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Proposal on subsidy cuts hits roadblock at WTO

D. Ravi Kanth, Live Mint

Geneva, June 26, 2015: Efforts to negotiate a permanent solution for public stockholding programmes for food security in India and other developing countries at the World Trade Organization (WTO) hit a roadblock after the US, the European Union (EU), Australia and Pakistan blocked a proposal that would exempt these programmes from subsidy reduction commitments.

At a closed-door meeting of select trade envoys on Thursday convened by the chair for Doha agriculture negotiations ambassador John Adank, the US, the EU and Australia maintained that these programmes cannot be included in the so-called green box disciplines as they would affect its "integrity", said people familiar with the meeting.

"We have created an edifice for the green box (over many years) and we cannot affect its integrity (by including the public stockholding programmes)," said a participant from an industrialized country.

India challenged the claim saying there is nothing sacrosanct about the edifice and integrity of the green box programmes. India's trade envoy Anjali Prasad reminded her counterparts that the public stockholding programmes are already included in the green box. India said that if green box is so sacrosanct, then it is time to examine all the subsidy incentive programmes offered by WTO members to their farmers.

Several studies have pointed that many industrialized countries, particularly the US, the EU, Canada, Norway, Switzerland and Japan, among others, shifted billions of dollars of subsidy incentive programmes into green box to ensure they are not challenged at the WTO, analysts said.

The Doha Development Agenda negotiations that were launched in 2001 included an examination of green box disciplines. But the US and the EU stalled any move to bring new disciplines in the green box.

In the WTO's agreement on agriculture (AoA), public stockholding programmes for food security purposes are covered in the green box disciplines in paragraph 3 of Annex II. Paradoxically, the same programmes are subjected to subsidy calculations in the aggregate measurement of support (AMS) in Annex III of the AoA.

Indonesia, which is the coordinator for the 46-member G-33 farm coalition, said its proposal for transferring the market price support for public stockholding programmes in the green box is already contained in the Annex 2 of AoA.

The G-33 would like to hear from other members on how to design a possible solution for public stockholding programmes without changing the structure of the AoA, Indonesia maintained.

India said a constructive solution can be found for including the public stockholding programmes in the green box if there is a sincere and frank discussion.

After listening to India and Indonesia at the meeting, the chair admitted that the public stockholding programmes are included in the green box while their subsidy calculation is covered in the AMS.

The US said it is disappointed that the G-33 is continuing to demand the inclusion of public stockholding programmes in the green box. The EU maintained that it will never accept the green box treatment for public stockholding programmes.

A major industrialized country acknowledged at the meeting that if there is no permanent solution on the public stockholding programmes for food security, then the G-33 will not agree to conclude the Doha Development Agenda trade negotiations at the WTO's 10th ministerial conference at Nairobi in Kenya later in the year, said a participant.

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

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

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India to demand farm subsidy cut by rich nations

Nayanima Basu, Business Standard

New Delhi, June 17, 2015: India is planning to target the agricultural subsidies offered by developed countries to their farmers, something that forms the core of the Doha round of talks for a global trade deal at the World Trade Organization (WTO).

India is likely to raise the issue during an informal meeting of heads of delegations with WTO director-general Roberto Azevedo. In the meeting, India will be represented by its ambassador to the WTO Anjali Prasad. The meeting is being viewed as the first step towards firming up the agenda for the 10th ministerial meet, the highest decision-making body in WTO, to be held in Nairobi, Kenya, from December 15 to 18.

The Narendra Modi-led government has been pushing for a long time to move beyond the Bali deal and bring back the main agenda back, the negotiations for which started in 2001 in Doha.

Of late, India has been pushing for bringing the issue of developed countries' trade distorting farm support. According to sources, India has decided it will not allow cherry-picking of issues and go for smaller packages like the Bali deal.

The developed countries, most of whom are engaged in a wide-ranging plurilateral trade deal like the Trans-Pacific Partnership Agreement being negotiated outside the WTO, are clandestinely trying to change the contours of the Doha mandate and bring in fresh package.

"India should be careful that the developed countries might scuttle the Doha package altogether and bring in a fresh mandate. We should not be seen as slowly giving in to this game played by the developed countries. And in the fresh mandate, the entire focus will be on market access with no commitment to cut rich countries' farm subsidies. Then multilateralism will be in serious trouble. We need to wreck up the whole trade-distorting subsidies issue," said Biswajit Dhar, Professor of Economics at the Jawaharlal Nehru University.

According to sources, commerce minister Nirmala Sitharaman had strongly raised the issue of trade-distorting farm support during the informal WTO meeting of ministers on the sidelines of the Organisation for Economic Co-operation and Development meeting in Paris earlier this month.

The Doha Declaration, adopted in 2001, has stated an ambitious programme for addressing the major distortions of world trade, especially agricultural markets. The need to find a politically acceptable deal for domestic stakeholders has led negotiators to soften the disciplines by introducing flexibilities that have eroded the appetite to conclude the round quickly," said a report by the International Centre for Trade and Sustainable Development.

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WTO talks: US may force India to slash farm subsidies

D. Ravi Kanth, Live Mint

Geneva, Jun 16, 2015: Millions of poor farmers and fishermen in India could lose the benefits of special programmes offered by the government on account of a sustained assault on farm and fisheries subsidies by the US.

Washington has declared special and differential treatment (S&DT) a “threshold” issue, implying that all developing countries will not be treated on a par with regard to farm and fisheries subsidy programmes.

The US stand amounts to introducing “differentiation” among developing countries.

Except two categories—small and vulnerable economies (SVEs) and least-developed or poorest nations—that are exempted from subsidy reduction commitments, other developing countries ought to be treated according to their current status in the global trading system, the US has suggested.

What this means is that Washington wants China and India to be treated separate from other developing countries—regardless of their hundreds of millions of poor farmers and fishermen—with regard to commitments on farm and fisheries subsidies in the Doha Development Agenda (DDA) trade negotiations.

The US’ position on farm and fisheries subsidies could severely affect special governmental assistance programmes for hundreds of millions of poor farmers and around 15 million poor fishermen in India.

India, on its part, maintained that it will not accept any measure aimed at slashing its entitlement to assist poor farmers and fishermen, said a person familiar with the development who asked not to be named.

During closed-door meetings of select trade envoys over the past five days, the US has suggested that the two large developing countries undertake subsidy reduction commitments in both farming and fishing for concluding DDA negotiations by the end of the year.

While subsidies for farmers come under the domestic support pillar in the Doha agriculture negotiations, those for fishermen are dealt with under the Doha rules negotiations, which also includes anti-dumping, subsidies, countervailing measures and regional trade agreements.

For the US, curbing subsidies to fisheries is a priority area in the Doha rules negotiations due to large-scale depletion of fish resources in the high seas.

On 11 June, World Trade Organization (WTO) director-general Roberto Azevedo discussed with trade envoys from the US, the European Union (EU), China, India, Brazil, Australia and Japan ways to construct a common concept for reducing trade-distorting farm subsidies without regard to S&DT flexibilities for developing countries, said people familiar with the meeting.

On Friday, Azevedo held a separate meeting with select trade envoys in a larger configuration on how to build discipline in fisheries subsidies, an area in which the US, along with a group of countries called Friends of Fish, are mounting a sustained effort to eliminate subsidies.

The common thread in these two separate meetings is how to reduce current entitlements in different subsidy programmes for agriculture and fishing, respectively, so as to conclude the Doha trade negotiations.

As regards farm subsidies, both China and India provide only *de minimis* (negligible) support. China provides 8.5% while India provides 10% for product-specific and non-product specific support under *de minimis*. The two countries are also exempted from reducing their *de minimis* support under the existing Doha negotiating mandates, particularly the 2005 Hong Kong Ministerial Declaration.

In contrast, the rich countries provide support under the most trade-distorting amber box measures, the *de minimis* support and the blue box of minimal trade-distorting support programmes.

The US, the EU, Japan, Switzerland and Norway also provide a large quantum of funds under what is called the green box subsidies, which are currently exempted from reduction commitments. But several studies have pointed out that even the green box subsidies provided by the rich countries are trade-distorting and need to be reined in.

At a time when major industrialized countries like the US provide over $53,000 on a per-capita basis to their farmers, India offers around $200 for every person active in agriculture.

During the meeting, the two developing countries refused to accept the common concept suggested by the WTO director general with which the industrialized countries are comfortable. China and India maintained that they will not accept a common concept which is avowedly aimed at slashing their entitlements, said the person cited above.

During the closed-door meeting on fisheries subsidies on Friday, the US crossed swords with China on allowing S&DT flexibilities, according to a South American trade envoy present at the meeting.

Washington also said the S&DT is a “threshold” issue, implying that all developing countries will not be treated on an equal footing.

In response, India maintained that it has some 15 million small fishermen who depend on fishing in coastal waters for their livelihoold and food security. India also made it clear that any attempt to change the S&DT architecture must be first approved by trade ministers before discussing fisheries subsidies.

China protested vehemently at the unilateral stand of the US, saying its resource-poor fishermen will need S&DT flexibilities.

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Column: WTO talks once again on the edge

Anwarul Hoda, The Financial Express

June 16, 2015: In the last few months, the preoccupation in the WTO has been with implementing the Trade Facilitation Agreement (TFA) and resolving the row over the rules on public stockholding of food grains for food security purposes. The weightier matter, of addressing the remaining issues in the Doha Development Agenda (DDA), has receded into the background. In December 2013, at Bali, the ministers had mandated the Trade Negotiations Committee to prepare a work programme on these issues within 12 months and the new deadline for this is July 31, 2015.

As the target date approaches, the DDA is back in focus. But there is a North-South split on the way forward and the ministers face the prospect of a thin agenda for the 10th Ministerial Meeting scheduled for December, 2015, at Nairobi. Ironically, it is the major developed countries—the US and the EU—which appear to be on the defensive in wanting a modest outcome. The major developing countries, China and India, are keen on an ambitious result. The matter came to a head at the Trade Negotiations Committee on April 27, 2015, when the US and the EU called for a recalibration of the original liberalisation objectives of the Doha Round, while China and India pressed for making the Chair’s texts of 2008, particularly on agriculture and industrial tariffs, the benchmarks for the renewal of attempts to reach an agreement.

At the discussions since then, most recently at Paris on the sidelines of an OECD ministerial meeting on June 4, 2015, the elements of the stand on DDA by the major players have been gradually

unfolding. By their call for recalibration, the major players imply that the level of ambition must be sharply scaled down. In the market access pillar, for instance, the Chair's text of 2008, which developing countries support, proposes tiered reduction of tariffs by 50-70% by developed and two-thirds of that by developing countries, lower reduction in 4% of tariff lines designated as sensitive, and tariff ceilings of 100% for developed and 150% for developing countries. Developed countries now support a proposal (made by Paraguay) that jettisons the tiered reduction approach and proposes a reduction in the average tariff level by an undisclosed but presumably low percentage, combined with a minimum cut in each tariff line. There is no mention of limits on sensitive products or of tariff ceilings.

An important element in the Chair's text allows developing countries to self-designate 12% of the tariff lines as special products (SP), on which lower reduction would be allowed, including no cuts at all on 5% of tariff lines. Another significant proposal is that on the special safeguard mechanism (SSM), which would allow developing countries to impose additional tariffs on a temporary basis if the volume of imports rises above or the import price falls below designated benchmarks. The attempt of the US and the EU is to talk out developing countries of the proposals on SP and SSM, with the argument that lowered level of ambition for reduction of tariffs would render these provisions redundant.

On domestic support, the developing countries support the Chair's text which calls for tiered reduction of overall trade distorting support (OTDS) by 55-80% by developed countries and by two-thirds of that by developing countries. Developing countries are not required to make any reductions if their aggregate measurement of support (AMS) is less than the maximum limit of 10% (8.5% for China), both on product-specific and non-product-specific basis. Both China and India claim that their domestic support is less than the above limits, but the US disputes China's claim. The US has declared that it would not make any reduction in its domestic support unless reductions are made also by major economies that have the capacity to distort global trade. In the past, the US used to insist on matching contributions on reduction of subsidies by the EU, but now it has made demands on China and India as well. It asserts that these developing countries too are responsible for trade-distorting subsidies in the world agricultural market. At present, it is not clear how far the new demands on China and India are merely a ploy to persuade these countries to lower their level of ambition in the DDA.

If developed countries are committed to progress in the trade talks while rejecting the texts on the table, they need to submit concrete proposals to enable negotiations to move forward. If they do not, they are taking a risk that the Nairobi meeting would end in another fiasco. The bigger question now is whether these countries will continue to support the multilateral trading system. At their summit meeting over the last weekend, the G7 have talked big on the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP). Have they now fixed their sights on these mega-regional projects and want to limit their multilateral engagement? From India's perspective, the implications of the mega-regional initiatives are obvious. The successful conclusion of these agreements will result in diversion of both trade and investment from excluded countries and hurt their interest. As non-participants, we cannot stop the mega-regional agreements from going forward but we can certainly work for deeper levels of multilateral liberalisation in the WTO so that the preferences in these future agreements are eroded and hurt us less. In pressing for ambitious results in the DDA, India is on the right track.

However, India must also provide the leadership to steer the negotiations away from a developing impasse. This is the first round under the WTO, not the last. We should be willing to consider a lower level of liberalisation and not adhere rigidly to our position, if this helps in pushing multilateral liberalisation forward. There is another initiative that India could take. Since the current round was launched 14 years ago, it is time to initiate another one. Why not test the faith of the major industrial countries in the multilateral trading system by proposing the commencement of a new round simultaneously with the conclusion of the DDA, or soon thereafter

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No consensus yet at WTO on farm tariff cuts

Amiti Sen, Business Line

New Delhi, June 18, 2015: No consensus emerged amongst key World Trade Organisation (WTO) members such as India, the US and EU on the formula for reducing tariffs on farm products at the agriculture committee meeting early this week in Geneva.

Deadline may escape

This raises further doubts about the attainability of the July-end deadline for agreeing on a work programme for the next WTO Ministerial meeting in Nairobi in December and sealing a trade deal there.

"Most developing countries including India supported the draft text of 2008 which suggests a tiered formula for tariff reduction. This means that higher tariffs would be subjected to higher cuts while lower tariffs would be subjected to lower cuts," a Government official told *BusinessLine* .

EU, US differ

WTO members had informally agreed on most provisions of a draft text on agriculture at a meeting of trade ministers in 2008, but it could not be formally sealed as negotiations on the overall Doha Round trade pact collapsed because of differences in some other areas including industrial goods. The EU, Norway and Canada, however, want to move completely away from the 2008 text.

The EU said that it wanted a tariff reduction formula similar to the one used in the Uruguay Round negotiations (1986-94). In that formula, members would have to bring down average tariffs by a fixed

percentage; but they would will have the flexibility to much make lower cuts on individual items as long as higher cuts on other items maintains the average agreed tariff levels.

“What the EU wants will result in perpetuation of the tariff peaks (unusual high tariffs) for certain agriculture products that are prevailing in developed country markets, although their average tariffs are low. This is what India is fighting against,” the official said.

The US said that it preferred a simple average cut, which means that all tariffs would be subject to the same levels of reduction irrespective of whether they were high or low.

India’s representative at the meeting said that those members who were opposing the tiered formula should come out and specify what they had against it.

Indian subsidies

“The tiered formula is the fairest formula. Cuts in the highest tariff bands should be the most,” the official said.

There has also been no consensus yet on the permanent solution to India’s problem of treating its food procurement subsidies.

WTO members are trying to pick up pieces of the collapsed Doha Round (launched in 2001) to see if a less ambitious trade pact could be reached in the Nairobi meet.

“As things stand I see very little prospect of delivering the substantive, meaningful work programme which we have been aiming towards. That is the reality today. The question is whether we can change this situation by the end of July — and that is up to you,” WTO Director-General Roberto Azevedo said addressing all members in a meeting on Wednesday.

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World trade registers modest growth in Jan-Mar of 2015: WTO

Business Standard

Geneva, June 26, 2015: World trade grew by a modest 0.7 percent during January-March quarter of this year, the World Trade Organisation (WTO) has said.

The volume of world merchandise trade "increased modestly" in the first quarter of 2015, with both exports and imports registering slower growth than over the previous six months, the WTO said in a

statement.

According to preliminary estimates, "world trade as measured by the average of exports and imports, grew 0.7 per cent in the first three months of 2015, based on seasonally adjusted data," it said.

It said world exports increased by 0.4 per cent in the first quarter of this year, down from the 2.1 per cent growth registered in the previous quarter.

Similarly, imports grew by 0.9 per cent in the same period, down 1.5 per cent from the previous quarter.

"Exports from developing and emerging economies rose 1.5 per cent in the first quarter, with all regions except Asia registering growth of 3 per cent or greater," it added.

In contrast, exports from developed countries fell by 0.5 per cent in the same period, with US exports decelerating by 4.5 per cent. Further, it said developing and emerging economies increased their imports by 0.6 per cent in the first quarter, with South and Central America and the Caribbean registering strong import growth at 6.8 per cent.

"Developed economies increased their imports by 1.3 per cent, led by stronger import growth in Europe and North America," it added.

Growth in imports in the developed countries particularly in these two regions is a good news for India at a time when the country's exports continue to be in the negative zone.

Europe and North America are the major export destinations for Indian goods. It accounts for about 30 per cent of India's total exports.

Contracting for the sixth month in a row, India's exports dipped by 20.19 per cent in May to USD 22.34 billion mainly due to global slowdown and dip in crude oil prices.

According to a WTO forecast, global trade is set to expand by 3.3 per cent this year and by 4 per cent in 2016, less than previous forecast due to sluggish growth in the global GDP.

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Rise of mega trade blocs

Business Line

June 23, 2015: World trade is in the throes of a transition as two mega deals are being negotiated with a remarkable sense of urgency — the US-led Trans-Pacific Partnership comprising 10 core Asia-Pacific countries accounting for a GDP of about $20 trillion and the China-led Regional Comprehensive Economic Partnership comprising 'Asean plus six' countries, including India, accounting for a similar magnitude of world output. That the two formations are competing with each other to set the rules of world trade — if not create geo-political equations — is obvious, with the WTO regrettably fading into irrelevance. But this rivalry, as well as the fact that countries such as Japan, Singapore and New Zealand belong to both groups, could also lead to a certain convergence of agendas. Therefore, it is not surprising that Japan and Korea (an RCEP member and potentially a TPP one) are pushing for the inclusion of 'WTO plus' items such as services trade and intellectual property in RCEP talks, which have so far broadly adopted the Doha round approach. India's discomfiture over Japan seeking to bring e-commerce to the RCEP table should be viewed in this context. The issue here is not whether e-commerce per se should be opened up or discussed, but whether a concession here can potentially alter the very nature of talks, putting India on a slippery slope. That could put at risk hard-fought gains at the WTO in other areas, such as intellectual property (IP) and agriculture subsidies.

While the RCEP seems open to considering the development needs of member countries, the TPP is more focused on market access — standardising rules on investment, IP, trade facilitation, government procurement, labour and environment. It is important that India plays a bigger role in setting the RCEP agenda — without, however, closing the door on the TPP camp. It is over agriculture, IP and 'Mode 4' (free movement of professionals) that India is likely to run into a roadblock with TPP actors. The US is keen to stitch a deal this year to prove a point to China. India should press for a 'development' agenda — going beyond a mega-FTA to creating an Asian community that allows for the respective countries to liberalise at different speeds — while also being flexible on matters such as trade facilitation and the opening up of services. If e-commerce is arguably not ready for competition, surely the legal services and entertainment sectors are, as the Prime Minister has pointed out.

While Chinese goods and ill-conceived FTAs have harmed sections of Indian industry, there is no getting away from our infirmities. Our exports are unable to compete on price and quality. We must create an ecosystem that encourages innovation, investment, quality and technology transfer. 'Make in India' entails improving infrastructure, easing procedures and ensuring contract enforcement, areas where we are notorious laggards. We must improve our physical and virtual connectivity with Asean countries as part of the so-called 'Act East' policy. A technologically confident India can negotiate without fear with any trade bloc that knocks on its door.

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India, EEU set up group for FTA

Business Line

New Delhi, June 22:

India and three-member Eurasian Economic Union have set up a joint study group to explore the feasibility of a free-trade agreement for promoting bilateral trade and investments.

The study group will submit its report within a year regarding the feasibility of an FTA between India and the Eurasian Economic Union — Russia, Kazakhstan and Belarus, Commerce and Industry Ministry said in a statement today.

A joint statement for establishment of a joint study group between India and the Eurasian Economic Union (EEU) was signed during the recent visit of Commerce and Industry Minister Nirmala Sitharaman to Russia.

India is already negotiating the International North-South Transport Corridor Project (INSTC) with Russia to promote bilateral trade.

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Domestic industry worried over import of cheap American poultry products

Nanda Kasabe, The Financial Express

Pune | June 20, 2015: India lost a case with the World Trade Organization ruling that Indian ban on import of poultry meat, eggs and live pigs from the US was "inconsistent" with the international norms. India will have 12-18 months to implement this ruling, after which the US can begin exports of these products to India. The Compound Feed Manufacturers Association (CLFMA) of India has been cautioning the government about the impact on the Indian poultry sector.

Amit Saraogi, chairman, CLFMA, says the association is in constant touch with the government to find a solution to this issue and see if FSSAI regulations could make a difference. If we start getting cheaper chicken legs, the domestic poultry industry will be destroyed, he said at the sidelines of a meet held in Pune.

"The cost of one processed chicken to domestic companies is around $3 per chicken, but it is just $1 per chicken for US companies, so if they are entering at this rates, you can see the impact. This could damage industry to the extent of 30-40%," he said. The poultry industry in India is to the tune of R80,000 crore of which 65% of the market consists of chicken and 35% comes from eggs. Saraogi says the association is still in the process of finding ways and means to tackle the situation.

The WTO recently upheld a ruling that India was unfairly blocking imports of US poultry and eggs. Under WTO rules, India will be given a period of time to dismantle the trade barriers that have been found to be illegal. If it fails to dismantle the barriers, the US would have the right to impose trade sanctions against India equal to the amount of lost agricultural trade.

The US poultry industry has estimated that exports of poultry meat alone could exceed $300 million annually once India's restrictions are removed.

Currently, the US exports 20% of its poultry meat production each year. The US intends to export chicken legs, which are in high demand in India. Legs are treated as waste in the US along with chicken beak and other parts, while chicken legs are sold at a premium in India.

According to Saraogi the share of chicken legs is around 40% of the $9.37 billion (R60,000 crore) Indian market. He also said the quality of chicken legs from the US is not good, asserting that American exporters keep the legs for months, before they export them to other countries.

The US had dragged India to the WTO on 6 March 2012 saying that India imposed the trade barriers in 2007 to prevent avian influenza from entering the country. India's Ministry of Commerce and Industry had informed the dispute settlement body that the primary reason for restricting the entry of various agricultural products from the US was because of concerns about the spread of the avian influenza, but the WTO ruled that these restrictions were not equally applied to other countries affected by the disease, and that they were not backed up by the relevant scientific evidence.

The European Union, Australia, China, Japan, Colombia, Ecuador, Guatemala, Vietnam, Argentina and Brazil subsequently joined as third parties in the dispute.

The Association has also urged the government to consider the import of soymeal.

Currently the industry produces 9 million tonnes of which 70 % is used for animal feed. It wants the government to allow duty- free imports of soybean meal and other oil meals.

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Hike in MEP to affect country's onion export

Tushar Pawar, The Times of India

Nashik, June 28, 2015: The move by the central government move to increase the minimum export price (MEP) of onions from USD 250 to USD 425 a tonne to control the prices in the domestic market in the coming months is likely to affect its export from the country.

In July and August last year, the average wholesale onion prices were in the range of Rs 1,500- Rs 2,000 a quintal due to scarcity. With an aim to bring prices in the domestic market under control, the central government increased the MEP from USD 300 to USD 500 a tonne on July 2 last year. Thereafter, the MEP was reduced to USD 300 a tonne on August 21 last year. After eight months, the MEP had been reduced to USD 250 a tonne on April 8 2015 when the average wholesale onion prices in the Agriculture Produce Market Committees (APMC) reduced to the range of Rs 900 - Rs 1,000 a quintal. After two-and-a half months, the Centre has increased the MEP of onions to USD 425 a tonne.

Speaking to TOI, chairman of the Lasalgaon APMC Nanasaheb Patil said, "This will not only affect the export of onions but also the farmers as the prices will start declining. There was no need to increase the MEP of onions and it is a completely wrong decision as it will create an imbalance in the market if the crop is not exported." At present, the average wholesale onion prices are in the range of Rs 1,500 - Rs 1,600 a quintal, which is valued at USD 250. But increasing the MEP to USD 425 a tonne will be valued at Rs 2,600 a quintal. As traders can't export onions below the MEP, it will hamper onion export from the country.

Nitin Jain, an onion exporter, said, "The speed at which the onion is exported from the country will reduce due to hike in the MEP. This will also lead to decline prices of good quality onions by Rs 200 to Rs 300 a quintal within the next few days. Farmers who have stored onions will also rush to the market fearing the possibility of decline in prices. Hence, there will be surplus supply in the market and the price trend will go downward."

Sohanlal Bhandari of the Nashik district onion traders' association said, "The central government has taken a wrong decision by increasing the MEP of onions. MEP in China, Pakistan and Iran is lower than in India. So our export demand from other countries will reduce. On the contrary, the onion export demand from Pakistan, China and Iran will increase."

In 2014-15, the onion export from the country declined by 20% as compared to last year. According to sources from the National Agriculture Co-operative Marketing Federation of India (NAFED), the country exported 10.86 lakh metric tonnes of onions in 2014-15 against 13.58 lakh metric tonnes in 2013-14. The decline in export was because of hike in MEP as compared to other exporting countries, delayed kharif crop, inclusion of onions in the Essential Commodities Act and damage in quality of summer crop due to unseasonal rains and hailstorms during 2014-15.

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Govt considers importing onions to control price rise

Business Standard

New Delhi, June 29, 2015: The government is considering importing onions to boost domestic availability of the commodity and a prevent spike in its prices.

Retail prices of onion have already risen by up to 40 per cent in metro cities in the last one year. The maximum increase in prices is seen in Delhi, where onion is costing Rs 34/kg at present, as against Rs 24/kg in the year-ago period, as per data maintained by the consumer affairs ministry.

“The issue was discussed in a meeting of the committee of secretaries last week. It recommended the commerce ministry to look at the possibility of imports to boost supplies in the market and keep a lid on prices,” sources said.

Last week, the government increased the minimum export price of onion to $425 a tonne from $250 a tonne to restrict exports and increase domestic availability.

Prices in both wholesale and retail markets have started increasing due to sluggish supply of good quality onions in the wake of the crop being damaged in storage in major growing states, including Maharashtra, a Nasik-based trader said.

Much of the rabi onion crop is stored to meet the demand in lean period. But this year, most of the onion kept in storage is of poor quality as the rabi crop got damaged due to unseasonal rains in early March in Maharashtra and Gujarat, the trader said.

According to agri-experts, high storage losses are likely to reduce availability of onion in the market and put pressure on prices till the arrival of new kharif crop from mid-September.

The wholesale price of onion has risen to Rs 16-17 a kg from Rs 11 a kg in last one month at Lasalgaon in Maharashtra, Asia's biggest onion market.

To check prices, the government had imported a small quantity of onion last year, too. It had also eased fumigation norms for smooth shipment of onions.

The country's onion production is estimated to have declined to 18.9 million tonnes in the 2014-15 crop year (July-June), as against 19.4 million tonnes in the previous year, according to government data.

The country’s onion exports declined to 1.08 million tonnes in 2014-15 due to high minimum export price, against 1.35 million tonnes in the previous year.

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Sugar exports seen doubling as bumper crop looms

Business Standard

Bloomberg , June 25, 2015: Sugar exports from India may double as farmers prepare to harvest the third-biggest crop ever, extending the country's surplus for a sixth year. Shipments will be 2 million metric tons in the 12 months starting Oct. 1, according to the median of six estimates from refiners, brokers and analysts compiled by Bloomberg. That compares with 700,000 tonnes to 800,000 tonnes this year, the Indian Sugar Mills Association says.

Production will be 27.25 million tons from a record 28.4 million tons this year, estimates from eight survey participants show. The glut in the world's second-largest producer threatens to extend a 35 per cent slump in New York futures in the past year.

The decline in prices to the lowest since 2009 has forced the government to subsidize exports and waive interest on bank loans to processors. Stockpiles of 10 million tons will add to supplies and exceed demand of 25.5 million tons, the mills say. That may force producers to ship as much as possible.

"With high carryover stockpiles, you will again have a glut of 10 million tons next year and you will have to throw out the excess," Rahil Shaikh, director at ED&F Man Commodities India Pvt., said in Pune on June 19.

"If the industry has to survive, they have to export. "Domestic prices have fallen below the cost of production to a seven-year low because of weak demand and mounting stockpiles, according to the mills. The cabinet approved interest-free loans of 60 billion rupees ($943 million) this month to help mills clear 210 billion rupees owed to farmers. The government has pledged a subsidy of 4,000 rupees a ton for raw sugar exports as domestic rates are above global prices.

Arrears may decline before the start of the new crop. While the amounts owing were high in April last year when the mills finished crushing, they had decreased by the time the new season started in October. About 95 percent of the crop is irrigated, countering concern that reduced monsoon rain may hurt output.

For now, shipments are not possible, said Pallavi Munankar, an analyst at Geofin Comtrade Ltd. in Mumbai.

"Looking at the surplus stock in the world and lower prices prevailing in the international market, exports are not feasible," Munankar said by e-mail on Wednesday. "This leaves the industry with no other alternative but to continue to hold huge stocks and incur losses."

Prices on the ICE Futures U.S. fell to 11.52 cents a pound on June 19, the lowest level since January 2009. The contract for October delivery traded at 12.08 cents on Thursday. Prices in Mumbai were at 2,219 rupees per 100 kilograms (220 pounds).

The area under cane in India dropped to 4.16 million hectares as of June 19, compared with 4.39 million hectares a year earlier, the Agriculture Ministry said last week. Exports reached 558,000 tons from October to May, the mills estimate.

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Trade deficit narrows, but exports continue to fall

TCA Sharad Raghavan and Sanjay Vijayakumar, The Hindu

New Delhi, June 17, 2015: Though the trade deficit has narrowed, exports and imports have contracted for the sixth month in a row in May.

With countries such as the U.S. and China facing growth challenges, even the export outlook remains hazy. A substantial reduction in the oil import bill, due to declining international prices, primarily helped overall imports contract.

Exports stood at $22.3 billion in May against $27.99 billion in the year-ago period, reporting a 20.2 per cent fall in dollar terms.

However, the fall was marginal when compared with the $22.1 billion in April. Imports during May were at $32.75 billion, down 16.5 per cent on the figures in the corresponding month last year. It was marginally lower than the $33.05 billion in April 2015. The trade deficit narrowed to $10.4 billion in May from $11 billion in April and $11.2 billion in May 2014.

Analysts expect the monthly trade deficit to hold at present levels.

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Oil import bill dips by 41 per cent

The Hindu

New Delhi, June 17, 2015**:** The oil import bill in May, at $8.5 billion, was 41 per cent lower than what they were in the corresponding month in 2014.

However, gold imports increased 10.5 per cent over their May 2014 figures. Nevertheless, this is far lower than the 78.3 per cent growth seen in April. In fact, in absolute terms, the $2.4 billion of gold imports in May were a three-month low.

“Exports continue to soften with no visible pick-up in global growth. At present, growth in the U.S. is in the negative. China’s growth has decelerated to a six-year-low. And, only a slight growth can be seen in the Euro area and Japan. The poor growth outlook will impact our export growth. Import growth, on the other hand, may bounce back if gold imports continue trending up,” said a report of Anand Rathi Financial Services Ltd.

This is not all bad, however. “Good import growth in electronic goods and transport equipment are, on the other hand, positive for the economy. With comfortable external balances, the short-term pressure on the exchange rate is contained. An unanticipated U.S. rate hike, however, could pose a challenge,” it added.

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Govt steeply raises minimum export price for onion to $425/tonne

Business Standard

New Delhi, June 27, 2015: Government on Friday increased sharply the minimum export price (MEP) of onion by $175 per tonne to $425 per tonne to ensure adequate domestic supply and contain price rise.

“Export of all varieties of onions...will be subject to a MEP of $425 FOB (freight on board) per tonne,” Directorate General of Foreign Trade (DGFT) said in a notification.

The new MEP — rates below which no exports are allowed - will be applicable with immediate effect. The government imposes MEP to restrict outbound shipments and check price rise in the domestic market. The wholesale price of onion have risen to Rs 16-17 per kg from Rs 11 per kg in last one month at Lasalgaon in Maharashtra — Asia's biggest onion market.

The wholesale prices have started increasing in view of marginal fall in the domestic production, which is estimated at 189.23 lakh tonnes for 2014-15 crop year (July-June), as against 194 lakh tonnes in the previous year, as per the government data.

The country's onion exports declined to 10.86 lakh tonnes in the 2014-15 fiscal due to high MEP, as against 13.58 lakh tonnes in the previous year.

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Import duty on select steel items hiked

Sanjay Vijayakumar, The Hindu

June 18, 2015: The Union Government has increased the import duty on certain steel products by 2.5 per cent, effective from June 16 in a bid to stem surging imports mainly from China and protect the domestic industry, which is reeling under profit pressure.

According to a notification, the government has increased the duty on long steel, which is used in construction industry, energy and automotive, to 7.5 per cent from 5 per cent. On flat steel products, which are used in automotive, heavy machinery, packaging and appliances, the import duty has been increased to 10 per cent from 7.5 per cent. The increase in duty is not applicable to countries which have foreign trade agreements with India like Japan and Korea.

“We welcome the move. We have been having dialogue with the government on various measures to protect the local industry which has been suffering,” Sanak Mishra, Secretary-General of Indian Steel Association, told The Hindu. Indian Steel Association is an industry body comprising domestic steel producers, including SAIL, Tata Steel and JSW Steel, among others.

“The industry has been mainly suffering from imports from China. Today’s move will have on average benefit of Rs.600 per tonne. However, we would have liked the increase to be much steeper given the Union budget had a cap of 15 per cent,” Mr. Mishra added.

In fiscal 2015, India imported 9.3 million tonnes of finished steel, which was 71.1 per cent more than in 2014. China accounted for nearly four million tonnes of this.

According to report by ICICI Securities, during April-May 2015-16, steel imports has grown 54.5 per cent on a year on year basis to 1.67 million tonnes.

Increasing imports have caused a downward pressure on domestic steel prices and resulted in subdued operating margins for domestic players, it added.

“However going forward, the hike in import duty is likely to increase the competitiveness of domestic steel majors. Higher import duty is likely to aid in restricting rising steel imports which augurs well. This move is also likely to bring in stability in domestic steel prices. Among the domestic steel majors

Tata Steel, JSW Steel and SAIL are likely to be the key beneficiaries," Dewang Sanghavi, analyst at ICICI Securities wrote in the note.

The development sent the shares of domestic steel companies higher on the bourses.

The move comes just a few weeks after the government imposed anti-dumping duties ranging from $180 to $316 per tonne on certain industrial grade stainless steel.

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MSP rise in oilseeds may boost region's farmers

Samrat Phadnis, The Times of India

Kolhapur, June 28, 2015: The central government has increased the minimum support price (MSP) of major commodities such as paddy, jowar and maize. The increase in the MSP of oilseeds may boost the farmers in the region, especially in Kolhapur district where soybean is among the major crops.

The Union agriculture ministry announced the MSP for 2015-16 on June 23. On an average, the MSPs were increased in the range of Rs 10-100 for different crops. The MSP of maize has been increased by Rs 10 per quintal, while that of soybean has touched Rs 100 per quintal.

The MSP of pulses has seen gradual rise in the range of Rs 50-75 per quintal. Since 2011-12, the MSP of tur has increased from Rs 3,200 to Rs 4425 per quintal. Soybean prices have also seen rise from Rs 1,650 to Rs 2,600 in the same period.

Besides sugarcane, Kolhapur district is largely dependent on soybean, groundnut and paddy. The agriculture department expects that the increase in the MSP may boost farmers to turn to oilseeds and pulses.

"We have observed a decreasing trend in the last three years in the sowing area of soybean and groundnut. However, the productivity has increased in the same period. This year, we have soybean sowing on over 45,000 hectares mostly in Shirol, Hatkanangale, Kagal and Karvir talukas. The area under paddy cultivation has remained on 79,000 hectares over the years," Mohan Atole, district agriculture office, told TOI.

The productivity of oilseeds has increased from 1,877 kg per hectare in 2011-12 to 2,065 kg per hectare last year. The department expects more number of farmers to turn to oilseeds production with the MSP increasing gradually every year.

Meanwhile, farmer leaders too are optimistic about the change in crop pattern of the region, which is

largely dominated by sugarcane cash crop. Hatkanangale MP Raju Shetti has been consistently demanding increase in the MSP of pulses and oilseeds. He is known for his protests to protect sugarcane growers' interests. While welcoming the recent increase in the MSP, Shetti said sugarcane, oilseeds and pulses must get maximum possible support from the government agencies.

"India exports patrol, diesel, oilseeds and pulses. Most of our foreign exchange is used for these three commodities. That's why I demand increase in fair and remunerative price of sugarcane and rise in MSP of oilseeds and pulses. This will boost the farmers to produce more and ultimately save large amount of foreign exchange," Shetti said.

He said the climatic conditions in Western Maharashtra are favourable for inter-crop patterns. "Sugarcane growers can turn to soybean as well as pulses. We must have to ensure MSP, the basic rate a farmer would get," he added.

MSPs are the prices defined by the Union government below which no trader can purchase the commodity. Besides, the government also calculates reimbursement amount during crop losses based on MSP.

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Greece crisis: Govt wary of capital outflows, toll on exports

Business Standard

New Delhi, June 30, 2015**:** The government on Monday expressed apprehension that the crisis in Greece could trigger capital outflows from India due to a spike in interest rates in Europe, through euro bond yields. It said the crisis could also hit India's merchandise exports, already on the decline.

These could hit the country's foreign exchange reserves, depending upon the requirement of imports.