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India's vegetable oil imports increased 33 per cent to 1.1 million tonnes in April mainly on higher shipments of palm oil...

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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.

Sops for textiles in new FTP raise US hackles at WTO

Amiti Sen, Business Line

New Delhi, May 5, 2015: The newly packaged export incentives in the latest foreign trade policy (FTP) have created fresh trouble for the textile sector at the World Trade Organisation (WTO).

The US has accused India of handing out additional export subsidies to the sector which has become globally competitive and should not be incentivised going by global trade rules.

India, however, has defended itself, saying that it has three more years to remove all subsidies and a number of schemes in the textile sector had either been removed or should not be considered as export subsidies.

Criticising the new sops announced recently for the textiles sector at a recent meeting of the WTO's committee on safeguards and countervailing measures in Geneva, the US representative said that providing new incentives to the sector is a step backwards as India is supposed to remove all textile export subsidies this year.

A new name

"We have not provided additional sops to the exporters of textiles and garments. On the contrary, we have reduced the quantum of benefits going to the sector. Just because the incentive scheme has a new name doesn't mean the sops are additional," a Commerce Ministry official told *BusinessLine* .

However, both countries expressed hopes of sorting out their differences through bilateral meetings.

The five-year FTP announced last month came up with a new incentive scheme for goods exports — the Merchandise Export Incentive Scheme — under which most textiles and garments sectors have been entitled to sops worth 2 per cent of their exports, which is lower than the 3 per cent or higher sops that the sector received under the older schemes.

Share in world trade

According to the WTO rules, India has become export competitive in the textile sector as it has already accounted for more than 3.25 per cent of share in world trade for two consecutive years and needs to phase out export subsidies to the sector in eight years.

While the US says that India became competitive in 2007 and should thus remove all subsidies in 2015, India maintains that its export competitiveness was calculated in 2010 and it has time till 2018 to remove the subsidies.

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Govt works to finetune farm subsidy as per WTO

The Indian Express

New Delhi, May 8, 2015: The government is working on a “paradigm shift” in the country’s agricultural subsidy regime — now mainly centered on minimum support prices (MSP) and provision of fertiliser, water and other inputs at below cost — to make them WTO-compatible without any reduction in the overall quantum of assistance to farmers.

“The intention is not to reduce domestic support. Instead, it is only to shift the present form of subsidisation based on price support to that of public investment for irrigation systems, R&D for environment-friendly cultivation practices and increasing farm productivity. We need to make greater use of untapped categories of green box subsidies such as structural adjustment assistance, income insurance programmes and support to disadvantaged regions,” Commerce Ministry officials said.

The latest exercise follows a directive from the Prime Minister’s Office in mid-November seeking quantification of all subsidies and support measures extended to India’s farm sector under the WTO’s Agreement on Agriculture. Subsidies coming under the green box are not subject to any reduction commitments, as these are considered to be non-trade-distorting.

“We are examining the possibility of moving as much subsidies as possible under the green box, which is a safe haven. Only in the case of MSP-based procurement, which is a price-support measure, is such a shift not possible”, the officials noted.

India has until now been claiming green box protection for its support towards public stockholding for food security purposes. The opponents to its stance have contended that food security-linked stockholding programmes are trade-distorting, if they entail procuring grain from farmers at above market prices.

India successfully negotiated an open-ended "peace clause" at the WTO's General Council last November. Under this, no country can be dragged to the WTO's dispute settlement body for any alleged breach of farm subsidy limits on account of food security-linked stockholding, pending the finding of a "permanent solution" to the issue.

But in the meantime, the government on its own has sought to limit MSP increases and cracked down on states announcing bonuses over and above these.

At a recent meeting of top officials from the Commerce, Food, Agriculture and Finance ministries, the idea of an appropriate model of direct "decoupled" farm income support — that is, not linked to prices or production — in the Indian context was also discussed. This will require identifying the beneficiaries to whom such support would be directed, based on the creation of a comprehensive database of tillers/owners, digitization of land records and fixing the per hectare support to be paid annually to them.

There is a similar plan of overhauling the entire input subsidy delivery mechanism through direct benefit transfers (DBT) in fertilizers, electricity and water. The DBT model is already being implemented in delivery of subsidized LPG cylinders. It is also being proposed to begin this on an experimental basis for distribution of foodgrains, which could also be extended to other urban areas.

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Japan, Europe against India's 'safeguard' probes on steel imports

Amiti Sen, Business Line

New Delhi, May 10, 2015: The EU and Japan have criticised India for "frequent and frivolous" use of safeguard measures — imposition of higher duties to protect domestic industry against import surges — and have asked New Delhi to review its use of the tool.

The countries also questioned India's recent safeguard investigation on certain steel products, in a recent meeting of the WTO's Committee on Safeguards.

"The EU has alleged that many of the investigations have been initiated on weak grounds and asked India to review its use of safeguard measures," an official who attended the meeting told *Business Line* .

Of the total 30 safeguard actions notified by countries at a recent meeting of the WTO's Committee on Safeguards, India accounted for five, but later dropped two.

In 2014, too, safeguard investigations initiated by India were one of the highest at 14.

Japan, the EU and Russia expressed concerns about India's safeguard investigation on seamless pipes, tubes and hollow profiles of iron or non-alloy steel, arguing that imports had not surged.

India, in its defence, said that while imports had decreased, they were still sufficiently high compared to the base year. A number of members, including the US and China, are affected by duties on steel products.

Safeguard duties, which are basically levies in addition to the existing import duties, can be imposed on items that witness a surge in imports, thereby hurting the domestic industry.

Easy to establish

India has been depending more on this measure to protect its domestic industry as it is easy to establish. Imposing anti-dumping duty, which is the other form of penal duty that the WTO allows, is more difficult as one has to prove that the imports are actually happening at prices lower than what is being charged in the seller's home country.

"India is very careful that all conditions laid down by the WTO are met before safeguard duties are imposed. It abandons a lot of investigations when there is room for doubt," a Commerce Ministry official said.

India announced at the meeting that it had terminated its safeguard investigation on cold rolled flat products of stainless steel. Japan welcomed the announcement but said it still has systemic concerns about India's safeguard investigations.

The country also announced termination of its safeguard investigation on slabstock polyol, used in manufacture of pillows and mattresses. It is mostly imported from the US and Japan.

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India needs to sign more FTAs to counter mega trade pacts EU, US are planning

Business Line

New Delhi, May 12, 2015: India is negotiating seven free trade agreements (FTAs) with countries such as Russia, Australia and Peru that could help it deal with possible loss of share in traditional markets such as the US and the EU that are negotiating mega regional trade pacts.

“We need to look at FTAs with countries in South-East Asia, Latin America, CIS and Africa that will provide us with export destinations to compensate for erosion of preferences in traditional markets,” Additional Secretary in Commerce Ministry JS Deepak said at a seminar on changing global economic scenario organised by industry body FICCI.

Two proposed mega regional trading agreements – a Trans-Atlantic Partnership between the EU and the US (TTIP) and a Trans-Pacific Partnership between countries such as the US, Canada, Japan, Malaysia, Australia, Mexico and Vietnam (TPP) – are expected to pose stiff challenges for India which is not part of the two pacts.

“Transatlantic partnerships will throw challenges to countries like India and China. We need to make Indian products more competitive and develop more FTAs,” Commerce Secretary Rajeev Kher pointed out.

A successful FTA with the 10-member ASEAN and its six free trade partners under the proposed Regional Comprehensive Economic Partnership (RCEP), could help India be part of the global value chain.

“As part of RCEP, India could be part of the global value chain at the lower end to begin with that would give a boost to employment generating manufacturing and exports,” Deepak said. Although RCEP is not as ambitious as the TPP or the TTIP, it accounts for 50 per cent of the world’s population, 30 per cent of world trade and 30 per cent of world’s GDP, he added.

WTO concerns

Kher expressed concern over slow progress in finalising the agenda for the Nairobi ministerial meeting of WTO members in December, which is to include a number of important issues such as food security which is of primary concern to India.

“What is happening essentially (at the WTO) is a debate on the agenda for the ministerial meeting. The deadline of July is approaching fast, but we seem to be going nowhere. This is a clear indication that in the multilateral fora, we will continue to show that we are busy without producing much,” Kher said.

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Are zero-tariff regimes redefining the well-being of commodity ecosystem?

Nilanjan Ghosh & Sriparna Pathak Raimedhi, Business Line

May 12, 2015: Some two decades ago, when edible oils were placed under the Open General Licence, signals were pretty clear: Indian agriculture has to gear up to face emerging challenges of the liberalised agricultural trade. Trade liberalisation in other sectors began even before that. Over a period of time, zero-tariff regimes for many commodities have become fashionabl

e. By zero-tariff regime, however, we do not mean that tariffs are literally zero: what we mean is a substantial reduction in the import duties, in order to create enabling environment for trade.

One instrument to achieve such a zero-tariff regime is Free Trade Agreements. The agreements are important from the perspective of trade liberalisation, more so for complying with the WTO norms. India has signed FTAs with 20 countries, while it is negotiating more such agreements with Australia, New Zealand, Canada and the European Union.

Economic pacts

So far, the approach taken to analyse zero-tariff regimes is through the prism of balance of trade. Viewed through this, India has not benefitted from the FTAs or in commodities trade where tariff regimes have been too liberal.

India has six FTAs in all in the East and South-East Asian region. Some are in the form of comprehensive economic partnership agreements (CEPAs), examples of which are the India-Japan CEPA and the India-Korea CEPA; others are in the form of FTAs, examples of which are the FTAs between India and Thailand and the one between India and ASEAN; yet others are in the form of comprehensive economic cooperation agreements (CECAs) such asthe India-Malaysia CECA and the India-Singapore CECA. The balance of trade in all the cases is negative for India.

A closer analysis reveals that in the case of the India-Thailand Free Trade Agreement, in 2003-04, in the pre FTA period, India's negative trade balance stood at $122.69. This stood at $1.64 billion in 2013-14, representing a deterioration of 1234.2 per cent. The FTA has been operational since 2004.

The prime commodity exported from Malaysia is palm oil, while India's prime commodity exported to Malaysia is food items.

In the India-Singapore CEPA, India's negative trade balance has swung from $1.34 billion in 2003-04 prior to signing of the CECA to $5.75 billion in 2013-14. This represents a deterioration of 326.03 per cent.

In the case of the India-ASEAN FTA, which has been operational since 2010, India’s negative balance of trade with ASEAN of $7.68 billion in 2009-10, worsened to $8.14 billion in 2013-14, representing a deterioration of 5.99 per cent.

Even in the Malaysia-India CECA, operational since 2010, the balance of trade worsened for India from a negative balance of $2.34 billion in 2009-10 to $5.03 billion in 2013-14. Commodity groups driving this worsening balance of trade were crude oil, their derivatives, electronic goods, and edible oils such as palm oil. The situation is no different either for other FTAs with Japan and Korea.

Telecom industry

In the context of telecom industry, it has been allegedly stated that the zero-tariff regime applicable through the WTO 1997 ITA agreement is a lost opportunity for R&D, indigenous manufacturing and human resource development. While some local telecom manufacturing firms closed down, foreign companies including those from Korea and China accessed the vast Indian market and prospered. A similar claim has been made for domestic edible oils industry, where processing margins have diminished substantially ever since palm-soya oil complexes were subjected to the zero-tariff regimes.

Zero-sum game

On the other hand, there are some compelling claims that trade liberalisation has helped industrial productivity due to cheaper imports of intermediate goods that act as inputs. This has mostly happened for the manufacturing sector, as reported by one of research studies of UNCTAD in 2012. Further, some research studies corroborate that while domestic industries have been affected due to lack of protection, this has helped consumers by increasing the consumer surplus.

The concern that arises is complicated. There is clear trade-off that arises with zero-trade regimes: across commodity value-chains, there are winners and losers. Clearly, zero-trade regimes including FTAs are zero-sum games! Though many have assessed the impacts of zero- trade regimes or FTAs through the lens of balance-of-trade (BoT), a negative BoT is definitely not the right benchmark to assess the failures of zero-trade regimes. The adverse balance of trade figures in the context of FTAs result from the higher elasticity of the import demand in India, which actually helped in increasing the consumer surplus. From another perspective, this has negative implication for “Make in India” philosophy.

So, how does one really infer on the impact of a zero-tariff regime? The need is to assess their aggregate impacts considering the entire value-chain, beginning from the consumer, entrepreneur, primary producer, processor, intermediaries, distributors, retailers and the government (as a zero-tariff regime impacts government’s revenue). By considering an econometric or a general equilibrium framework, one needs to look at the change in the welfare functions of each of these stakeholders due to change in tariff regimes, and aggregate the welfare changes across scenarios of tariff regimes. This implies that a holistic picture needs to be viewed for the impact assessment of tariff regime changes, as we move from positive tariffs to a zero- tariff regime. This framework will only allow for a better assessment and more informed decision-making on tariff regime changes. Zero-tariff regimes indeed redefine the well-being of the commodity ecosystem.

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India to seek Chinese market access for non-basmati rice

Amiti Sen & Vishwanath Kulkarni, Business Line

New Delhi/Bengaluru, May 13, 2015: India is hopeful that China will provide market access to its non-basmati rice – blocked till now as quality norms have not been defined between the two countries – during Prime Minister Narendra Modi's visit later this week.

"The solution to the problem is simple. We have suggested to China that the protocol that exists for exporting basmati rice should be adopted for exporting non-basmati rice as well," a Commerce Ministry official told *BusinessLine.*

China, which began importing rice four years ago and annually imports about 5 million tonnes, has not granted access to Indian non-basmati rice. The absence of defined phyto-sanitary norms between the two countries is cited by the China as the main reason for not importing from India.

China, however, has been sourcing its rice from countries such as Pakistan, Vietnam and Thailand. In fact, the steady increase in its purchases from these countries has kept the Vietnamese prices firm.

"We see a potential to export up to onr million tonnes of non-basmati rice to China, provided they grant us market access," said BV Krishna Rao, Managing Director, Pattabhi Agro Foods Pvt Ltd, the country's largest non-basmati rice exporter.

Rao, who represents the Agri Exporters Association, said India can offer better quality, price and a wider variety to China.

The Commerce Ministry has already sent the documentation for establishing the quality protocol by the AQSIQ – the Chinese quality management institute that gives approvals for a variety of imports – to Beijing.

“The AQSIQ required certain documents to extend the protocol existing for basmati rice to non-basmati, and we have already sent them,” the official said.

When the Prime Minister visits Beijing on May 14, India is hopeful that the required quality protocol would be implemented.

Though China has opened up its market for Indian basmati in 2012, hardly any direct shipments have taken place, industry sources said. China is still in the process of registering the Indian mills, although some basmati rice shipments are being exported indirectly through Hong Kong.

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India's Stand at WTO on Food Security

Business Standard

Delhi, May 6, 2015: Together with other developing countries, India proposed an amendment to the relevant rules of the World Trade Organization (WTO) relating to public stockholding for food security purposes. At the Ninth Ministerial Conference of the WTO held in Bali in December 2013, Ministerial Decisions were taken on this and other issues including a Trade Facilitation Agreement (TFA). Subsequently, concerned at the lack of progress in implementing the Ministerial Decision on public stockholding for food security purposes, India decided not to join the consensus in the WTO on next step for the implementation of the Trade Facilitation Agreement till its concerns were addressed.

Initially there was a general campaign of misinformation and criticism of India's stand. However, India stood firm and worked with other WTO members to find a way forward. Subsequently, a Decision was adopted by the WTO General Council (GC) in November 2014 which makes it clear that a mechanism, under which WTO Members will not challenge the public stockholding programmes of developing country members for food security purposes, in relation to certain obligations under the WTO Agreement on Agriculture, will remain in place in perpetuity until a permanent solution regarding this issue has been agreed and adopted. This strengthens the safeguard available for continuing the Minimum Support Price policy and will ensure that India's food security operations are not constrained due to WTO rules. The GC Decision also includes a firm commitment to engage in negotiations for a permanent solution through an intensified programme of work. India is working with the WTO members to ensure a permanent solution at the earliest.

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IPR: India still on 'priority watch list' of US

Nayanima Basu, Business Line

New Delhi, May 1, 2015: In its annual report on intellectual property right (IPR) laws and patent regimes of partner countries, the US Trade Representative (USTR) has again kept India on a 'priority watch list'.

However, keeping in mind the recent bonhomie of sorts between both countries, the Office of the USTR, an agency of the US government, has refrained from imposing an out-of-cycle review (OCR) of India's IPR laws, unlike last year.

"In late 2014, India initiated a process of soliciting widespread stakeholder input regarding its development of a draft national IPR policy. USTR encourages continued engagement with interested stakeholders, as India continues to develop this policy framework," said the report, released on Thursday.

It lauded the efforts of the National Democratic Alliance government towards "increased bilateral engagement" between both countries in matters pertaining to IPR.

The report says the US expects India will keep the momentum going, indicating expediting the rolling out of the national IPR policy, leading to "substantial and measurable improvements" in the country's IPR and patent laws. "We are not announcing another OCR at this time but will monitor the progress over the coming months and are prepared to take further action if necessary," the USTR said.

In September last year, the government here had announced it would come out with an IPR policy by early this year. For this, it has set up a think tank under the aegis of the department of industrial policy and promotion.

The draft policy, released last year for comments by stakeholders, came under an attack from the pharmaceuticals lobby and non-governmental organisations. The draft policy was silent on the issue of compulsory licensing in pharmaceuticals, for which Indian IPR laws have been criticised by the West. It also failed to address concerns of the domestic sector and did not pay heed to the long-pending demand of a separate court for IPR cases.

India and the US had initiated a separate dialogue on IPR issues, under the strategic dialogue between both countries announced during the visit of Prime Minister Narendra Modi to the US in September 2014. This was followed by USTR Michael Froman visiting India for the India-US Trade Policy Forum.

The USTR reviewed the IPR laws of 72 partner countries, of which 37 were on the 'priority watch list' or 'watch list', including China, Canada, Mexico, Chile and Vietnam.

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A backward step

Business Standard

New Delhi, May 5, 2015: The Office of the United States Trade Representative (USTR) has once again placed India on its priority watch list, citing what it believes to be India's poor record in protecting intellectual property rights (IPRs). Alongside India, 11 other countries have also been similarly categorised. This repeats the action taken last year, which then led to an out-of-cycle review of India's IPR regime. The 2014 action took place before the first of two summit meetings between Prime Minister Narendra Modi and President Barack Obama. That meeting resulted in the setting up of a joint working group. During the working group meeting in New Delhi in November, the USTR acknowledged that the United States was seeing progress on the bilateral IPR front. In December, on the conclusion of the out-of-cycle review, the report was quoted in this newspaper as lauding India's efforts to have a "meaningful, sustained and effective dialogue on IPR issues". It further quoted a US official saying that the new government had taken some "baby steps towards improving the country's weak IPR laws".

On the Indian side, while an IPR review committee was constituted after the first summit meeting, concerns were expressed about bilateral perspectives overriding the multilateral framework to which India was a signatory. This is the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement, which is part of the World Trade Organization (WTO)'s jurisdiction. After signing the agreement, India made significant amendments to its IPR legal framework. Its law has not been significantly challenged at the WTO. Naturally, any effort on India's part to restructure its IPR regime must be motivated entirely by its own interests in encouraging innovation and technological advancement. To be perceived to be doing it under US pressure would undermine the credibility of the changes.

In any event, the US refusal to remove India from the list seems to contradict the apparent progress made by the two sides towards the end of 2014, and is a negative signal for the bilateral relationship. Clearly, the US government continues to be influenced by domestic stakeholders who are feeling competitive pressure from Indian producers. To the extent that India's producers were being competitive while remaining within the boundaries of TRIPS, the US government's use of this bilateral sledgehammer is worrying. The previous signals were all pointing towards some convergence between the two sides.

While the bilateral relationship between the United States and India is multifaceted and a setback on a single issue does not unduly threaten the gains made during the two summit meetings, the IPR impasse does represent a significant backward step. All said and done, the economic relationship between the two countries, both present and future, is significantly framed around technology. Foreign direct investment in both directions also reflects this. If the United States maintains an antagonistic posture on IPR, the bilateral trade and investment climate will unquestionably be vitiated.

Both countries must follow up meaningfully on the official statements made in November and December 2014.

India junks US report on IPR, calls it 'inconsistent' with WTO

Nayanima Basu, Business Standard

New Delhi, May 9, 2015: The government on Friday rejected the annual report from the US Trade Representative (USTR) on intellectual property rights (IPR), terming it ‘inconsistent’ with global trading rules.

The report, Special 301, released by the USTR on April 30, had put India under a ‘priority watch list’ (PWL) category, citing ‘inadequate’ IPR laws. The US keeps a close tab on the developments of the IPR and patents laws of countries in the PWL category.

“The Special 301 Report issued by the United States under their Trade Act of 1974 is a unilateral measure to create pressure on countries to enhance IPR protection beyond the TRIPS (trade-related aspects of intellectual property rights) agreement,” Minister for Commerce & Industry Nirmala Sitharaman told the Lok Sabha on Friday.

Sitharaman added the issue related to IPR should be referred to the Dispute Settlement Body of the World Trade Organization (WTO) and unilateral actions such as those enumerated in Special 301 were “not tenable under this regime.”

“Special 301, an extra territorial application of the domestic law of a country, is inconsistent with the established norms of WTO,” Sitharaman noted.

Meanwhile, the US International Trade Commission (USITC), a quasi-judicial federal agency giving trade policy advice to the US government, has initiated yet another round of investigations on the country’s trade policies at the behest of the American government. The first hearing took place on May 4, in which it heard the viewpoints of various US industry lobbies across all sectors from information technology to pharmaceuticals.

“Despite the election of Prime Minister Narendra Modi last year on an ‘open for business’ platform, the Indian government has taken very few concrete steps to improve the trade and investment relationship with the US other than engaging in high-level dialogue with the US government,” said Linda Dempsey, vice president (international economic affairs), National Association of Manufacturers (NAM).

The USITC is expected to hear such viewpoints on India's trade policies till June 2, after which it will make a report and present it to the Senate by September. The agency had conducted similar investigations last year. India and the US have set a target to achieve bilateral trade worth $500 billion in goods and services compared to $103 billion at present.

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Policy to Promote Export of Spices

Business Standard

Delhi, May 6, 2015: The Government organised National Conference of all Stakeholders including producers, exporters, representatives of spice industry and state governments etc. on Development and Export of Spices on 27th January, 2015 at New Delhi to discuss and chart out a road map for development and promotion of spices including export of spices. Following the Conference, a national roadmap for spices sector has been drawn up for implementation.

Government, through the Spices Board, implements various programmes for promoting exports of spices with focus on value addition, quality improvement and branding. Spices Board provides financial assistance to exporters for infrastructure development, trade promotion including participation in international fairs, product development & research, spice processing in North East region, promotion of India spice brands and certification of Spice Houses. Spice Parks have been set up to provide common processing facilities to producers and exporters. Spices Board has setup six quality evaluation laboratories at Cochin, Mumbai, Delhi, Chennai, Guntur and Tuticorin for providing analytical services and is setting up two more at Kolkata & Kandla.

Government has recently fixed the minimum price for imported cardamom at Rs. 500/- per kg. in order to regulate quality and volume of cardamom imports. The quality of imported spices is also regularly monitored by the Spices Board. The Spices Board chairs the Codex Committee on Spices and Culinary Herbs (CCSCH) set up by the Codex Alimentarius Commission to set international standards for spices and help Indian exports.

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Pricey Arabicas to dent coffee exports

Vishwanath Kulkarni, Business Line

Bengaluru, May 14, 2015: Pricey Indian Arabicas are staring at the risk of losing market share in key consuming countries such as Germany, Switzerland and Benelux as roasters have started switching over to Colombian varieties. Indian arabicas are currently commanding a record premium of 70 cents per pound (lb) over the New York terminal price, while the premium for Colombian coffee is hovering around 10 cents/lb.

Trade sources attribute the high premium to a lower crop and also to the demand triggered from a section of exporters, who are short of washed arabicas. Also, the fact that a section of medium and large growers are unwilling to sell their produce anticipating higher prices is aiding the trend.

High premiums

While the prices of arabicas on the New York terminal have dropped by about 40 per cent since October last year till now, local prices have not kept pace with the global decline. New York prices, which ruled at a high of around 227 cents per pound in October last year, are now hovering around 135 cents per pound. Similarly, the farm-gate price of arabica parchment, which ruled at around Rs. 12,500 per 50-kg bag is now hovering between Rs. 9,800 and Rs. 10,200, down 18-21 per cent.

“There is no way the high premium on Indian coffee can be justified. Our customers are switching over to the relatively cheaper Colombian milds,” said an official heading the exports division at multinational firm in Bengaluru. The firm sources coffee for the European roasters.

“Most big roasters from Northern Europe have stopped buying and are shifting to other cheaper origins. This has dented the demand mainly from Germany, Switzerland, Benelux and Scandinavian countries,” said Ramesh Rajah, President of Coffee Exporters Association. Europe accounts for close to half of India’s annual coffee shipments.

Shipments down

The trend is reflected in lower shipments, so far, in the current calendar year. Arabica parchment shipments are down by 40 per cent at 18,328 tonnes during the January 1-May 13 period against 30,654 tonnes in the corresponding a year ago. Similarly, arabica cherry shipments are down 25 per cent (see table). The increase in robusta shipments and surge in imports for re-exports has minimised the impact on overall shipments, down 7 per cent for the period.

Rajah said even the growth in robusta shipments was not as per expectations, whereas re-exports were likely to increase this year. “When domestic prices are high, it is attractive to import for re-exports,” he said. Though some demand exists from traditional buyers for arabica in West Asia at these prices, they won’t be able to pick up the entire volume. Also, there’s some buying in small volumes from Italy, he said.

Trade sources said about 60-70 per cent of the Indian Arabicas has already been traded and most of the shipments were likely to be completed before the monsoon begins.

Post-monsoon estimates

The timely arrival of pre-monsoon showers in the coffee growing regions has brightened the prospects for the 2015-16 crop starting October. “We expect Arabica output to be 20 per cent higher for 2015-16 over this season,” said Rajah.

For the current season, the Coffee Board – in its post-monsoon estimates – has pegged crop size at 3.31 lakh tonnes, some 8.7 per cent higher than last year’s final estimate of 3.04 lakh tonnes. Arabica output is pegged at 99,600 tonnes, while Robusta at 2.31 lakh tonnes.

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Slow growth in textile, clothing export

Vinay Umarji, Business Standard

Ahmedabad **,** May 13, 2015**:** Sluggish global demand and declining competitiveness is expected to mean less of export in 2014-15 for the textile and clothing (T&C) sector. The dip, say industry sources, should be five per cent.

On a stand-alone basis, though, apparel export is expected to show 10-13 per cent growth. However, this would be the lowest in recent years.

From Union textiles ministry data, the Business Standard Research Bureau says the 10-month period of April 2014 to January 2015 saw T&C export grow almost four per cent, to $34 billion. Extrapolated, it would mean $41 bn for the year, growth of 3.8 per cent. In 2013-14, this rise was 12.4 per cent, to $39.3 bn.

In June 2014, Union textiles minister Santosh Gangwar had said sector exports in 2014-15 were expected to grow 25 per cent to $50 bn.

Experts give several reasons for the subdued growth, also likely in 2015-16 if the current situation persists.

“There are several export-related incentives the industry has been demanding from the government. It faces reduced competitiveness as compared to peers. For next year to be better, the government will have to take steps to incentivise textile and garment exports further,” said D K Nair, secretary general of the Confederation of Indian Textile Industry.

Almost the entire value chain, barring garments, are witnessing a lower trend in export growth. For instance, according to K Selvaraju of the South Indian Mills Association, as against an export capability of 140-160 million kg of cotton yarn, it is seeing 110-120 mn kg.

However, garment exports will continue to grow at a little over 10 per cent, perhaps 10-13 per cent, said a senior official of the Apparel Export Promotion Council.

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Oilmeal exports lose momentum, down 35% in April

Business Standard

May 7, 2015: Oilmeal exports fell 35 per cent to 162,000 tonnes in April due to a significant decline in soybean meal shipments, industry body Solvent Extractors’ Association (SEA) on Thursday said.

The country had shipped 248,000 tonnes of oilmeal, used as animal feed, in the year-ago period. “In spite of five per cent reward rate under the new Exim Policy and rupee depreciation, the export of soybean meal is at a historical low at just 18,017 tonnes in April,” SEA said in a statement. Soybean crushing has reduced due to continuous disparity in prices.

The prices are high due to heavy speculation in the commodity futures market vis-a-vis lower realisation for meal and oil, affecting overall domestic availability, it said. Also, the domestic demand for oilmeal has come down, adding to the woes of the industry. “Capacity utilisation is at the lowest and many plants are closing down due to disparity in crushing,” SEA added.

According to the SEA data, soyabean exports fell to 18,017 tonnes in April this year as against 89,883 tones in the same month last year while the shipment of rapeseed meal declined to 69,398 tonnes from 1,25,872 tonnes in the review period. Similarly, the shipment of rice bran extraction has dropped to 4,000 tonnes from 12,180 tonnes.

However, the export of castorseed meal went up to 70,641 tonnes in April this year as against 20,378 tonnes in the year ago while the shipment of groundnut extraction rose to 350 tonnes from 132 tonnes in the said period. A maximum of 119,000 tonnes of oilmeal was exported to South Korea, followed by Thailand (10,500 tonnes), Egypt (9,050 tonnes) and Taiwan (6,411 tonnes) in April. India exports oilmeal to countries such as South Korea, Thailand, Vietnam, Taiwan, Indonesia, Iran and European nations.

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Starch makers cheered by stagnant maize export

Komal Amit Gera

Chandigarh, May 13, 2015**:** With export of maize sluggish due to competitive prices and good quality in the international market, the makers of starch, for which it is an input, are optimistic.

Maize export fell 30 per cent in 2014-15. The price abroad is currently $175 a tonne as compared to the Indian price of $220. Partly as a result, the price in India is down by an average of Rs 200 a quintal since April. A further fall is expected with arrival of the new crop.

The price fall would also help poultry and cattle feed manufacturers. "We might replace millets, whose price has spiralled, with corn (maize) in cattle feed," said Mohit Raja, Director, Raja Fat and Feeds, Rajpura.

I K Sardana, president of the All India Starch Manufacturers Association, told Business Standard the extent of damage to the maize crop was not as much as predicted earlier. "The estimated loss due to unseasonal rain and hail is about 10 per cent; it was earlier expected to be 30 per cent. This will help us. We might store the crop to meet the shortages that occur during the end of the season (July to September)," he said.

He put the total annual demand for maize (whose output this year is expected to be about 24 million tonnes) by the starch making industry in India at three million tonnes.

With projections of better maize produce in the US this year, global prices are weak and there is no demand for Indian maize. Sowing in the US is ahead of last year's average.

Meanwhile, US Department of Agriculture in its latest monthly World Agricultural Supply and Demand Estimates report has pegged 2015-16 Indian Maize production at 23.5 mt against 22.5 mt produced during last year.

The rise in production can be attributed to expected increment in yield by 5.37 per cent. Exports for 2015-16 is expected to stay at two mt.

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Steel imports climb 50% in April, exports fall

Business Standard

New Delhi, May 7, 2015 : ndia's steel imports jumped 51.6 per cent to 0.8 million tonnes (mt) last month, compared with the year-ago period, government data showed.

However, on a sequential basis, the imports declined 9.4 per cent from March this year, the Joint Plant Committee (JPC), a unit of the steel ministry, said in a report.

"Import of total finished steel, at 0.76 mt in April 2015, saw a growth of 51.6 per cent over April 2014 and decline by 9.4 per cent over March 2015," the report said.

"Domestic steel industry is going through tough times, mainly due to a decline in demand in China, the world's largest steel producer. Importing steel from China is cheaper than producing it here and this led to imports, especially in the second half of 2014," a steel company executive reasoned.

But since the first quarter (January-March), imports have been declining, an assuring sign for the domestic steel industry, he added.

According to JPC data, steel imports grew 71 per cent to 9.3 mt in 2014-15, with India remaining a net importer in the previous financial year.

Imports in March 2015 rose 91.8 per cent to 0.8 mt, but down 14.8 per cent compared with February 2015, data showed.

According to JPC, India's consumption of total finished steel registered an annual growth of 7.1 per cent in April at 5.5 mt, but declined 23.2 per cent over March 2015.

Steel exports in April, at 0.4 mt, slumped 15.2 per cent year-on-year. Quarter-on-quarter, too, exports came down 24.9 per cent.

In April, crude steel production stood at 7.4 mt, up 1.5 per cent y-o-y. But compared with March, the overall production turned lower by 4.1 per cent last month.

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Gold imports up 19.5 % at $34.32 bn in 2014-15

The Hindu

May 4, 2015: Gold imports surged 19.5 per cent to reach USD 34.32 billion in 2014-15 due to declining prices and easing of restrictions by the Reserve Bank.

Imports of the metal were USD 28.7 billion the previous fiscal, 2013-14.

Increase in gold imports impacts the country's trade deficit, which has reached USD 137 billion in 2014-15, and the current account deficit (CAD).

The imports almost doubled in March to USD 4.98 billion which pushed the trade deficit to a four-month high of USD 11.79 billion for the month, according to the Commerce Ministry data.

India is the largest importer of gold, which mainly caters to the demand of the jewellery industry.

The Reserve Bank and the government have maintained that the CAD level is comfortable, but the spike in gold imports may spark fresh worries.

It has narrowed to 1.7 per cent for the first nine months of the previous fiscal. According to the Reserve Bank data, in the April-December period of last fiscal, CAD stood at USD 31.1 billion or 2.3 percent of GDP.

On November 28, RBI had scrapped the controversial 80:20 scheme.

Under the programme, which was put in place in August 2013 to put a tight leash on gold inflows, at least 20 per cent of the imported gold had to be exported before bringing in new lots.

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India's coal, coke imports jump 19% in April

Business Standard

New Delhi , May 13, 2015: India's imports of raw and processed coal, or coke, rose 19% to 21 million tonnes in April from a year earlier as low prices drew buyers, according to provisional data from commodities trader mjunction.

Imports into the world's third-biggest coal buyer, however, were about 12% lower than the 24 million tonnes for March, mjunction Chief Executive and Managing Director Viresh Oberoi said in an email.

"The situation is likely to improve in May as consumers would start stocking for the upcoming monsoons, while continued soft trend in prices might encourage them to procure higher quantities of imported coal," Oberoi said.

Government data on imports generally comes with a lag and varies with those from private firms like mjunction, which collects data from a greater number of ports and includes additional coal grades.

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Veg oil imports rise 33% to 1.1 mn tonnes in April

Business Standard

New Delhi, May 14, 2015 : India’s vegetable oil imports increased 33 per cent to 1.1 million tonnes in April mainly on higher shipments of palm oil.

The import of vegetable oil during the same month last year was 832,000 tonnes, according to industry data.

“Import of vegetable oils during April is reported at 11,08,678 tonnes compared with 8,32,760 tonnes in April 2014, up by 33 per cent,” Solvent Extractors’ Association said in a statement.

Meanwhile, during November-April period, vegetable oils imports increased by 25 per cent to 64.61 lakh tonnes compared with 51.64 lakh tonnes in the year-ago period.

Oil year runs from November to October.

Of total imports in November-April period, imports of edible oils stood at 6.3 million tonnes and non-edible oils at 112,000 tonnes.

"Due to nil export duty on palm products during the first five months of the current oil year by Indonesia and Malaysia...pushed the export of palm products to India to reduce burgeoning stock held by the exporting countries," SEA added.

Another reason for higher imports was increase in prices of soyabean in domestic market and lesser realisation for oil and soyabean meal in export market, resulted in lower crushing and lesser oil availability in the country, it said.

In December last year, the government hiked import duty on both crude and refined edible oils by 5 per cent.

The customs duty on crude oil has been increased to 7.5 per cent from 2.5 per cent earlier, while the duty on refined edible oil has been raised to 15 per cent from 10 per cent.

India's vegetable oil imports rose 12 per cent to an all-time high of 11.82 million tonnes in the 2013-14 oil marketing year ended October on rise in domestic consumption and low rates of cooking oils in global markets.

The country imports about 60 per cent of the annual domestic demand of vegetable oils

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