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We were too optimistic: WTO

Business Standard

New Delhi, April 15, 2015: Exporters have to wait longer for good times. The World Trade Organisation (WTO) on Tuesday projected growth of global merchandise trade at 3.3 per cent in volume terms in 2015, much below the original forecast of five per cent and even the revised truncated projection of four per cent. And, it says merchandise trade will grow no more than four per cent in 2016. Even these projections face downside risks, WTO stated.

Trade grew only 2.8 per cent in 2014, less than WTO's original forecast of 4.7 per cent and the revised forecast of 3.1 per cent. Even the trade growth pegged for 2016 is below the annual average of 5.1 per cent since 1990, and well below the pre-global crisis average of six per cent.

India had a contraction in merchandise export for a third consecutive month in February. The trade data for March is likely to come on Wednesday. And, Chinese exports shrank 15 per cent in March.

Risks

“We expect trade to continue its slow recovery but with economic growth still fragile and continued geopolitical tensions, this trend could easily be undermined,” said WTO Director-General Roberto Azevedo.

WTO economists also cautioned that the presence of several risk factors added to the uncertainty of their estimates.

The most prominent risk is the divergence of monetary policies in America and the euro zone. The US Federal Reserve contemplates raising of interest rates later this year, while the European Central Bank has just started a programme of quantitative easing.

Other risks include a re-flaring of the debt crisis in the euro area and a stronger-than-expected slowing in emerging markets. Particularly in resource-exporting regions such as Africa, West Asia, the Commonwealth of Independent States and South America.

Appeal

Azevedo appealed for governments to act sensibly. “But, we are not powerless in the face of this gloomy picture...By withdrawing protectionist measures, improving market access, avoiding policies which distort competition and striving to agree on reforms to global trade rules, governments can boost trade and seize the opportunities that it offers for everyone,” he said. The modest gain in 2014, from 2.1 per cent in 2013, marked the third year in which trade grew less than three per cent. The Organisation said trade growth averaged only 2.4 per cent annually between 2012 and 2014, the slowest rate on record for a three-year period when trade was expanding (excluding years like 1975 and 2009, when world trade actually declined).

“There has only been one other period since the second world war in which trade growth has been so weak, and that was from 1980 to 1984. However, that period included two outright contractions in trade, due to the oil shock and the global recession of 1980-1981," Azevedo said.

In contrast, the current trade slump has come during a period of continued but modest economic growth, he noted.

IMF

Meanwhile, the International Monetary Fund maintained its forecast for global growth this year at 3.5 per cent. For 2016, the IMF now expects global gross domestic product to expand 3.8 per cent, up from the 3.7 percent it forecast in January.

WTO reasons

The long-standing trend of trade growing about twice as fast as GDP appears to have broken, making forecasting particularly difficult, WTO said.

It said actual trade growth in 2014 was close to its most recent forecast of 3.1 per cent from last September but below the 4.7 per cent rise predicted at this time last year. "A number of factors contributed to our initial overestimate, most of which could not have been anticipated," WTO said. The sharp declines in commodity prices since last July were not foreseen and did not figure in last year's estimates, it added.

The oil price drop was driven by surging production in North America but falling demand in emerging markets also played a part, as it did with other commodities.

"One year ago, economic forecasters were predicting above-trend GDP growth in the US and near-trend growth in the euro area in 2014. Both predictions promised to support stronger trade growth but neither materialised, as a mix of strong and weak quarterly results in the United States only produced average growth for the year, while activity in the euro area was consistently mediocre," WTO said.

Geopolitical tensions and natural phenomena also weighed on trade growth last year. The crisis in Ukraine persisted through the year, straining trade relations between Russia on the one hand and America and the European Union on the other.

"Conflict in the Middle East also stoked regional instability, as did an outbreak of ebola haemorrhagic fever in West Africa. Finally, declines in first quarter trade and output in the United States were attributed to unusually harsh winter weather," it said.

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Simpler sops to help hit $900-bn export target

Business Standard

New Delhi, April 2, 2015 : The government on Wednesday unveiled a forward-looking and contemporary Foreign Trade Policy (FTP) for 2015-2020, seeking to strengthen merchandise and services exports with a targeted value of $900 billion by 2020.

In a drastic change of stance in keeping with global trading norms under the World Trade Organization (WTO), the new FTP sought to consolidate all previous export incentive schemes under two: Merchandise Exports From India Scheme (MEIS) and Services Exports From India Scheme (SEIS).

“The current WTO rules as well as those under negotiations envisage the eventual phasing out of export subsidies,” Nirmala Sitharaman, minister of state (independent charge) for commerce and industry, said while releasing the FTP. “Export-promotion measures have to move towards a more fundamental systemic measure rather than incentivising and depending on subsidies alone. There is, therefore, a need to ensure that our exports and services are internationally competitive. We must focus on quality and standards and produce zero-defect products. Brand India must be synonymous with reliability and quality,” she said.

The MEIS will be targeted for export of specified goods to specified markets and SEIS is meant for export of notified services in place of a plethora of schemes earlier.

The MEIS has replaced five existing schemes: Focus Products Scheme, Market-linked Focus Products Scheme, Focus Market Scheme, Agriculture Infrastrucutre Incentive Scrips and Vishesh Krishi Grameen Udyog Yojana (VKGUY).

On the other hand, SEIS has replaced the existing Served From India Scheme (SFIS). The rates of rewards under MEIS will now range from 2 per cent to 5 per cent, from the 2-7 per cent range earlier. On the other hand, under SEIS these will be from 3 per cent to 5 per cent, from the 5-10 per cent range earlier, according to commerce secretary Rajeev Kher.

In a big relief for exporters, all scrips issued under MEIS and SEIS and the goods imported against these scrips will be fully transferable. This means that scrips issued under export from India schemes can now be used for payment of customs duty for import of goods, payment of excise duty on domestic procurement of inputs or goods, and payment of service tax.

The minister said, “We must now aim higher. India must assume a position of leadership in the international trade discourse.”

“Our biggest challenge is to address constraints not so much externally but internally such as infrastructure bottlenecks, high transaction costs, complex procedures and constraints in manufacturing. This policy is a framework for increasing export of goods and services as well as generation of employment in keeping with the vision of Make in India."

In an effort to push the domestic content requirement, measures have been adopted to encourage procurement of capital goods from indigenous manufacturers under the EPCG scheme by reducing specific export obligation to 75 per cent of the normal export obligation.

"The Agreement on Subsidies and the Countervailing Measures of the WTO envisages the eventual phasing out of export subsidies. In the case of India, some sectors may be affected and require rationalisation of support over a period of time. The phasing out and eventual elimination of agricultural subsidies is also one of the key elements of the Doha Development Agenda," underscored the FTP statement.

As far as the coverage of the 3 per cent interest subvention scheme is concerned, which was a long-pending demand of exporters, the government has said it is in the process of identifying the sectors to which the same will be given during the current financial year, for which the Budget has allocated Rs 1,625 crore.

"The Budget has allocated Rs 1,625 crore. It will be given to specific sectors at a rate of 3 per cent. We are yet to identify the sectors," commerce secretary Rajeev Kher told reporters.

The FTP also introduced a concept of import appraisal mechanism which will be done on a quarterly basis by the commerce department. In a view to boost exports from Special Economic Zones (SEZs) the government also expanded the benefits under MEIS and SEIS to the units located inside the tax-free zones. "It is now proposed to extend the Chapter 3 incentives (MEIS & SEIS) to units located in SEZs also," said director general of foreign trade (DGFT) Pravir Kumar.

On the issue of imposition of MAT and DDT, Sitharaman said the proposal to remove those was still lying with the finance ministry. Breaking away from tradition, the Modi-led government did away with annual revisions of the policy. The FTP from now on will have a mid-term review after two and a half years, except for exigencies. In an attempt to achieve greater policy coherence and mainstreaming of all export incentive schemes, the commerce department will now direct state governments to prepare their own export strategies based on the new FTP.

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India needs to gear up to face challenges of mega trade pacts

The Economic times

New Delhi, April 01, 2015: Expressing concerns over two mega free trade agreements TPP and TTIP, the government today said the Indian industry needs to gear up to meet challenges that would emerge from these pacts.

While India is participating in the Regional Comprehensive Economic Partnership (RCEP) agreement, it is not part of Trans Pacific Partnership (TPP) and Trans-Atlantic Trade and Investment Partnership (TTIP).

Commerce Secretary Rajeev Kher said that these pacts would add a completely new dimension to the global trading system.

"The mega agreements are bound to challenge India's industry in many ways, for instance, by eroding existing preferences for Indian products in established traditional markets such as the US and EU and establishing a more stringent and demanding framework of rules.

"Indian industry needs to gear up to meet these challenges for which the government will have to create an enabling environment," Kher said.

He said India's future bilateral and regional trade engagements will be with regions and countries that are not only promising markets, but also major suppliers of critical inputs and have complementarities with the Indian economy.

The focus of India's future trade relationship with its traditional markets in the developed world would be on exporting products with a higher value addition, supplying high quality inputs for the manufacturing sector in these markets and optimising applied customs duties on inputs for India's manufacturing sector," he added.

The TPP is a proposed trade agreement under negotiation among 12 countries -- Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam. TTIP is between the European Union and the US.

The 16-member RCEP comprises 10 Asean members and its six FTA partners namely India, China, Japan, Korea, Australia and New Zealand.

The Secretary said signing an FTA is just a beginning and not the end of the process as it would give benefit to traders.

"Recognising that it is important to review whether the concessions under these agreements are being gainfully utilised and have resulted in meaningful market access gains, an 'Impact Analysis' of FTAs has been instituted," he said.

There is a need to simplify and ease rules of origin criteria to position India effectively in global and regional value chains.

"The likelihood of duty inversions will continue to be closely monitored to ensure that industry is not put to any disadvantage. A system for capturing preferential data will be put in place at the earliest," he said.

Indian industry has raised concerns over these FTAs saying that it is benefiting more to the partner countries with which India has implemented such pacts.

The lack of information about India's FTAs was also a common complaint flagged by industry. To address this, an intensive FTA outreach programme has been launched.

Commenting about India's bilateral trading partners, Kher said huge opportunities exist for the country in regions including Africa, Latin America and CIS nations.

He also said that the US, India's main trading partners, is now back on a growth path and future bilateral trade prospects are bright.

"Employment-generating sectors such as textiles, agriculture, leather and gems and jewellery will continue to receive major attention for promoting exports to the US market," he said ..

On the the European Union, he said it is a highly discerning market and Indian exporters face several challenges in the form of stringent sanitary and phytosanitary standards (plants and animal related), a complex system of quotas and tariffs and trade remedial actions against domestic products.

"The EU is a significant market for India's information technology services but remains underutilised because of the data security related constraints posed by EU regulations," he said.

With China too, Indian industry is facing problems in sectors including pharmaceuticals and agriculture.

"Engagement with China requires a comprehensive approach on trade, investment and economic cooperation issues. India will continue to pursue market access issues and removal of non-tariff barriers on India's exports of pharmaceuticals and agro commodities, seek to obtain market access for Indian IT services," he said.

Further he said enormous untapped potential for enhancing India's economic relations with the African continent, West Asia and North Africa Region.

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No phasing out of legitimate export sops: Kher

Amiti Sen, Business Line

New Delhi, April 2, 2015: India will continue to provide export subsidies wherever they are required and legitimate and there are no plans to phase them out, says Commerce Secretary Rajeev Kher.

However, efforts would be made to ensure that over the next five years an environment is created that would enable exporters to be competitive without subsidies, Kher said in an interview with *BusinessLine* .

“This is my personal view, but hopefully in the next five years, much would happen in the areas of ease of doing business, trade facilitation and infrastructure, and most sectors would not need the crutches of subsidies. If at all, only some newly evolved sectors would need sops,” he said.

Kher pointed out that at present India did not have any compulsions under World Trade Organisation (WTO) rules to do away with export sops, but things may change soon.

WTO threshold

“We are only trying to bring it to the notice of the industry that subsidies on some products, where exports exceed 3.25 per cent of world trade, will come under the scanner of the WTO. We have to be prepared for that. But we are certainly not phasing out legitimate export sops,” Kher said.

Textiles is one sector where exports have already crossed the threshold of 3.25 per cent of world trade. But the new Foreign Trade Policy has provided sops to exporters from the sector as the country has time at least till 2018 to withdraw the incentives.

India also stands to lose the privilege of extending export sops once its per capita income exceeds $1,000 a year.

Responding to industry complaints that the new export schemes for goods and services announced in the foreign trade policy had lowered incentive rates for several sectors, Kher said that the Government was operating under resource constraints.

“While deciding which sector should get how much subsidy for exporting to specific markets, we have followed such precise principles that the industry will not be able to find faults,” Kher said.

On certain categories of Special Economic Zones (SEZs) such as gems & jewellery not being extended the benefit of export sops, he said that only those sectors were excluded that were not getting the benefit in the domestic tariff area as well.

He added that the Commerce & Industry Ministry would continue to push for withdrawal of the Minimum Alternate Taxes (MAT) and the Dividend Distribution Tax (DDT) on SEZs, although the Finance Ministry had not come on board yet.

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India, EU to discuss FTA on April 13 in Hannover

Nayanima Basu, Business Standard

New Delhi, April 11, 2015: After a hiatus of over two years, India and the European Union (EU) are likely to discuss the proposed Broad-Based Trade and Investment Agreement (BTIA) on April 13. This will be the first meeting between the new leadership in both India and the EU.

The talks are scheduled between Commerce Minister Nirmala Sitharaman and EU Trade Commissioner Cecilia Malmström, on the sidelines of the Hannover Messe, the world's largest industrial fair. India is the fair's partner country for the first time.

The EU has insisted on a higher level of environmental standards under the BTIA or Free Trade Agreement (FTA) with India. EU had said while talks on slashing of tariffs across agriculture and industrial goods can continue, it was of vital importance for the EU to adhere to global standards.

According to commerce department officials, the matter might be discussed when both ministers meet next week. Sitharaman is accompanying Prime Minister Narendra Modi to the fair in Germany.

The meeting between the ministers, being touted as the first attempt to break the ice, is taking place in the wake of a letter written by Malmström to Sitharaman last month urging her to restart and expedite the negotiations. This was the first official communication from Brussels to New Delhi on the pending FTA.

EU ambassador to India João Cravinho had told Business Standard in an interview: "Standards are something that will make a lot of sense. You can call it something else, change the names, if you want. That's fine. It doesn't have to be called Euro IV or Euro V for car emissions. You can call it Bharat IV, Bharat V, no issues. The important point is that there should be convergence on standards and we are willing to engage with the bureau of standards that we have been doing but we want to do more."

On the issue of intellectual property rights (IPR), Cravinho said the EU wanted India to only adhere to global trading norms under the World Trade Organization (WTO)'s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

"The point about IPR is not that we are asking India to adhere to TRIPS, which is fine, we are not asking for TRIPS plus (provisions) but it is important that it should not be TRIPS minus. So that's an issue we have with IPR and that's what the Indian government accepts … We can haggle about tariffs, this is part of the process. But what should not be lost from sight is that due economic logic of developing agreements in a rapidly changing globalised world," the ambassador added.

Talks for the FTA or BTIA started in 2007 and 13 rounds of talks have been held. However, the talks were stalled for over two years due to the change of guard both in India and the European Commission.

Over these years, the proposed FTA was ALSO attacked by civil society groups, non-government organisations and activists mainly on the issue of access to affordable health care and medicines. The FTA seeks to slash tariffs by 90 per cent over 10 years from the implementation of the pact. The EU accounts for almost 17 per cent of the country's total exports. The region is currently India's largest trading partner with bilateral trade worth $130 billion in 2013-2014.

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From plate to plough: A Baisakhi gift for the farmer

The Indian Express

April 13, 2015: Unseasonal rains are breaking the back of Indian farmers. The prime minister has taken the first step by deciding to raise the existing norms of compensation by a hefty 50 per cent — from the existing Rs 9,000 per hectare for irrigated crop, Rs 4,500 per ha for unirrigated crop and Rs 12,000 per ha for perennial crop. Further, the compensation will be given to all those who have suffered even one-third loss, relaxing the existing criterion of minimum damage of at least 50 per cent. Also, procurement quality norms for wheat have also been relaxed. All these steps are in the right direction and the Narendra Modi government needs to be commended for that.

But the central question remains: Is this enough to bring back smiles on the faces of Indian farmers? And the short answer is "Not really". To understand better as to why Indian farmers will not be happy with this otherwise positive decision of the government, consider the following facts.

In this rabi season, the biggest crop that has suffered is wheat. The yield of wheat on irrigated tracts is between four to five tonnes per ha. Even if one takes four tonnes as the wheat yield on irrigated area, at a minimum support price of Rs 14,500 per tonne, the gross value turns out to be Rs 58,000 per ha. His out-of-pocket expenses, generally, are half of this gross revenue. One can now see that even a 50 per cent increase in the existing compensation norms of Rs 9,000 per ha will not recover the out-of-pocket expenses he has incurred on various inputs. How he is going to survive for the next four to six months is beyond imagination. No wonder, under extreme desperation, many of them take unfortunate and extreme steps.

Obviously, compassion and slogans of "Jai Jawan, Jai Kisan" are not enough. We need better insurance policies that are rational and sustainable as business models. The current set of insurance policies under the National Agriculture Insurance Scheme (NAIS), Modified NAIS, and the Weather-Based Insurance Scheme (WBIS) have failed miserably to protect our farmers. The compulsory deduction of premiums from loans to farmers, who take institutional credit, basically protects the banks from potential bad debts, but not the farmers. The Modified NAIS and WBIS have very high premium rates, hovering around 10 per cent of the sums insured, based on three years' average data collected for the kharif and rabi seasons. No wonder, as per the NSSO's situation assessment survey of farmers for 2012-13, less than 5 per cent of farmers (presumably beyond loanee farmers' accounts) opted for crop insurance. With 95 per cent farmers exposed to the risks of nature, insurance policies have a long way to go.

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Fruit exports to the US set to get smoother

Amiti Sen, Business Line

New Delhi, April 14, 2015: The US is ready to sort out the long-pending problem of pre-shipment inspection of farm products which has impeded exports of fruits including mangoes from India.

"Technical teams from the US will visit India over the next few months to inspect the packaging process and pre-shipment handling of fruits such as mangoes, litchis, pomegranates and grapes and give prior approval for smooth exports process," a Government official told *Business Line*.

Stringent rules

While the US already buys mangoes, pomegranates and litchis, exports are low because of stringent pre-shipment rules of the US Agriculture Department which stipulate that consignments be inspected by US quality inspectors prior to shipment from Indian ports. There are also inflexible irradiation norms for fruits that exporters find difficult to fulfil. Of the total agriculture products worth over $100 billion imported by the US every year, India's share is miniscule.

India has long suggested that the responsibility of the pre-clearance inspection and oversight operation for fruits such as mangoes should be shifted to the National Plant Protection Organisation (NPPO).

Once the US agrees to it, it will not have to send its inspectors to inspect each time consignments are to be shipped out, adding to the costs further.

Bilateral meeting

The decision to send inspecting teams to approve India's over-all pre-shipment processes for fruits was taken at a recent video conference meeting between the US Department of Agriculture and the Commerce and Agriculture Ministries from India.

This followed a bilateral meeting on plant health last month where US agreed to India's demand that efforts be made to recognise India's pre-shipment processes. The EU has already approved packaging and pre-shipment inspection process put in place by the Agriculture and Processed Food Export Development Authority, following which it withdrew a prior ban on import of mangoes from India.

“We are positive that the US, too, would approve our processes. It has recently agreed to start importing grapes from India after the country supplied it sufficient information on pest risk analysis.

Problems related to Basmati exports have also been sorted out,” the official said.

Packaging norms

India also asked the US to enhance the quota for export of tobacco beyond 3,000 tonnes so that its share could increase.

The US, on its part, asked India to make its packaging norms for food items more flexible to allow weight of food items in pints and ounces instead of kilograms and grams.

India said that it could not do away with its regulation as it followed the global metric convention, but the US could print the weight in both.

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Coffee exporters decry export benefit cut

Vishwanath Kulkarni, Business Line

Bengaluru, April 1, 2015: The coffee sector, facing hard times because of volatile global prices, is upset over the reduction of export benefits in the Foreign Trade Policy announced on Wednesday.

The five per cent export incentive extended to green coffee under the Vishesh Krishi Gram Udyog Yojana (VKGUY) has been cut to three per cent in the new trade policy. However, the DEPB (duty entitlement passbook) scheme has been left untouched at 1 per cent.

As a result, exporters will stand to lose with the value of their inventory coming down to that extent, said Ramesh Rajah, President of Coffee Exporters Association.

“It is a double whammy. Prices are low and shipments are slow,” Rajah said. “Even growers, who were holding on to their coffees, will stand to lose as prices will come down immediately,” Rajah said. As a result of reduced incentive, there will be an immediate impact on prices of Arabica Parchment to an extent of ₹300 per 50-kg bag, Rajah said.

Mounting stockpile

Exporters are sitting on huge inventory as shipments had a slow start in the current calendar year. Also, growers are holding back their produce anticipating better prices. Coffee prices have been volatile in recent months tracking the global trend, and had seen a sharp decline in recent weeks. Prices of Arabica parchment are now ruling at around ₹9,600 per 50-kg bag against ₹10,500 in mid-December. Similarly, Arabica Cherry prices are now hovering between ₹4,600 and ₹4,800. Robusta parchment prices have now come down to ₹5,450-5,650 against ₹7,130-7,350 a year ago.

“Two per cent is a big thing in commodities trade. There will be a big impact on prices, both for growers and exporters holding on to their coffee,” sources at a multinational trade house said. “It is customary to make forward sales in coffee and the incentives are taken into consideration while the costing is done.”

“While exporters will take a one-time hit, there could be a long term impact on growers,” Rajah said. There is unlikely to be any renegotiation of contracts, he added.

Rajah said exporters will soon approach the Commerce Minister in this regard.

Coffee exports for the financial year 2014-15 were down in volumes, but saw a marginal increase in value on higher per unit realisations.

Volumes down

Export volumes were down at 2.84 lakh tonnes against 3.10 lakh tonnes during the corresponding period a year ago. In dollar value terms, the exports were up marginally at $803 million as against $788 million last fiscal.

In rupee terms, exports grew 3.7 per cent at ₹4,905 crore against previous financial year’s ₹4,728 crore. The unit value was higher at ₹1.72 lakh per tonne as against ₹1.52 lakh in the previous year on higher realisations.

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Despite subsidy, sugar exports fail to pick up

Vishwanath Kulkarni, Business Line

Bengaluru, April 2:

As excess supplies continue to weigh on global sugar prices, the raw sugar subsidy announced by the Government in mid-February this year has not helped millers or farmers, as exporters find it difficult to ship out the commodity.

Domestic production

With the domestic production of sugar for the 2014-15 season entering the last leg, cane arrears have increased to over ₹17,000 crore, as millers struggle to pay even the fair and remunerative price (FRP) of ₹220 per quintal. In Uttar Pradesh alone, arrears are close to ₹10,000 crore, while in Maharashtra, they are over ₹2,500 crore and Karnataka at over ₹3,600 crore (including previous year's ₹1,050 crore).

"The ex-factory prices have touched rock bottom on rise in output, excess stocks and low global prices," said MG Joshi, Managing Director, National Federation of Co-operative Sugar Factories Ltd.

Ex-factory prices in Maharashtra are hovering around ₹2,200 per quintal, while in Uttar Pradesh they are around ₹2,400 per quintal. For every quintal, millers in Maharashtra are losing around ₹500.

Joshi said the Government should immediately create buffer stocks, a move that could lift prices, besides interest-free loans to assist millers, who are facing tough times.

The Indian Sugar Mills Association (ISMA), the apex body of private millers, said that despite Government providing assistance of ₹4,000 per tonne for exports of raw sugar, shipments were not happening due to low global prices.

"We tried exports, but that has not worked out. We now basically want the Government to help us dispose of the 25 lakh tonnes of surplus sugar that's depressing the prices. The Government can purchase the surplus, create a buffer stock and intervene when the market turns favourable. If the Government takes away the surplus, prices could stabilise and help the industry with cash flows," said Abinash Verma, Director General, ISMA.

The drop in futures for raw sugar in the New York market has resulted in prices plunging to the lowest in the last seven years. Besides, the depreciating Brazilian real against the dollar has helped exporters in the world's largest producer liquidate their stocks. While some 14 lakh tonnes of raw sugar were expected to be exported after the subsidy announcement, not even two lakh tonnes have been shipped out, Joshi said.

The Brazilian real has declined by 10.5 per cent against the dollar since February 20, when the Government decided to extend a subsidy of ₹4,000 per tonne.

Abhijit Ghorpade, an exporter based in Kolhapur, said there's hardly any parity as the refined sugar of 45 Icumsa in the global market is trading at levels lower than Indian whites. Also, there is hardly, any big buying happening in the domestic market.

Efforts on to meet PM

Meanwhile, sugarcane growers in Karnataka are trying to meet Prime Minister Narendra Modi in Bangalore on Friday on the sidelines of the ongoing National Executive Committee meeting of the Bharatiya Janata Party to present a memorandum and impress upon the issues faced by farmers.

"The mills are not even paying the FRP. We want the Prime Minister to intervene at the earliest," said Kurubur Shantakumar, Convenor of the Cane Growers' Association.

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For cashew exporters, foreign trade policy is a dampener

AJ Vinayak, Business Line

Mangaluru, April 2: Cashew exporters view the new Foreign Trade Policy as a major blow to the industry. They feel the reduction of incentives available to cashew exports under Chapter 3 of the Foreign Trade Policy from 5 per cent to 2 per cent as the main reason for this.

Walter D'Souza, former president of the Cashew Export Promotion Council of India, told *BusinessLine* that scaling down of Chapter 3 benefits such as Vishesh Krishi Grameen Upaj Yojana (VKGUY) by 3 per cent under the new name of Merchandise Export from India Scheme (MEIS) will have far reaching repercussions on exports.

Advantage Vietnam

Explaining this, K Prakash Rao of Kalbavi Cashews (an exporter from Mangaluru), said India has already lost the world's largest cashew exporter tag to Vietnam.

Vietnam gained advantage from cheap labour and a jump in its raw cashew production.

Vietnam's national average productivity of raw cashew nut is 2.1 tonnes a hectare against some 0.78 tonnes a hectare in India.

However, India had stayed put in global market because of the VKGUY benefit of 5 per cent.

"Markets are so competitive that every exporter in India factors this 5 per cent in his sale price and sells in the overseas market," he said. D'Souza said that the scaling down of the VKGUY benefit had come into effect from April 1.

It is imperative that the earlier incentives are restored or at least continued until June 30, he said.

Export trades

Stating that most of the export trades take place three to six month in advance, B Rahul Kamath, President of Karnataka Cashew Manufacturers' Association, said: "We would have made export commitments factoring 5 per cent benefits under Chapter 3. Overnight reduction in incentives cannot be factored, and exporters stand to lose heavily on the export commitments made by them."

Prakash Rao said that by now most of the exporters have sold cashew kernels against this right up to October-November.

This sudden cut of 3 per cent will take the wind out of the exporters and may even result in many failing to keep their commitments. He said that 3 per cent drop in realisation will wipe out their working capital margin money and may result in upsetting the working of the industry this year.

Urging the Government to increase the benefits under MEIS for export of cashew kernels to 5 per cent, Kamath said this will go a long way in cherishing the 'Make in India' dream.

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Services' share in exports to rise significantly: Commerce Ministry

Business Standard

New Delhi, April 3, 2015: The government expects a significant increase in the share of the services sector in India's total goods and services exports in the next five years, the target for which has been set at $900 billion in the recently announced Foreign Trade Policy.

"We are hoping that (with) changes in the services architecture of incentives in the new policy, services should do better. We hope that their share will increase significantly," a top Commerce Ministry official said.

In 2013-14, India's services exports stood at $151.5 billion in 2013-14, while outbound shipments of goods aggregated at $314 billion.

"We have fixed $900 billion exports target for goods and services for the five year period. We have deliberately not distributed this between merchandise and services. Let both the sectors compete with each other," he said.

In the new Foreign Trade Policy (FTP), the government has announced Services Exports from India Scheme (SEIS). Under this, the government would provide duty scrips to exporters. The scrip is a kind of certificate which can be used for payment of duties or taxes including customs, services and excise.

The official's comment assumes significance as the share of India's services exports in the world export of services, which increased from 0.6 per cent in 1990 to 1 per cent in 2000 and further to 3.3 per cent in 2013, has been increasing faster than the share of India's merchandise exports.

Services sector has emerged as a prominent sector in India in terms of its contribution to national and state incomes, trade flows and FDI inflows.

The sector contributes around 58 per cent to the GDP of the country and 28 per cent to employment. Its contribution to total trade is 25 per cent, around 35 per cent to exports and 20 per cent to imports.

"The increasing surplus from services trade over the previous decade has helped to offset a major part of the merchandise trade deficit, thereby keeping a check on Current Account Deficit," the FTP document said.

It said that India has inherent competitiveness and export potential in many skill-based and labour-intensive services, including healthcare, education, professional, R&D, consultancy, printing and publishing and entertainment.

Further, the official said that better services will improve the competitiveness of the manufacturing sector.

To promote quality services, the FTP said the Department of Commerce is working on an ambitious reforms agenda for services.

"This is being pursued through an inter-ministerial mechanism. Specific services sectors have been identified for internal reforms aimed at enhancing their competitiveness and quality," it added.

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Agri-commodity exports to fall over 10% due to slump in global food prices

Dilip Kumar Jha, Business Standard

Mumbai, April 3, 2015 : With global food prices slumping to six-year lows in March due to bumper production and high inventory levels, Indian agri-exports are likely to face a setback.

Most agri-commodities are currently trading below Indian minimum support price (MSP) in the global markets.

“Most commodities in global markets are trading below the prevailing MSP in India. This will translate to at least 10% lower exports of agri commodities from India in 2015-16 from the current estimated level of $32 billion including agri commodities and plantation products,” said Ajay Sahai, Director General, Federation of Indian Export Organisation (FIEO).

While India’s agri commodity exports would be lower, import bill for commodities like vegetable oil and pulses will also be subdued.

Data compiled by the Food and Agriculture Organisation (FAO) of the United Nations showed the world food price index continued to drop in March, down 18.7% (40 points) below its level a year ago. It is also a 1% dip over February 2015. Overall, except for a pause in October 2014, global food prices have been falling steadily since April 2014, on account of large supplies.

“Fall in global prices will impact prices of agri commodities in India to the extent they are traded with global markets. Commodities like chana, wheat and rice are determined largely by domestic factors as they are less connected to global markets. Sugar, pulses and edible oils, however, will be affected. Commodities like maize will also get impacted as India exports huge quantity of maize,” said Madan Sabnavis, Chief Economist, and Care Ratings.

Agri commodity prices have declined by up to 34% in the last one year. Wheat prices in global markets have plunged 34.4% to trade at $181.18 a tonne. Cotton and maize prices have also fallen by 33.24% and 31.32% to end the financial year 2014-15 at $1376.34 a tonne and $175.89 a tonne respectively. RBD palmolein and sugar posted a decline of 28.99% and 24.59% to trade at $612.50 a tonne and $357.60 a tonne respectively.

“Despite government’s assistance of Rs 4,000 a tonne on raw sugar exports, Indian mills are unable to ink purchase contracts with global buyers due to steep fall in raw sugar prices in the benchmark New York Mercantile Exchange. Sugar prices have hit seven-year lows due to over production in global markets and falling Brazilian real which makes export from Brazil more remunerative,” said Abinash Verma, Director General Indian Sugar Mills Association (ISMA).

Meanwhile, FAO has raised production and carryover stocks of cereals in March from its earlier forecast in February. Since last month, FAO has raised its 2014 world cereal production forecast by 2 million tonne to 2,544 million tonne, mainly accounting for a larger than anticipated maize harvest in the EU. At this level, global cereal output in 2014 would outstrip the 2013 record by 1%.

FAO's forecast for world cereal utilisation in 2014-15 has been raised by nearly 17 million tonne to 2,493 million tonne, and now stands at 2.6% (63 million tonnes) above the previous season's revised estimate. Thus, world cereal stocks, by the close of crop seasons ending in 2015, have been revised up sharply and now stand at 645 million tonne, 6.2% or 38 million tonne above the 2014 level.

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Urea imports up 23% in FY15, on higher demand

Business Standard

New Delhi, April 9, 2015 : India's urea imports increased 23 per cent to 8.75 million tonnes last fiscal on higher demand, according to an official data.

The country, which is among the world's top three consumers of urea, had imported 7.09 million tonnes of the fertiliser in 2013-14. It produces about 22 million tonnes urea as against the annual domestic demand of 30 million tonnes.

Urea is imported by three state trading enterprises (STEs) - Indian Potash Ltd, MMTC and STC on behalf of the government to meet domestic shortfall.

The government also imports the fertiliser through OMIFCO, which is a joint venture project of IFFCO and Kribhco, with an offtake agreement.

STEs import urea at average price of about $300 per tonne -- lower than the previous year's average price of about $322 per tonne, according to sources. Urea shipped by OMIFCO is much cheaper than STEs soil nutrient.

The total soil nutrient dispatched in December from ports and godowns to different cities across the country was highest ever at 3.48 million tonnes, they said.

The country's urea imports had dipped 12 per cent to 7.08 million tonnes in 2013-14 due to carry-over stocks from the previous year. It had imported 8.04 million tonnes of urea in the entire 2012-13 fiscal.

Urea is provided to farmers at a fixed subsidised maximum retail price of Rs 5,360 per tonne. The difference between the cost of production and MRP of urea is provided as subsidy to manufacturers.

Meanwhile, in order to make indigenously produced urea more efficient, government has made it compulsory to neem coat the 75 per cent of the total soil nutrient produced in the country.

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Russia threatens to restrict potato import from India

Dilip Kumar Jha , Business standard

Mumbai **,** April 8, 2015 **:** At a time when farmers are dumping potato at prices which are half the average cost of production, Russia’s threat to impose temporary restrictions on import might increase supply in the domestic market, aggravating farmers’ plight. Russia’s move comes after finding ‘brown rot agent’ in Indian potatoes.

Data compiled by Agmarket, which comes under the agriculture ministry, showed the price at Rs 2.5 a kg in Ambala (Haryana), Rs 3.1 a kg in Agra and Rs 2.75 a kg in Siliguri (West Bengal). In all these markets, farmers’ realisation stands at sharply lower than the average cost of production of Rs 4 a kg.

In some markets, however, potato is quoted at higher than the cost of production. It also depends on the proximity of the wholesale markets from producing centres. In Azadpur (Delhi) mandi, potato is quoted at Rs 4.20 a kg. Potato has moved in closed range over the past three months despite reports of crop damage due to unseasonal rainfalls and hailstorms during harvesting season.

“Prices are subdued due to a bumper crop. Over 80 per cent of the crop got harvested before the unseasonal rain in the first week of March. The remaining 20 per cent was sown late. Hence, the delay in harvesting the standing crop is not expected to affect overall production this year,” said R P Gupta, director, National Horticulture Research & Development Foundation.

The National Horticulture Board (NHB) in its first advance estimates forecast output at 42.2 million tonnes in 2014-15 against 41.6 mt the previous year.

To avoid distress sale and encourage exports, the government removed the minimum export price last month. However, potato from Pakistan works out to be cheaper than India in foreign markets, including West Asia.

“Exporters from Pakistan are selling at $175 a tonne, against $225 a tonne quoted by Indian suppliers. Also, the quality is better than that of India. Hence, we have failed to exploit our potential,” said Ajit Shah, president, Horticulture Exports Association.

Shipment from India is estimated to have surged to 250,781 tonnes between April and December 2014 compared to 118,158 tonnes in the corresponding period last year. In terms of value, too, potato exports recorded four-fold jump at Rs 595.65 crore from Rs 140.72 crore.

But, exporters received a major jolt on April 3, when Russian sanitary and phytosanitary authority Rosselkhoznadzor threatened to impose temporary restrictions on import of Indian potatoes. In a communique, Rosselkhoznadzor informed Indian authorities including Agricultural & Processed Food Products Export Development Authority (Apeda) and the Ministry of Agriculture, "There were nine cases of in 2011 and 23 cases in 2014 when 'brown rot agent' was detected in plant products imported from India. The repeated cases of quarantine object detection are indicative of the fact that measures taken by the Indian Ministry of Agriculture to ensure phytosanitary safety of plant products exported to Russia are not effective enough. We reserve the right to impose temporary restrictions on import of Indian potatoes."

While the exact quantity of potato exports to Russia was not immediately known, the restrictions, if any, would have significant impact.

"'Brown rot agent' could be detected in just two-three potatoes a tonne. The issue could be addressed at seed stage for which we are working with Central Potato Research Institute which will take some time," said Santosh Sarangi, chairman, Apeda.

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Traders to stop import of food items from today

Business Standard

Bhubaneswar, April 8, 2015: With the talks between the government officials and traders on waiver of VAT (value added tax) on pulses, wheat and wheat products failing to reach a conclusion, the traders have decided to stick to their avowed agitation path to stop import of these food items from Thursday.

Traders claimed that meeting with the state government officials failed after the later sought more time to take a decision on the matter.

They had gone on a two-day strike in December last year, stopping import of pulses, wheat and wheat products to press for their demand for waiver of the levy. But after a written assurance from the office of the Commissioner, commercial taxes, to look into their demands, the traders had called off the strike.

"We are stopping the import of pulses, wheat and wheat products from Thursday from other states for an indefinite period as the state government has failed in their assurance to consider the waiver of five per cent VAT. The stock available in the market will last for a week. If the consumers adhere to panic buying, the food grains will dry up in about three days," said Sudhakar Panda, general secretary, the Federation of All Odisha Traders Association (FAOTA).

"After reviewing the developments for next two-three days, we will think of taking more serious steps," he added.

Twenty six states of the country have exempted VAT on pulses, wheat and wheat products.

Traders pleaded that either these items put under the one per cent VAT slab or subjected to one per cent entry tax instead of VAT, which would earn the government more revenue compared to what it is getting at the present tax rate, because of better tax compliance. "The state government collects about Rs 30 crore VAT from pulses against the target of Rs 225 crore as unscrupulous traders are importing the item through back channels from neighbouring states, where these items enjoy VAT exemption, without reporting the deal. The revenue could go up immediately to Rs 50 crore, if it is put under one per cent tax slab, as lower tax rate would be a disincentive for dishonest traders to take the risk of importing the items illegally and encourage them to report their trade," Panda said.

Reacting to the trader's call, Madhusdan Padhi, secretary, Food Supplies and Consumer Welfare department said, "We have written to the Collectors to keep a close watch on the situation and also to conduct raids on the hoarders."

Consumption of pulses in the state stands at about 0.9 million tonne per year with a business turnover of about Rs 4,500 crore. Odisha produces less than 10 per cent of its total demand. Similarly, the monthly demand of wheat and wheat products in Odisha is estimated at 1.2 million tonne while the output is pegged at 0.35 million tonne.

"We will go with the decision of FAOTA to stop import of pulses, wheat and wheat products, but will keep our counters open," said Cuttack Chamber of Commerce joint secretary. Srikant Sahoo.

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Jute imports up by 24%, exports dip by 22% in April-Jan FY15

Business Standard

Kolkata, April 14, 2015 : The country's jute sector continues to face double whammy as imports of finished goods have jumped by 24%, while exports have declined by 22% in the April to January period of financial year 2014-15.

"According to National Jute Board estimates, jute exports for the period April-January of FY15 have declined sharply to Rs 1,115 crore, down 22% in rupee terms and 20% in dollar terms as compared to corresponding period of FY14," said a senior official of Indian Jute Mills Association (IJMA).

In terms of quantity, the decline was 37%, or 98,500 tonnes, during the April-January period over the corresponding period of FY14.

Regarding import of jute products, there was a jump of 24%, or Rs 511 crore, in value terms for such products in April-February period of FY15.

The unfavourable trend seems to be gaining momentum as in February 2015 alone, imports were higher by 75% in value terms and 79% in volume terms as compared to the corresponding month of the previous year.

IJMA sources have attributed higher imports to lack of monitoring and check in end-use of jute products.

On top of this, a subsidy of 7.5% by Bangladesh for export, has resulted in flooding into Indian market. When the government rate is Rs 63,000 a tonne for jute, the same product is available at Rs 53,000 a tonne in the open market, they said.

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Coal imports jump 34% in FY15

Business Standard

New Delhi, April 14, 2015 : Coal imports into India, the world's third largest buyer, jumped 33.5 percent in the last fiscal year to 242.4 million tonnes as lower purchases by China depressed prices and helped consumers elsewhere, preliminary data from online trader mjunction showed.

Indian power companies typically depend on imports for about 15 percent of their annual needs but that figure looks set to climb thanks to a continuous fall in prices, which has raised the appetite for foreign coal.

Imports in March were estimated to have risen 80 percent to 24.73 million tonnes, according to mjunction data based on information from shipping companies, ports and other sources.

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.

"Going by existing trends and a soft trend in international markets, India's coal import of all types in 2015-16 would be more than 260 million tonnes," mjunction Chief Executive and Managing Director Viresh Oberoi said in an email on Tuesday.

Coal Secretary Anil Swarup estimated imports of 200 million tonnes for 2014/15 and 160 million tonnes for the 2015/16 fiscal year.

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Govt hikes import tariff on gold, silver

Business Stnadard

New Delhi, April 1, 2015: The government on Wednesday raised import tariff value on gold to $385 per 10g and silver to $543 a kg, taking cues from firm global price trends. During the last fortnight, the tariff value on imported gold was $375 per 10g and on silver at $512 a kg.

The import tariff value is the base price at which customs duty is determined to prevent under-invoicing. It is revised on a fortnightly basis taking into account global prices. The increase in tariff value on imported gold has been notified by the Central Board of Excise and Customs, according to an official statement.

In Singapore market, gold prices were ruling firm at $1,186 per ounce, while that of silver at $16.72 per ounce. A similar trend prevailed in the domestic market.

In the national capital, gold and silver is available at Rs 26,575 per 10g and Rs 37,200 a kg, respectively. Gold is the second-largest import item for India after petroleum. Higher gold import bill adversely affects the country's current account deficit.

The government has been repeatedly asking people to desist from buying gold and instead invest in other saving instruments.

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