Geneva, April 21, 2015: The US, the European Union (EU), Canada and Australia have opposed a proposal from India and other developing countries at the World Trade Organization (WTO) that seeks policy space to support low-income farmers through a permanent solution for public stockholding programmes for food security.

WTO members are required to come up with a permanent solution by the end of this year.

Initial positions adopted by major industrialized and a few developing countries such as Pakistan, Paraguay and Thailand indicate that such a solution is not likely to materialize, said several trade envoys familiar with a closed-door meeting held last Friday.

The chair for Doha agriculture negotiations, John Adank, convened the meeting to discuss new rules that would increase the policy space for the permanent solution for public stockholding programmes for food security.

India's trade envoy Anjali Prasad made a strong case as to why the policy space is needed through a permanent solution for public stockholding programmes. She said public distribution system (PDS) programmes feed hundreds of millions of people in developing and the poorest countries.

India expressed concern over the repeated attempts by some countries to take the negotiations for the permanent solution backwards by raising extraneous issues. The market price support (MPS) that sustains public procurement programmes is an "incentive" to farmers to continue cultivation, and every member present in the room is providing MPS, India said.

After two-and-a-half years of intense negotiations on the need for a permanent solution due to the existing structural anomalies in the WTO's agreement on agriculture, the US, the EU, Canada and Australia are adopting an evasive strategy for denying a permanent solution, said a former trade envoy familiar with the negotiations.

The US, for example, told the meeting on Friday that it lacks the understanding of the nature of the problem concerning public stockholding programmes for food security. Washington wants to know how the existing agreement on agriculture does not allow policy space for developing and poorest countries. It emphatically called for open markets and food security for all.

The EU, which supported the US at the meeting, said it will not agree to include public stockholding programmes in the green-box subsidies that are currently exempt from reduction commitments.

Canada maintained that the purchases for public stockholding are meant to address hunger of the producers and the distribution of PDS stocks will lead to export surges and import substitution.

Australia said what India and other Group of 33 (G-33) countries are asking for is more policy space for trade-distorting farm support.

Last year, the G-33 group of developing nations presented a detailed proposal on how to arrive at a permanent solution for public stockholding programmes for food security by making credible changes to the WTO's agreement on agriculture.

The G-33 gave three options to address the problem. First, adding a new paragraph to include market price support for food security in the so-called green-box disciplines of the agreement on agriculture that are exempted from any subsidy reduction commitments. Second, modifying the existing rules to ensure that the acquisition of food stocks by developing countries to support low-income and resource-poor farmers is not required to be calculated under the current method of calculating aggregate measurement of support (AMS, or trade-distorting farm subsidies). And third, modifying or amending the rules to calculate subsidies based on the so-called external reference period of 1986-88 prices, which was decided during the previous Uruguay Round of negotiations.

The 2008 revised draft modalities prepared by the former chair for Doha agriculture negotiations, Crawford Falconer of New Zealand, had proposed the requisite changes to ensure that "there is no requirement for difference between the acquisition price and the external reference price to be accounted for in the AMS".

Indonesia, which is the coordinator for the G-33, told the US that its proposal goes "beyond the mandate to find a "permanent solution" for public stockholding programmes for food security purposes.

The US proposal underscored the need to review "the efficacy and trade effects of the existing public stockholding programmes for food security policies", "to review the existing WTO rules and policies adopted by members and how these policies are constrained by those rules", and finally to establish "best practices for capacity building to implement the agreed best practices".

Criticizing the US proposal, Indonesia said the G-33 "would like to make it clear that we tabled the proposal not because we have limited capacities to adopt best practices in this area but, rather, because we need some policy space to effectively support low-income or resource poor farmers, to fight hunger and rural poverty".

[Back to top]

Farm pact at WTO distant, but India wins support

Amiti Sen, Business Line

New Delhi, April 27, 2015: India's fight at the World Trade Organization (WTO) seeking continued legitimacy for its food procurement programmes has got a shot in the arm with a majority of developing countries and some food exporting developed countries supporting a farm text drafted in 2008.

The text approves procurement subsidies for poor farmers and proposes higher tariff cuts for rich country members.

In a recent meeting of the WTO Committee on Agriculture, Chairman John Adank, however, said he was not too optimistic about reaching a breakthrough on farm issues, including market access and domestic support, by the scheduled July deadline. This is because many other members, including the US, are not happy with the 2008 draft.

"We have the support of almost all developing countries and LDCs (least developed countries), including the large African Group, on building further negotiations on the 2008 text. It suits us as the text talks about exempting farm programmes that support poor farmers from trade-distorting support calculation," an Indian official told *BusinessLine* .

Doha round conclusion

Members are working to reach an agreement by July on the agriculture chapter of the work programme, to conclude the Doha Round talks.

The Doha round, which started in 2001 for greater opening up of markets, languished after 2008 due to huge differences over market access issues between developed and developing countries.

The talks got a new lease of life in the Bali Ministerial Meeting in December 2013, when fresh timelines were set to conclude the talks.

2008 draft

The draft 2008 text in agriculture proposes a more than 50 per cent reduction in farm tariffs for developed countries, to be implemented over five years, and about one-third reduction in tariffs for developing countries, over 10 years.

“The US doesn’t support the 2008 draft as it says that it imposes a much greater burden on developed countries compared to large developing countries such as India and China,” the official said.

The draft also states that programmes supporting low-income or resource-poor producers should be placed in the ‘Green Box’, which includes subsidies that are non-actionable.

Long battle

India has been fighting at the WTO, along with other members of the G-33 group of developing countries in agriculture, seeking favourable treatment for the subsidies given under its food procurement programmes so that it is not penalised for breaching existing caps on such sops.

Interim solution

While an interim solution is in place since Bali, which gives immunity to developing countries against action from members on breaching subsidy caps (provided a number of stringent conditions are met), India wants a fool-proof permanent solution.

The proposal on food security floated by India and the G-33 states that while the Agreement on Agriculture of the WTO is changed to place food procurement subsidies in the Green Box, the reference price for calculating the subsidies should be changed (from 1986-88) to make it more current or inflation should be taken into account.

[Back to top]

India may take WTO action against EU over drug clinical trials: GVK Bio

Business Line

Mumbai, April 15, 2015 : India may go to the World Trade Organisation (WTO) if the European Union does not reconsider its decision to suspend the sale of about 700 generic drugs that were approved based on clinical trials by GVK Biosciences Pvt Ltd, the firm's CEO said.

The European Medicines Agency (EMA) suspension became effective in January, a month after France, Germany, Belgium and Luxembourg suspended the sale of 25 generic drugs that were approved based on trials conducted by GVK Biosciences.

The privately-held company, part of India's infrastructure builder GVK Group, conducts clinical research for domestic and foreign drugmakers.

The regulatory actions were taken after the French watchdog inspected a GVK Biosciences manufacturing plant in southern India last year and found manipulation of data from electrocardiograms (ECG) for at least five years.

The French regulator said at the time that suspensions were taken out of precaution and there was no reason to suggest the drugs were ineffective or harmful.

The drugs suspended by the EMA include those made by U.S. firms Mylan Inc and Abbott Laboratories, as well as large Indian companies such as Lupin Ltd and Dr Reddy's Laboratories.

After an appeal by the company, the Indian government set up a panel of experts last year to investigate the matter and found no manipulation, GVK Biosciences CEO Manni Kantipudi told Reuters.

An Indian government delegation visited the European authorities between February and March to ask for the suspension be reconsidered, Kantipudi said.

If that does not happen, New Delhi is ready to take commercial and legal action, which could include action at the WTO, Commerce Secretary Rajeev Kher told local daily *BusinessLine* last week.

The commerce department did not respond to a request for comment by Reuters.

"There are some legal options, but we will see what comes out of these diplomatic talks and then we and the commerce ministry will decide on what to do," Katipudi said. He added that European authorities will get back to the company, but haven't said by when.

EMA's press office did not immediately respond to a request for comment on Wednesday.

GVK Biosciences is the latest Indian firm to come under international scrutiny over quality issues. Several large Indian drugmakers have over the past two years faced US and UK sanctions over issues ranging from data fabrication and manipulation, to sanitation.

[Back to top]

Commerce ministry pushing for relaxation of services trade

Business Standard

New Delhi, April 21, 2015: The department of commerce is pushing all ministries to ease the rules on services trade, even as the government is trying to bring out more robust data on services export.

The department has also engaged with the Reserve Bank of India to develop real-time statistics on trade in services. This is because the ministry of commerce and industry has recently announced freely transferable duty scrips for services exports under the Services Exports From India Scheme, Commerce Secretary Rajeev Kher said here on Monday.

India is hosting a Global Exhibition on Services from Thursday, to be inaugurated by Prime Minister Narendra Modi. India has been holding a services conclaves for the past two years.

India had been trying for a long time to be part of the Trade in Services Agreement, currently being negotiated among 23 countries, also members of the World Trade Organization. However, it is not being able to enter it for various reasons. As a result, its effort to position itself as a leader in services exports has taken a huge hit.

The US and European Union are also part of the exercise, the talks for which were launched in 2012. Together, they account for 70 per cent of world trade in services. Once concluded, it will open the floodgates of services export across sectors such as banking, telecom and construction, among others.

The pact aims at opening markets and improving rules in areas such as licensing, financial services, telecom, e-commerce, maritime transport, and professionals going to a foreign country on a temporary work visa.

According to officials in the commerce department, India is not able to join TISA due to the ratchet and standstill obligations that seek to bring the services sector liberalisation under binding commitments.

[Back to top]

Low demand: March exports down 21%, FY15 target missed

The Indian Express

17 April, 2015:India's merchandise export for March declined sharply by 21.06 per cent to stand at $23.95 billion, amid weak global demand and contraction in major export commodities including engineering goods, gems and jewellery and electronic goods. For 2014-15, meanwhile, exports dipped 1.23 per cent to stand at $310.5 billion, significantly falling short of the yearly target of $340 billion.

Expressing concerns, trade experts warned that Indian exporters urgently need to upgrade their export basket from low-end products to medium-to-high-end products for recording growth in future. Exports have been in the negative zone for four months now and in the absence of "immediate attention" exports are unlikely to revive for the next few months, experts said.

According to data released by the commerce ministry, imports during the last fiscal stood at $447.54 billion, down 0.59 per cent, against $450.21 billion in 2013-14. In March, imports fell 13.44 per cent to stand at $35.74 billion, against $41.29 billion achieved in March 2014. Trade deficit for the fiscal stood at $137.014 billion compared with $135.79 billion recorded in 2013-14.

Amid the government aiming to double exports of both and services to $900 billion by 2020, the data showed that exports of all major commodities including engineering goods, petroleum products, gems and jewellery, drugs and pharmaceuticals and organic and inorganic chemicals, which together account for almost two-thirds of the country's total export, registered contraction in the last quarter of 2014-15.

SC Ralhan, president, Federation of Indian Export Organisations (Fieo), said that the "continuous slowdown in demand in global markets and liquidity problem is in a major way responsible for the double-digit contraction in exports during the last quarter of the 2014-15 …. even more concerning is the fact that the decline was on a low base".

Oil import declined by a staggering 52.68 per cent at $7.41 billion in March.

Ajay Sahai, director general, Fieo, said that the lack of growth is reflective of the low-end products being exported by the country and "despite slowdown, countries like China have been maintaining high export growth due to high-end products".

Earlier this month, the ministry announced the much-delayed foreign trade policy (2015-2020), laying down the broad policy direction for the next five years.

While the policy ropes in states and Union territories in the process of international trade, it has done away with the existing incentive schemes and instead introduced two schemes — Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS) — for goods and services.

Gold imports jump 94% to $4.98 billion

Gold imports surged by 93.86 per cent year-on-year to $4.98 billion in March due to declining prices and easing of restrictions by the Reserve Bank of India.

Imports of the precious metal stood at $2.57 billion in the same month in 2014. In February, imports grew 48.78 per cent to $1.98 billion.
Any increase in gold imports, in turn, impacts the current account deficit.

The current account deficit in the first half of this fiscal declined to 1.9 per cent of GDP billion) from 3.1 per cent ($27 billion) in the same period of the previous year.

[Back to top]

Sops to least developed nations in services won't threaten local industry: Ministry

Business Line

New Delhi, April 15, 2015: India's offer to give preferential treatment to service exporters from least developed countries (LDCs) at the World Trade Organisation (WTO) does not pose a threat to domestic industry, the Commerce Ministry has clarified in an internal note.

"India does not face any threat from LDCs in services, as they do not have capacity to match our service suppliers in most areas," the note submitted to the Cabinet Secretariat said.

In February, India agreed to give preferential treatment to LDCs in the area of services in line with a commitment taken by WTO members to give easier access to both goods and services from poorer countries. New Delhi offered to waive the visa fee for LDC applicants seeking Indian business and employment visas. It also agreed to give technical assistance and capacity building in financial services, insurance, MSME (micro, small and medium enterprises) sector, agriculture and rural development, railways and specially-designed courses in consultancy services. Technical assistance for development of chartered accountancy and company/corporate secretary professions in LDCs was also offered.

Improved commitments

India took on market access commitments in 15 sub-sectors and improved commitments in four sub-sectors and for a number of categories of professionals from LDCs. “The market access offer made by India is entirely made up of what is autonomously available to all countries on a most favoured nation basis. Most of the offers are pegged at the level of India’s revised offers at WTO,” the note said.

So, India has basically taken on commitments in certain areas of services where it has been offering market access on its own. This means that while no extra market access has been given to LDCs, in future India cannot close down these sectors to LDC exporters even if it chooses to do so for other countries.

However, the Ministry clarified that LDC country exports are so small that they do not hold any challenge for the domestic industry. “In fact, in 2013-14, the share of LDCs in India’s services imports has been a mere 0.60 per cent,” the note said.

The clarification holds significance as preferential access given to certain countries with which India has Free Trade Agreements elicited criticism recently from both industry and some sections of the Government for allegedly hurting domestic players.

In the area of goods, India provides duty free market access on about 96 per cent of items and offers preferential duties for another 2.2 per cent.

[Back to top]

Exporters need more policy support

Ritesh Kumar Singh

April 20, 2015: India’s Foreign Trade Policy (FTP) 2015-20 sets an ambitious target of $900 billion in merchandise and services export by 2020. Which means, exports of goods and services must grow at CAGR of over 15 per cent in the next five years to double from its current levels of $ 450 billion.

The new FTP seems to be guided by the following considerations: keeping tabs on how much money goes out on account of export incentives given the fiscal constraints; WTO obligations to phase out export subsidies; linking the FTP to the Make in India initiative; and improving FTAs utilisation in trade.

Thus, the number of countries covered under the new merchandise export from India scheme (MEIS) that replaces five existing incentive schemes, including FPS and FMS, has been pruned to a keep a tab on fiscal outgo. The quantum of export subsidies is lower than earlier.

Reduction of export obligation by 25 per cent under the EPCG (export promotion capital goods) scheme is expected to boost indigenous production of capital goods.

The introduction of online filing of documents is to reduce trade transaction cost and help manufacturing exports by increasing their cost competitiveness. Merchandise falling under the categories of handloom products, books/periodicals, leather footwear, toys and customised fashion garments, with fob values of up to Rs. 25,000/consignment and their sale finalised through e-commerce, would get the benefit of FTP.

Advantages and limitations

The exports from SEZs suffering from high MAT would now be eligible for incentives. Another notable positive is the introduction of transferability of duty free scrips and allowing them for payment of customs, excise duties and service tax without any conditionality. However, it would be worth examining how effective the new FTP would be in pushing India’s merchandise exports.

It is very difficult to decode what forms the basis of categorising India’s export destinations into three groupings as well as allocation of MEIS rates for different commodities. What could explain the exclusion of countries such as Brazil, Bangladesh and China for export promotion with respect to top textile products?

Again, increasing exports to China should have been top priority, but there is no real incentive for China in the new FTP even though it is a top export destination for cotton fibre and yarn.

From a strict reading of the FTP, only direct export to Japan and the US should be eligible for MEIS. The problem is India mostly exports fabrics to Bangladesh, Indonesia, Myanmar and Vietnam for conversion into garments that are ultimately shipped to Japan and the US.

It is worth mentioning that some of India's well intentioned trade policy actions (to help LDCs like Bangladesh), though outside the purview of the FTP, are hurting indigenous manufacturing.

For instance, allowing duty free, quota free import of garments from Bangladesh (or Myanmar) without imposing sourcing obligations promotes the backdoor entry of Chinese textile material into India, and hurts the whole textile value chain in the country from fibre to yarn, fabrics and apparel.

Sourcing blues

The FTP needs to follow up with other actions like making the use of fibres, yarns and fabrics of Indian origin mandatory for allowing duty free imports of apparel from Bangladesh and other LDCs seeking preferential market access on non-reciprocal basis.

It's not that India would be the first country to impose sourcing restrictions for allowing duty free imports of apparels. The US imposes sourcing restrictions in all its existing and proposed trade pacts. Why can't India?

Because of India's FTAs and other trade deals such as Information Technology Agreement (ITA), India's manufacturing sector has to suffer what is called inverted duty structure, that is, high import duties on inputs/ raw materials and lower duties on finished goods. Thus, one can import an apparel item duty free in India but its basic raw materials are subject to 5 to 10 per cent import duties.

The last Union Budget did attempt to address some of the cases of inverted duties, but only partially.

Again, increasing the use of FTAs would require addressing non-tariff barriers in partner countries. For instance, Japan, as per the terms of the India-Japan CEPA, allows duty free import of apparels from India only if all the material used for the manufacture of apparels are either of Indian or Japanese origin.

Indian businesses should realise that the days of export subsidies are numbered because of WTO obligations. To deal with slowing demand and rising cost on a long-term basis, businesses must develop suitable global strategies for sourcing, production and trade.

[Back to top]

India-Australia FTA talks focus on services

Business Line

New Delhi, April 24, 2015: The focus of the India-Australia free trade agreement negotiations is on services. This is a fresh approach towards such negotiations, which usually focus on goods, said Australia's Minister for Trade and Investment Andrew Robb, on Friday.

“We are on track to shape a deal by the end of the year and after that some legal work needs to be completed before it is in place,” said Robb.

He added that the two sides have taken fresh approach to the negotiations by focussing on services.

On the issue of Australia exporting uranium to India, Robb said that the technical issues are being worked out in Australia.

[Back to top]

Govt relaxes norms for sugar exports to EU, US

Business Standard

New Delhi, April 28, 2015: With government relaxing norms, any trader or entity can export sugar to the European Union and the US under quota systems, which entitles shipments to enjoy low tariff.

Earlier, the government had designated Indian Sugar Exim Corporation, formed by two sugar associations ISMA and NFCSF, to export the sweetener to the EU under CXL quota and the US under the TRQ quota.

Under these quotas, exports are permitted on low tariffs.

After the quota is reached, a higher tariff is applied on additional exports.

"The preferential quota sugar to EU was being exported STE (State Trading Enterprises) subject to quantitative ceiling notified by DGFT from time to time.

However, with a view to extend the benefits of export of preferential quota sugar to EU to the entire sugar industry in the country, the government has now decided to liberalise the export policy," the commerce ministry said in a statement.

And for the exports to the US also, the government has relaxed the norms.

"The preferential quota sugar to USA was being exported through STE subject to quantitative ceiling notified by DGFT from time to time. However, the government has now decided to change the export policy...from 'STE' to "Free" regime subject to quantitative ceiling notified by DGFT from time to time," it added.

An industry expert said that currently, the quota for the EU is 10,000 tonnes and that for the US is 8,000 tonnes.

[Back to top]

India looks to Russia to increase buffalo meat exports

Dilip Kumar Jha, Business Standard

Mumbai, April 23, 2015: In response to Indian urging, a team of Russian phytosanitary agency officials will soon visit for inspection and approval of more units to handle processing and export of buffalo meat.

Russia opened its market for buffalo meat to India early this year. The first consignment was approved only in March by the inspector from Rosselkhoznadzor, the approvals authority, due to strict quality guidelines. The said inspector has approved only four units of two agencies, Fair Export (India) Pvt Ltd (FEIPL) and Frigerio Conserva Allana Pvt Ltd (FCAPL), after thorough inspection of their facilities.

Talks are on for more export. “The negotiations were initiated by the Indian side, to increasing import volumes of Indian animal products to the Russian market. Both sides discussed technical issues of Rosselkhoznadzor’s coming visit, to get familiar with the system implemented to control regulated products and to visit some of the plants willing to export animal products to the Russian market. It is important to develop a clear export schedule, taking into account pre-shipment checks,” said Vasily Lavrovsky, head of the Russian agency’s department for inspections.

The initiative was taken by the Indian embassy in Russia, which pressed Rosselkhoznadzor for another round of inspections at plants willing to export.

In the first round of shipment in March, the two approved plants exported 16 containers, of 409 tonnes. FEIPL, a unit of Amroon Foods, is based in Ghaziabad. FCAPL is part of the Mumbaiheadquartered Allana Group. Inspections are underway at two other Indian plants approved by the Russian agency.

Russia allowed import of buffalo meat after several years of suspension. The Russian authority's pre-shipment checks of each consignment have proved a hurdle.

India faces stiff competition from Brazil, whose currency has depreciated immensely, making its exports competitive. Hardly half of Russia's meat supply is met from domestic production, which was 12.7 million tonnes of livestock and poultry output in 2014.

"The Brazilian currency, the real, has depreciated 30 per cent in one year. Hence, meat export from Brazil has become cheaper, unlike a few years ago when Indian buffalo meat export was cheaper. Hence, it would be difficult for Indian exporters to even achieve $100 million worth of buffalo meat export to Russia in 2015-16," said a senior industry official.

India has replaced Vietnam to emerge last year as the world's largest supplier of buffalo meat. For several years, our buffalo meat exports have been rising by 25-40 per cent annually. These were $4.35 billion (Rs 26,458 crore) in 2013-14, at 1.45 million tonnes. This was largely to Vietnam, Malaysia, Egypt, Thailand, Saudi Arabia and Jordan.

[Back to top]

Gem & jewellery export slightly down, might do better this year

Dilip Kumar Jha , Business Standard

Mumbai, April 23, 2015**:** Gem and jewellery (G&J) shipments, nearly 13 per cent of India's overall merchandise export, fell a marginal 0.4 per cent in financial year 2014-15.

Data compiled by the Gems & Jewellery Export Promotion Council (GJEPC) showed overall G&J export was $39.9 billion in 2014-15, as compared to $40.15 bn the previous year. In rupee terms, shows data compiled by the G&J Export Promotion Council, export rose marginally to Rs 243,885.8 crore from Rs 242,837 crore a year before.

"The industry battled several economic issues — downturn in China, political and terrorist unrest in the Middle East, a declining European market and the suffering Russian rouble, which had a direct and adverse impact on export. However, foresight and agility helped survive these trying times, owing to significant action in the US and UAE to boost export," said Vipul Shah, chairman of GJEPC.

It had organised several buyer-seller meets in the US and participated aggressively in Dubai trade fairs, both important jewellery export destinations. Also, continuous dialogue with key G&J entities in the US, with offers of value-additions, and trend forecast seminars for Indian manufacturers, had helped.

Gross export of cut and polished diamonds fell 5.5 per cent in dollar terms to $23.2 bn versus $24.5 bn a year before. In rupee terms, it was a a decline of 4.5 per cent to Rs 141,514 crore. This can be attributed to a decline in volume terms of the gross import of rough diamonds ('roughs' in industry parlance), at 14.73 mn carats, or 9.1 per cent, from the year before.

The lower costs of importing roughs through the notification of a special economic zone in this regard is expected to benefit the Indian industry substantially in the coming years. The industry is optimistic about maintaining the current level of performance and intends aligning with global diamond mining companies to promote diamond jewellery.

For this financial year, which began on April 1, Shah said the first quarter was set to remain flat. "Gradual growth is expected during the second quarter and onwards. The entire year is set to end with single-digit growth in G&J export," he said.

The diamond jewellery segment, which contributes around half, is likely to remain flat but shipment of gold and silver ornaments is expected to see good growth.

[Back to top]

Exports contract by record 21% in March, trade deficit widens

Asit Ranjan Mishra, Live Mint

New Delhi, April 17, 2015: At a time India is aspiring to double its exports to $900 billion by 2020, its merchandise exports contracted in 2014-15 after shipments in March shrank by a record 21.06% because exports of petroleum products plummeted on lower crude oil prices.

Merchandise exports earned $24 billion in March while imports shrank 13.44% to $35.8 billion in the same month, leaving a trade deficit of $11.8 billion, the highest in four months, data released by the commerce ministry on Friday showed.

China's exports also shrank during March by 15%, the worst in about a year, as a rising yuan hurt demand for Chinese goods and services abroad.

Cumulatively, in 2014-15, India's exports contracted 1.23% to $310.5 billion while imports shrank 0.6% to $447.5 billion, leaving a trade deficit of $137 billion.

Petroleum exports, which constitute 19% of the total, fell 60% in March to $2.4 billion, driving down overall shipments. Among other major items, exports of jems and jewellery, pharmaceuticals, chemicals and engineering goods contracted by 8.36%, 2.03%, 5.36% and 2.55%, respectively. The only major export that grew in March was textiles, with shipments increasing by 2.83% to $1.6 billion.

Oil imports contracted 53% to $7.4 billion, while non-oil imports that signal economic activity in the domestic economy remained barely changed at $22.8 billion.

The government in its five-yearly foreign trade policy announced on 1 April revamped the export subsidy regime and indicated its intention to phase out subsidies for overseas shipments in compliance with rules of the World Trade Organization (WTO) while setting an ambitious export target of $900 billion to be met by 2019-20. If the target is met, India would grab a share of 3.5% of world exports, up from 2% in 2013-14.

However, WTO on Tuesday projected a pessimistic outlook for global trade with growth in the volume of world merchandise trade forecast to pick up only slightly over the next two years, rising from 2.8% in 2014 to 3.3% in 2015 and eventually to 4.0% in 2016, remaining well below the annual average growth of 5.1% posted since 1990.

Though growth has been firming up in the US, aided by improving labour and housing market conditions, appreciation in the dollar in recent months have dampened prospects for exports. Since the start of 2015, the rupee has gained 0.87% against the dollar.

In the euro area, economic conditions remain weak although a pickup was observed in the fourth quarter of 2014 and the early months of 2015, supported by lower crude prices and the depreciation in the euro as well as higher bank lending.

Yes Bank Ltd, in a research note, said the risks from a slowdown in global growth could be countered to a certain extent as the government focuses on building a strong institutional export architecture and provides support by diversifying or enlarging India's export base to developing nations.

"With gradual improvement in global demand and structural support from the new foreign trade policy, we remain optimistic of our FY16 export growth forecast at 4%. As such, we expect CAD (current account deficit) to moderate to 0.9% of GDP in FY16 against 1.2% in FY15," it added.

Aditi Nayar, senior economist at rating agency Icra Ltd, said that while she expects stable commodity prices to curtail the CAD in 2015-16 to under 1% of gross domestic product, "the weak momentum for exports remains a concern as it may cast a shadow upon the economic recovery, particularly given the less-than-robust outlook for domestic demand”.

[Back to top]

Higher sales brewing for India’s tea exporters as drought grips Kenya

Rajendra Jadhav, Live Mint

Mumbai, April 17, 2015:Lagging rains, output and demand were just some of the things worrying Bidyananda Barkakoty, a small tea garden owner in a northeastern Indian state, until about a month ago. A recent dry spell in distant Kenya has since given him a reason to smile.

Barkakoty is hoping the crop-damaging drought in top tea exporter Kenya will open a window of opportunity for Indian planters like him as rains improve output prospects at home. Industry sources are projecting a rise of about a tenth in exports this year from India, the world’s No.2 tea producer.

“The shortfall in Kenyan production is pushing up prices there and it will start reflecting in the Indian market in coming months,” Barkakoty said.

The hope that export revenues will soar as tighter Kenyan supplies boost prices have started filtering down to the share prices of Indian tea firms, such as McLeod Russel, Jay Shree Tea & Industries and Harrisons Malayalam , which have surged 10-14% so far this month.

McLeod Russel’s chief financial officer, Kamal Baheti, expects India’s overseas tea sales to rise by 15-20 million kg in 2015, as dry weather drags down production in Kenya from a record high of 444.8 million kg in 2014.

“We will regain lost quantity this year,” Baheti told *Reuters*, referring to the 8.2% drop in the country’s exports to 201 million kg last year. “This year, since Kenya has been hit by drought, global and local prices will improve.”

Sensing tight supply in the East African country where processing factories are receiving fewer deliveries from fields each week, tea prices in local auction centres in India have started climbing, Baheti said. The average tea price in 2015 is likely to be higher than last year, he added.

All eyes now on May While the stage is set for higher Indian exports of the beverage, the focus is now on the month of May which should yield more clues on overseas demand, industry sources said.

“Export orders are likely to increase from mid-May. By that time there will be more clarity on production in Kenya and India,” said Gopal Poddar, chairman, Limtex India, a producer and exporter based in the city of Kolkata.

India ships CTC (crush-tear-curl) tea mainly to Egypt, Pakistan and Britain, and orthodox tea to Iraq, Iran and Russia.

Planters had been expecting another year of low output due to dry weather in top producing state Assam in the northeast, but rains in the past two weeks have improved the situation, said an official with the Indian Tea Association.

Output from India, where tea plucking gains momentum from June to November, eased 1.3% to 1,185 million kg in 2014.

“It is difficult to estimate output since peak season hasn’t started yet. But certainly in 2015 production would be higher than last year,” the official said.

[Back to top]

Rubber imports at all-time high of 415,000 tonnes in 2014-15

Business Standard

New Delhi, April 26, 2015: India's rubber imports touched an all-time high of 415,000 tonnes in 2014-15 owing to lower international prices and fall in domestic production.

In the previous fiscal 2013-14, the rubber imports stood at 360,000 tonnes, which was also the highest ever till last year, according to rubber board data.

The production of natural rubber declined to 12-year low at 655,000 tonnes in 2014-15, down by 12 per cent compared to 774,000 tonnes in 2013-14.

Rubber price, which ruled around Rs 220 per kg in January 2011, nosedived to Rs 123 per kg in the domestic market in the last fiscal.

Imports increased notwithstanding the Centre raising import duty on natural rubber to Rs 30 per kg or 20 per cent, whichever is lower, in December 2013.

Meanwhile, to boost the domestic production of plantation crop, government is in the process of formulating a national rubber policy and an insurance-based scheme for the planters.

Total rubber consumption by various industries, including tyre manufacturers, was 10,18,000 tonnes during 2014-15 which was 3.7 per cent more than the previous year.

[Back to top]

Indian soybean imports to US jump as shoppers seek organic food

Alan Bjerga , Live Mint

Washington, April 15, 2015: A growing demand for organics, and the near-total reliance by US farmers on genetically modified corn and soybeans, is driving a surge in imports from other nations where crops largely are free of bioengineering.

Imports such as corn from Romania and soybeans from India are booming, according to an analysis of US trade data released Wednesday by the Organic Trade Association and Pennsylvania State University.

That shows a potential market for US growers willing to avoid the use of artificial chemicals and genetically modified seeds, said Laura Batcha, chief executive officer of the association, which includes Whole Foods Market Inc., Whitewave Foods Co. and Earthbound Farm LLC.

The report is “a help-wanted sign” for US farmers, Batcha said. “There are market distortions that are pretty striking.”

Most of the corn and soybean shipments become feed for chickens and cows so they can be certified organic under US Department of Agriculture guidelines. Organic poultry and dairy operators shun feed made with seeds from Monsanto Co. and other domestic suppliers in favor of foreign products even as the US remains the world’s top grower of corn and soybeans.

As a result, imports to the US of Romanian corn rose to $11.6 million in 2014 from $545,000 the year before. Soybean imports from India more than doubled to $73.8 million.

Rapid growth

Sales of foods certified by the US as free of synthetic chemicals or genetic engineering reached $35.9 billion in 2014, an 11% increase over 2013 and about 5.1% of US grocery spending. The organic sector’s average annual growth of about 10% is triple that of overall food sales, according to US Department of Agriculture and trade association data.

Rising consumer demand in what’s been a niche market is creating shortages, pushing companies that supply farms needing organic feed to seek out foreign sources.

About 90% of US corn and soy is bioengineered, thus automatically ineligible for the organic label.

Just north of the Minnesota-Iowa border, on a dirt road closed to heavy truck traffic by the late-spring mud, Hy View Feeds has seen its sales quadruple since winning organic certification a decade ago. Unlike nearby conventional feed stores that buys mostly from suppliers within a half-hour drive, Hy View gets some from Canada, more than 500 miles from its Mabel headquarters, to make up for domestic shortages.

Limited data

“It’s a market that not everyone is going to get into because it’s done on a different scale,” said Kit VandeMark, owner and founder of Hy View, which categorizes its feeds as conventional, organic and non-GMO. “So we end up with both buyers and sellers from a broader area.”

The USDA only began collecting data on organic crops in 2011. Most of what’s tracked is fresh produce and major grains—processed foods and meats, for example, aren’t reported in an organic category.

The four years of records show rapidly growing trade relationships. In 2014, US organic exports were $553 million, almost quadruple the 2011 total. Imports last year were $1.28 billion, led by $332.5 million of organic coffee.

Imports of two crops, corn and soybeans, that also are the leading US exports underscore gaps in the market, said Miles McEvoy, deputy administrator of the USDA's National Organic Program.

Romania, China

Soybeans are the second-biggest US organic import, with $184 million shipped last year. India is the No. 1 source, followed by China. For corn, with overall sales of $35.7 million in 2014, Romania is the biggest seller to the US, followed by Turkey, the Netherlands and Canada.

The totals are tiny compared with the combined $92.7 billion value of the two crops last year. That also means that the domestic market could easily meet organic needs, McEvoy said. In reality, US farming isn't structured to meet some of its highest-dollar consumers' needs, he said.

"There just hasn't been enough development of the organic feed supply in the US," he said. Organic-foods certifiers are in short supply in some regions, he said.

A requirement that all organic farms be free of non-organic seeds and chemicals for three years means farmers give up profit before gaining any price benefit. Recent high prices that fed record farm profits also gave growers less reason to switch, he said.

Organic prices

"If there were a market incentive for more people to produce organic corn, there would be more of it," said Paul Bertels, vice president for production and utilization with the National Corn Growers Association in St. Louis. Even though organic corn is selling for about $12.50 a bushel, more than triple the cash price for regular corn, lower yields and the three-year transition period makes GMO- and synthetics-free grain not worth the risk, he said.

"It's not worth the headache or the cost" for most producers, he said.

In some cases, nations where farming is less industrial are seizing the advantage. Genetically modified seeds are largely absent from Romania and Ukraine, putting their farmers closer to organic certification for sales in the US, McEvoy said.

Still, as commodity prices tumble and growers seek higher profit margins, US farmers may seek out more organic acreage, said Lynn Clarkson, founder of Clarkson Grain Co. in Cerro Gordo, Illinois.

“With the markets at break-even prices for many farmers, we’re seeing more interest in organic land,” he said. “I’m not predicting a tidal wave, but I’m seeing twice as much interest in this as I have in the past.

[Back to top]

Govt likely to increase import duty on sugar

Sayantan Bera, Live Mint

New Delhi, April 15 2015**:** India, the world’s second largest sugar producer, may hike the import duty on sugar to help its distressed cane farmers and mills that are reeling under the effect of low domestic and international prices.

The food ministry will push for a duty hike from 25% to 40%, said Ram Vilas Paswan, minister of consumer affairs, food and public distribution, on Wednesday. The minister was speaking after meeting farmers’ representatives from the 13 cane-growing states, a day ahead of his meeting with the chief ministers from these states.

A rise in the import duty will make imports uneconomical for sugar refiners despite a plunge in global prices.

The global sugar price index averaged 187.9 points in March —a sharp decline of 9.2% from February and the lowest since February 2009, according to the Food and Agriculture Organization (FAO) of the United Nations (UN). This was due to improved crop prospects globally, the UN body said earlier this month.

The domestic wholesale sugar price index was 175.3 in March, almost 10% lower than wholesale prices in October 2014 and 5.6% lower than the December 2009 prices.

India is also the world’s biggest sugar consumer, and currently, with the import duty at 25%, does not import sugar, said food secretary Sudhir Kumar on Wednesday.

“Sugarcane farmers are facing problems as mills owe them Rs.19,377 crore in dues from this season. We heard the farmers’ concerns today and will be meeting chief ministers from the 13 cane-growing states of the country tomorrow,” said Paswan.

The mills also owe farmers an additional Rs.1,690 crore in dues from the last sugar season.

Farmers’ representatives have demanded the creation of a central buffer stock of 3 million tonnes (mt), government control on the quantity released in the market by the mills, support for the ethanol production, higher import duties and direct government support to farmers, said the minister. Paswan said that he would decide on the demands after hearing the states.

Sugar production in India is estimated at 26.5 mt in 2014-15, up from 24.4 mt in the previous year. After meeting the domestic demand, India is expected to have a closing stock of 9.5 mt by end of September. The dues to cane farmers are at a record high this year when compared to peak dues (as on March) of Rs.13,124 crore in 2013-14, Rs.12,702 crore in 2012-13, and Rs.8,577 crore in 2011-12.

In February, the government approved export subsidy on raw sugar to help mills cut distress sales and also clear the farmers’ dues. The mills were allowed to export 1.4 mt of raw sugar at a subsidy of Rs.4,000 a tonne.

“The decision on export subsidies came late. By February, international prices had crashed and mills could export only about 0.2 mt of raw sugar with the subsidy scheme,” said Abinash Verma, director general of Indian Sugar Mills Association, an industry lobby group.

“India is not importing sugar at present but a hike in import duty will help the domestic industry in the long run. The immediate need is to boost the domestic prices, and this can be achieved if the government steps in to purchase about 2.5 mt of sugar,” he added.

The large dues to cane growers comes in a crop season where farm incomes are under severe stress due to the recent spate of unseasonal rains, last year’s deficit monsoon and declining prices of key crops such as rice, wheat and cotton.

[Back to top]

Sugar import levy hiked to 40%; ethanol excise duty waived

Business Line

New Delhi, April 29, 2015: In a bid to help cash-starved domestic producers, the Union Cabinet raised the import duty on sugar to 40 per cent from 25 per cent on Wednesday. The move will curb imports as sugar prices are depressed, with a fifth consecutive year of surplus output in the offing.

Additionally, the Cabinet also removed the 12.36 per cent excise duty on ethanol supplied for blending, for the 2015-16 season (October-September), to pass on price benefits to mills.

The mills collectively owe Rs. 21,000 crore to cane farmers, Food Minister Ram Vilas Paswan said earlier this week.

However, it is not clear how the duty hike could help mills, considering that imports in 2014-15 were nil under the Open General License (OGL), while the previous year saw just 0.98 lakh tonnes being bought, as per data provided by the Indian Sugar Mills Association (ISMA).

"The 'Duty Free Import Authorisation' (DFIA) scheme for sugar would be withdrawn…similarly the period for discharging Export Obligations under the Advanced Authorisation scheme would be reduced to six months so as to prevent any possibility of leakage into the domestic market," an official statement said.

Under DFIA, exporters can import permissible quantities of duty-free raw sugar for processing and disposal.

"These measures will significantly improve the adverse price sentiments in respect of sugar and would improve liquidity in the industry, facilitating clearing up of arrears of cane dues to farmers," the statement added.

Welcome step

Sugar production in India, the world's second-largest producer after Brazil, is likely to touch 270 lakh tonnes (lt) for the current season, up from 243 lt last season. Domestic demand is pegged at 248 lt. Mills have repeatedly asserted that the cost of production — at Rs. 29-32/kg — has been higher than ex-mill prices, which range between Rs. 23-27/kg.

"The sugar industry welcomes the decisions…to remove excise duty on ethanol would increase net realisation to mills by around Rs. 5/litre of ethanol which should incentivise some mills to divert B-heavy molasses or cane juice into ethanol. This will reduce surplus sugar production from next year," said Abinash Verma, Director General, ISMA.

He, however, added that there was an immediate need to reduce the 35 lt of surplus sugar that was blocking almost Rs. 10,000 crore in cash flows.

"We understand that the government is already planning to take a decision for the above. We would urge the government to quickly decide on our request to buy out 10 per cent of our current year's sugar production," he said.

[Back to top]

Pulses import surges to record 4.1 mt

Vishwanath Kulkarni, Business Line

Bengaluru, April 29:

Imports of pulses have topped a record 4.1 million tonnes in 2014-15 fiscal as erratic monsoon affected production and the recent unseasonal rains affected the standing rabi crop as well.

According to official data, pulses imports breached the 2012-13 record high of 3.8 million tonnes during April-January period of the last fiscal valued at Rs. 14,978 crore. In the corresponding period of the 2013-14 fiscal, pulses imports were 3.17 million tonnes, valued at Rs. 11,084 crore.

Bullish outlook

“Imports for 2014-15 are expected to touch 4.5 million tonnes,” said Pravin Dongre, Chairman of the Indian Pulses and Grains Association (IPGA), the apex trade body. “Imports are likely to remain high in the current financial year too,” he said.

The possibility of a weak monsoon coupled with rising domestic consumption are expected to aid imports this year. However, the global supply scenario may not support any significant increase in India’s imports from last year levels. Also, rise in prices in recent months could affect the shipments.

“Global prices have moved up by an average of 20-30 per cent in the last few months and are expected to remain firm,” Dongre said.

Domestic prices have also moved up in the recent weeks on concerns the recent unseasonal rain affecting the crop in key producing States of Madhya Pradesh and Rajasthan . “Kharif production was lower on delayed arrival of monsoon last year. Also, the rabi acreage was less, resulting in lower output,” said Ajitesh Mullick, Vice-President at Religare Commodities.

According to the second advance estimates, production of pulses for 2014-15 is estimated at 18.43 million tonnes, down by 1.35 million tonnes over previous year’s output. Chana production is pegged at 8.28 million tonnes against the previous year’s 9.53 million tonnes. The output of urad is expected to shrink to 1.61 million tonnesfrom 1.7 million tonnes.

Trade sources said the actual pulses output could turn out to be lower than the Centre’s estimates as the second advance estimates, put out on February 18 by the Ministry of Agriculture, have not factored in the crop losses caused by the unseasonal rain in recent weeks.

“Prices have firmed up by 10-15 per cent in the past one month on concerns of crop loss. They are likely to stay firm,” said Bimal Kothari, Vice-Chairman, IGPA. The country still relies on imports to meet the growing demand as pulses account for a major source of proteins for a large section of population. The rising income levels, especially among the middle class , are driving consumption, Kothari said. Importers have started contracting higher volumes for the current year. “We are looking to import more this year — about 30,000 tonnes as against 20,000 tonnes last year,” said Kothari, who is also the Managing Director of Pancham International, an importing firm.

Duty free

After edible oils, pulses form the second largest commodity in the country’s food import basket. India is the largest producer, consumer and importer of pulses in the world. The Centre has extended duty-free imports till September. Pulses imports, according to DGCIS, have increased from 1.3 million tonnes in 2004-05 to 3.8 million tonnes in 2012-13. In 2013-14, pulses imports declined to 3 million tonnes due to increased domestic production.