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WTO members question rise in India's sugar export sops

Amiti Sen, Business Line

New Delhi, March 2' 2015: The increase in export subsidy for raw sugar announced by the Government for the current year has come under the scanner of the World Trade Organisation (WTO) with members such as Colombia, Australia and the EU crying foul.

Members, who have been warning that sugar export subsidies go against India's WTO commitments since last year, have stepped up pressure and asked for details of pay-outs in 2014.

"The matter will come up for discussion at the WTO's Committee of Agriculture meeting later this week," an official at the WTO told *BusinessLine.*

Late last month, the government raised the export subsidy for raw sugar from ₹3,300 a tonne (announced last February for 2014) to ₹4,000 for 2015 season for up to 1.4 million tonnes (mt) of sugar. The subsidy for 2014 had lapsed last September.

Interestingly, India had informed the WTO last November that although it had approved export subsidies for sugar in February, it had not paid any subsidies till that time.

Challenging the Centre's claim, Australia said that if indeed the sugar export subsidy programme was unfunded and no incentives were being paid, India should explain the rationale behind the bi-monthly review, the adjusted rates and continuation of the programme.

"If subsidy payments have been made… can India provide the total value of export subsidy budgetary outlays as well as the volume and value of raw sugar exports that have been subject to incentive payments?" the Australian representative to the WTO stated in a representation prior to the CoA meeting.

Colombia said it was worried about media reports on the increase in export subsidy for sugar in India as it could distort world prices. "Colombia is concerned about the impact that these statements are having on the world sugar market, which is exacerbated by the fact that India is the world's third largest exporter of sugar," the country's representation stated.

The idea behind the export subsidies is to help sugar millers reduce their rising domestic stocks and pay sugarcane farmers their dues.

According to estimates made by the Indian Sugar Mills Association (ISMA) earlier this year, cane arrears across the country could cross last year's peak of over ₹13,000 crore.

The EU, in its representation, said that India should explain how the re-activation of sugar export subsidies, complies with its export subsidy commitments.

According to industry estimates, mills are expected to produce a record 26 mt of sugar in the 2014-15 season in addition to a carryover stock of 7.5 mt.

Domestic sugar consumption is pegged at between 24.7 and 24.8 mt.

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India manages to defend raw sugar export subsidies at WTO, for now

Amiti Sen & Tomojit Basu, Business Line

New Delhi, March 9, 2015: India has managed to ward off criticism at the World Trade Organisation (WTO) for its raw sugar export subsidies by once again claiming that it has not made any payments under the programme. However, the country's defence is unlikely to work for long as subsidy payments are slated to kick-off soon.

The Food and Public Distribution Ministry was recently sanctioned the first tranche of subsidy payment due to exporters for last year, a Food Ministry official told *BusinessLine*.

"While no export subsidy payments have yet been made for the period between February (when the incentive scheme had been announced) and September 2014, the Ministry has now been sanctioned ₹200 crore (around $32 million) to be paid out to raw sugar exporters for the period," the official said.

The subsidy payments, claimed by 80 sugar mills from Maharashtra, Karnataka, Tamil Nadu and Gujarat, is likely to be paid out from March 15, according to industry officials.

Several WTO members, including the European Union, Australia and Colombia, were critical of India for announcing export subsidies for raw sugar in February last year, accusing India of going against the understanding reached at the WTO's Bali Ministerial meeting in December 2013, which said all export subsidies would be reduced and gradually eliminated.

Since India is a major producer of sugar and also exports from time-to-time, these countries claim that such export subsidies distort the world market.

In the WTO committee of agriculture meeting last week, many countries questioned India about the recent announcement of increasing raw sugar export subsidy to ₹4,000/tonne in 2015 from ₹2,277-3,371/tonne between February and September 2014.

India's representative reiterated the argument made in the last meeting that it was not answerable on the subsidies, as no payments had been made yet. On the EU's question about its intention to give payments in the future, the Indian representative said it was only providing facts.

India had earlier defended its raw sugar export subsidy programme on the grounds of encouraging sugar producers to diversify from refined to raw sugar.

"This is a valid justification for our subsidy programme and we will reiterate it if our small subsidy payments are questioned," a Commerce Ministry official told *BusinessLine*.

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India wants early scrapping of US penal duties on steel

Amiti Sen, Busineess Line

New Delhi, March 6, 2015: India has indicated to the US that it should remove restrictions on imports of its hot-rolled steel products at the earliest in line with a recent ruling of the World Trade Organisation, so that domestic companies can start exporting again.

New Delhi has informed Washington that while it is willing to give it the maximum period of 15 months allowed by the WTO to change its legislation in line with the WTO ruling, it should not ask for more time to implement the new rules.

Companies such as Essar, Tata Steel and Jindal, which had stopped exporting to the US because of the steep penal duties, as high as 577 per cent in some cases, could regain their foothold in the market once these duties are removed, a Commerce Ministry official told *BusinessLine*.

“We want the US to simultaneously work on implementation of the changed rules and removal of penal duties wherever required. This will ensure that at the end of 15 months, the US will not take more time to decide how the new rules should be applied on the ground,” a Commerce Ministry official told *BusinessLine*.

The WTO, late last year, had ruled against the US’ imposition of countervailing duties (anti-subsidy duties) on hot-rolled steel products from India. It said that the US’ practice of ‘cumulation’ or addition of subsidised and dumped (exports at prices lower than those prevailing in the domestic market of the seller) imports while calculating the injury suffered due to subsidised imports alone was faulty.

It also ruled that state-owned enterprises such as NMDC cannot be categorised as a public body on the grounds that it did not have governmental authority or discharged governmental function.

This means that inputs sold by such enterprises to companies for manufacturing items cannot be viewed as subsidised inputs.

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India complains of Japanese delays at WTO

D. Ravi Kant, Live Mint

Geneva, March 12, 2015: Even as India and Japan are forging strong trade and economic ties, Indian pharmaceutical companies and information technology (IT) services providers continue to face “specific” hurdles to enter the Japanese market because of its “stringent” and time consuming regulatory requirements. India raised specific concerns faced by its companies in the Japanese market at the World Trade Organization (WTO) during the 12th trade policy review (TPR) of Japan which concluded on Wednesday.

The TPR process enables members to review the macro-economic and trade policies of a country under review. It also allows WTO members to raise their immediate trade policy concerns in the country whose trade policies are being examined. Around 700 questions were raised by some 40 countries about the specific problems faced by their traders and companies in the Japanese market.

“In the pharmaceutical sector, Indian companies are unable to access the Japanese market due to stringent and time consuming regulatory requirements, including requirement for an Indian company to have joint venture with a Japanese company and the need for commercial presence for applying to Pharmaceuticals and Medical Devices Agency,” an Indian official said at the meeting. India drew attention to the “the stringent maximum residue levels for chemical products, including agro-chemicals, additives for food products act as market entry barriers for our exporters”.

Indian IT firms, according to the Indian official, face several hurdles in the Japanese IT services market due to the “Keiretsu” model that prohibits Indian IT entities from directly approaching customers in Japan. “As a result, they often end up as tertiary service providers despite their competitive strengths in this sector,” India complained. Several other countries spoke against Japan’s trade-distorting agriculture policies, particularly high subsidies and tariffs, and non-tariff barriers.

A senior Japanese trade official assured members that Tokyo is “committed” to further trade liberalization. Japan is currently engaged in negotiations to conclude a total of 16 investment agreements. Ahead of the review, the WTO secretariat issued a comprehensive report on the country under review. The WTO has praised Japan for pursuing bold economic policies to reverse deflation and revitalize its economy. The report spoke positively about the “three arrows” strategy—involving bold monetary policy, flexible fiscal policy, and growth strategies—being pursued by the Japanese government.

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EU expected to reach out to India to restart FTA talks

Elizabeth Roch, Live Mint

Brussels, March 7’ 2015: Keen to clinch a free trade agreement with India, Asia’s third largest economy, the slow growing European Union (EU) is expected to reach out to trade minister Nirmala Sitharaman to restart free trade agreement talks, people close to the development on the European side have said. But both sides may have already lost an opportunity to give a political push to the talks with Prime Minister Narendra Modi dropping plans to visit Brussels during a visit to Europe next month.

EU policymakers were hoping that the push for a speedy resumption of talks, suspended since 2013, would come from Modi during an India-EU summit that sets the agenda for interaction between India and the 28-member European bloc. Modi was to have stopped off in Brussels for the summit on 14-15 April. But according to Indian diplomats, EU officials in Brussels failed to confirm the dates, which led to officials in New Delhi re-adjusting the Prime Minister's schedule to stop off first in France during 10-11 April, then go on to Germany and later to Canada. A person familiar with Modi's travel plans said that the Prime Minister had only a fixed number of days "given that Parliament is in session. So whatever dates are confirmed have been fit into the schedule."

According to speculation in Brussels, one of the reasons for the EU dragging its feet over confirming dates for a Modi visit is that it is upset with India over the slow progress of the trial of two Italian marines accused of killing two Indian fisherman in 2012. That the new EU foreign policy chief Federica Mogherini has been heavily focused on the crisis in Ukraine—stemming from alleged Russian support to anti-Ukraine separatists—since taking office in November hasn't helped either.

However, European officials and parliamentarians assured a group of visiting Indian journalists that India was a high priority for the EU. "I think Modi is a man who wants to get things done. I think it is the word from the top that works in India. I think the word needs to come from the top," said Geoffrey Van Orden, chairman of the European parliament delegation for relations with India. Orden, expected in India as the head of a EU parliamentary delegation next week, said the EU was India's largest trading partner, adding that both sides should try to finalise a "realistic and meaningful" trade pact by the next year which would be a real step forward in significantly expanding economic engagement. Trade between India and the EU stood at $101.5 billion in 2013-14 and it was $57.25 billion during April-October 2015, according to Indian government figures.

One of the people cited above from the European side said the "EU was ready to look at all outstanding issues standing in the way of clinching the FTA", talks for which started in 2007. "I think perceptions are very important after you have a political transition," said a second person in Brussels on the EU side familiar with India-EU trade relations, referring to the April-May elections that brought the Modi government to power as well as changes in the EU administration that saw former prime minister of Luxembourg Jean Claude Juncker take over as president of the European Commission in November.

“The message that we are getting from you is that the EU is very ambitious but we need to sit down and address issues,” this person said. According to the second person, the EU wants India to cut tariffs on cars, wines and spirits from Europe. India says it is ready to consider some reduction of taxes on car components. On wines and spirits, the taxes imposed by the centre are low but when tariffs levied by states are added on, the prices become unviable for the EU. While the EU is keen on greater market access to India, including for agricultural products, India wants fewer restrictions on the temporary movement of its nationals working in Europe.

Another sticking point has been that the EU wants India to recognize 200 geographical indications—labels used on products that specify their geographical origins. The EU on its part had agreed not to oppose Indian generic drugs on the basis of patents. The EU was also looking at a monitoring role for civil society in the implementation of the trade deal to ensure environmental and social standards—something India is unlikely to agree to. The second person cited above said European and other investors would be closely watching the progress of key Indian legislation such as the amended land acquisition act, the insurance bill and the goods and services tax as a test of India’s commitment to improving the ease of doing business.

Investors were also hoping for clarity in the government’s policy towards multi-brand retail. According to India’s ambassador to the EU, Manjeev Singh Puri, the stalled FTA talks figured in talks between Modi and the former president of the European Council Herman Van Rompuy in Brisbane on the sidelines of the G-20 meeting. “The Prime Minister was very clear in telling him there are winds of change in India, we need to try and talk about it (FTA), we need to see what can be done about it.” Puri underlined the fact that India was still a developing economy while Europe was a developed one.

“This difference needs to be understood and taken into account. I would say that our friends in Europe who have the advantage of development on their side… need to look at it and ensure that the way of focusing on these discussions is one that takes care of the fact that India has relevant concerns.” Kanwal Sibal, former foreign secretary, said Modi not visiting Brussels at this point would give negotiators on both sides “time to work on narrowing differences”.

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India-EU FTA to get a boost from insurance liberalisation

Amiti Sen, Business Line

New Delhi, March 15'2015: The India-EU free trade talks, stalled for over two years, is expected to get a new lease of life with the Centre finally raising the foreign direct investment (FDI) limit in the insurance sector to 49 per cent. This was a key demand of the EU.

New Delhi will, however, wait for Brussels to make the first move as it was the EU that stepped back from the negotiations on the FTA (free trade agreement) in 2013 because it was not happy with what was on offer, a Commerce Ministry official said.

"We have been getting indications the last couple of months of the EU's interest in restarting the negotiations. Now that the Insurance Bill has been passed, the interest will shoot up. But they (EU officials) have to approach us formally before talks can start," the official added.

Top EU officials from the India Division recently told newspersons that the EU was ready to show flexibility in all issues that had stalled the FTA talks with India. Although India has raised the FDI limit in insurance to 49 per cent from 26 per cent, it does not automatically mean that it will be included in the FTA. "Negotiations will have to be carried out, and India will take a decision after weighing all options," the official said.

Largest export bloc

The 28-member EU is the largest export destination for India with the country shipping goods worth $51.63 billion to the bloc in 2013-14, accounting for over 16 per cent of its total exports. In 2013, India and the EU had narrowed their differences in a number of areas and agreed to open up the market for various goods and services, and seemed ready to wrap up the negotiations that started in 2007.

New Delhi had offered to bring down tariffs on wines/spirits and cars sharply, while the EU agreed to give more visas to professionals in all member-countries.

Talks got stuck as the EU wanted commitments in insurance, legal and retail sectors as well as government procurement while looking for even steeper cuts in import duties for cars.

New Delhi had said that both sides should accept whatever was on the table and more concessions could be provided as and when the situation on the domestic front changed.

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EU launches subsidy investigation over Indian iron pipes

The Economic Times

Brussels, March 11, 2015: The European Commission said on Wednesday it had launched an investigation into alleged illegal subsidies supporting imports of tubes and pipes of ductile cast iron from India.

The complaint was lodged at the end of January by the pipe and drainage units of French construction group Saint-GobainBSE -0.26 % .

The Commission said the complainants had provided evidence that appeared to show the Indian producers benefiting from a number of subsidies from the national government and the states of Gujarat, Jharkhand, Rajasthan and West Bengal.

The alleged subsidies consist of: loans, loan guarantees and grants; exemption from certain taxes and duties; grants of mining rights and provision of land; as well as high-grade iron ore at sub-market prices.

The Commission is already investigating Indian manufacturers for alleged dumping of the product -- selling it for export at prices below domestic levels or below the cost of production.

That investigation, launched in December, is due to conclude in March 2016.

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RCEP pact to boost India-ASEAN trade to $200 billion by 2022

The Economic Times

New Delhi, March 11, 2015: Noting that the India-ASEAN trade was well below potential, a top government official today said the regional comprehensive economic partnership (RCEP) pact -- expected to conclude later this year -- will help boost trade to $200 billion by 2022.

"The FTA in goods has helped us but now we have signed the comprehensive FTA, which is going to conclude later on this year. Only three countries have ratified from ASEAN. We are waiting for ..

"Our aspiration is to take ASEAN-India trade to USD 200 billion by 2022, and the RCEP negotiations, which are currently underway will also contribute to this," Secretary East in the External Affairs Ministry Anil Wadhwa said.

The implementation of the ASEAN-India Free Trade Agreement (FTA) in Goods was signed in 2009.

The agreement has translated into a significant increase in bilateral trade, which has risen from under USD 44 billion in 2009-10 to over USD 74 billion in 2013-14.

The negotiations for the RCEP would be completed by this year-end. The conclusion of these agreement will go a long way in boosting bilateral trade and investments, which is currently much below the potential," Deputy Secretary General, ASEAN Secretariat Dr AKP Mochtan said while addressing the Delhi Dialogue here.

RCEP is a proposed comprehensive free trade pact among 10 ASEAN countries -- Brunei, Cambodia, Indonesia, Laos, Myanmar, the Philippines, Malaysia, Singapore, Thailand, and Vietnam, and six partners with which they have free trade agreements (FTAs), including Australia, China, India, Japan, South Korea and New Zealand.

The pact seeks to include goods, services, investments, competition and intellectual property and is targeted to be concluded this year.

"The trade level is below our potential and we hope that the FTA in Goods, when reviewed, will lead to better efficacy and results.

"The signing of the agreements on Trade in Services and Investment last September and their expected entry into force later this year will give a much-needed boost to our economic engagement. It will hopefully also rectify the trade and investment balance, which is currently somewhat in favour of ASEAN," Wadhwa said.

Asked about India's expectations from the discussions with ASEAN countries in the Delhi Dialogue, Wadhwa said: "There are 2 or 3 main outcomes that we expect. We want to see some proposal about future direction and trade between India and ASEAN countries."

We also want to hear something about the services and investment agreement and how both sides can take advantage of that. We want to put this in our vision document 2016-21, which we are drawing up with ASEAN and which is in the final stages," he said.

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Food Subsidies

Rohini Somnathan, The Indian Express

March 13, 2015**:** Given indicators that the *government* is considering moving to *cash* transfers and replacing the public distribution system (PDS), and the release of the Shanta Kumar Committee report, the debate on how *best* to provide *food security* has been rekindled. The report has a careful analysis of the sources of inefficiency at various stages of the procurement, storage and distribution system. Especially heartening is the admission that the *Food* Corporation of India (FCI) is an anachronistic institution that must be trimmed and transformed. It was set up in the mid-1960s, when food aid formed half of the national wheat production and foreign exchange reserves were insufficient to pay for imports in the absence of aid. Household food security was impossible if farmers were not provided with incentives to raise production. We live in a different world today. India is the world's largest rice exporter and the cost of procuring and storing unreasonably high stocks by the FCI fuels inflation instead of containing it.

Many of the committee's suggestions on how to rationalise the system are welcome. These include the active decentralisation of procurement and distribution to the state level, improved warehousing facilities and limits on procurement based on the needs of the food security act to avoid stockpiling. There is painstaking detail on possible improvements, many of which can be implemented easily and immediately — lowering labour costs through fewer employees, tying prices for items sold through the PDS to inflation and procurement prices, electronic lists of beneficiaries, ears on gunny bags rather than hooks to avoid wastage through torn bags and methods for controlling quality.

The report reflects a much better understanding of procurement than that of distribution. Some of the critical and most publicised statistics relating to the PDS in the report are dubious and the policy conclusions based on them, suspect. The widely cited estimate of PDS leakages of 47 per cent is an important example. A common procedure to estimate grain diversion is to compare estimates of mean consumption of subsidised grains from household surveys with offtake figures (the quantity each state receives from the FCI). The two sets of figures should, in principle, match up, so the difference between them can be used as a measure of leakage. The committee uses leakage computations taken from a recent paper by Ashok Gulati, one of the members of the committee. These figures, based on the recent National Sample Survey (NSS), grossly underestimate the purchase of foodgrains from the PDS. They use the average consumption of PDS grains across all households multiplied by the number of ration cardholders. But they should have either used average consumption only across cardholders or multiplied the average across all households by the population of households, rather than by only those with cards. To illustrate the problem, suppose that

six out of 10 households each receives 20 kg of wheat. The average for the 10 households is 12 kg, and if this is multiplied by the six families getting it, we would get 72 kg and a leakage estimate of 40 per cent, even when leakages are zero.

It is no wonder that the report considers the PDS broken and recommends its gradual replacement by *cash* transfers.

Independent studies of PDS efficacy in recent years provide a *more* encouraging picture. Historically, it was richer states like Tamil Nadu and Kerala that had the *best* coverage, while households in poorer states had *more* limited access. This is now changing because of significant improvements in Chhattisgarh, Odisha and Bihar. In 2004-05, only 2 per cent of households in Bihar *used* the PDS. By 2011-12, this had increased to 43 per cent, according to NSS data. While the report claims two-thirds leakages in Bihar, one-third in Odisha and zero in Chhattisgarh, our estimates are between 10 and 20 per cent for the *first* two cases and about 2 per cent for the third. Household surveys in Bihar roughly match these aggregate numbers. In our survey of 2,000 families from 40 villages across Bihar, households consumed about 20 kg of grains per month, as compared to their entitlement of 25 kg. Another recent survey in Bihar by Hemanshu Kumar, focusing on Dalit households, finds the same pattern. Dismantling the entire PDS, as it finally is about to make a real difference in some of the poorest places in India, may not be such a good idea.

The committee recommends a gradual move to cash transfers based on faulty leakage figures and probably also because many economists have argued that transfers equivalent to the amount spent on the PDS can raise welfare by reducing wastage and aligning food purchases to preferences. We believe that the opposition of cash and kind in this debate is not right. We should, of course, assess the costs and benefits of government programmes, reform and perhaps even dismantle those that function poorly. But can we decide that the PDS does not function well enough for us to maintain it without replacing it with a cash alternative? Should we transfer cash equivalents to the amounts spent on public schools? And hospitals? If we believe cash transfers are feasible given financial constraints, we should implement them without going through each budgetary head, computing a cash equivalent and then trying to decide how to transfer while keeping the programme in place.

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India's trade deficit narrows to 17-month low

The Hindu

March 14'2015: India's trade deficit narrowed to a 17-month low of $6.85 billion in February on an over 55 per cent decline in oil imports. The deficit in February 2014 was $8.3 billion.

Falling for the third straight month, exports fell 15.02 per cent to $21.54 billion, extending January's 11.12 per cent decline, according to official data released on Friday. During the 11-months period April 2014 to February 2015, India's exports were $286.58 billion, significantly short of the Centre's full-year target of $340 billion.

The bad exports performance was despite the 2 per cent drop in the value of the rupee since February 1, indicating exporters might be failing to take advantage of the increase in the currency's competitiveness.

Overall imports fell 15.66 per cent to $28.39 billion. Oil imports were down over 55 per cent to $6.1 billion on the back of an over 50 per cent slide in global crude oil prices. Gold imports, though, rose 48 per cent to $1.98 billion in February.

Expressing his disappointment over the trade data for the month of February, Federation of Indian Export Organisations (FIEO) President M. Rafeeque Ahmed attributed the 'dismal performance' to the contraction in global demand, lowering of prices of metal and commodities as well as volatility in currencies. He said that the continuous double-digit decline in exports both in January and February increased apprehensions about reaching the $

320 billion exports target set for 2014-15. “What is more worrying is the fact that decline in February, 2015 is on a low base as exports also declined in February, 2014,” he said.

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As competitors offer cheaper produce, oilmeal exports dip 41%

Business Line

Mumbai, March 5, 2015: Export of oilmeals dipped 41 per cent in February to 1.81 lakh tonnes against 3.07 lakh tonnes in the year-ago period as competing nations quoted lower prices.

Indian soyameal prices are higher by about $50-55 a tonne than its competitors in the global market. Indian prices are higher despite the average price of soyameal falling 20 per cent in the last six months to $458 (₹28,396) a tonne against $569 (₹34,709) in September. This apart, buyers are looking to import from Brazil, Argentina and the US as they are expecting a bumper crop this year.

The total export of oilmeals in the first 11 months of this fiscal has dropped 43 per cent to 22.29 lakh tonnes against 39.33 lakh tonnes. Except for April, oilmeal export has fallen every month this fiscal.

Shipments from India to major importing countries including South Korea, Iran and Thailand plunged with Iran recording highest drop of 68 per cent to 3.62 lakh tonnes (11.49 lakh tonnes) this fiscal.

Soyameal export has dropped in the last 11 months due to total for soyabean meal in the international market, said the Solvent Extractor’ Association. On the brighter side, the share of rapeseed meal has increased to 10 lakh tonnes, while that of rice bran extractions export more than doubled this fiscal, it said.

Rapeseed meal prices were down six per cent in February at $261 a tonne compared with $278 in January, while groundnut extraction or meal was up marginally at $442 a tonne against $439 a tonne in January.

Of the total shipments this fiscal, Kandla port handled 71 per cent at 15.83 lt, followed by Mumbai (including JNPT) and Kolkata ports accounting for 12 per cent and 10 per cent each at 2.69 lt and 2.24 lt.

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Basmati rice exports to Iran likely to resume soon

Dilip Kumar Jha, Business Standard

Mumbai**,** March 10, 2015**:** After several rounds of discussions, Iran is likely to start issuing permits to Indian exporters, paving the way for basmati exports.

"India may resume exports of basmati rice exports to Iran early next year," said Ajay Sahai, Director General of the Federation of Indian Export Organisations (FIEO).

Basmati rice exports from India in 2013-14 are likely to decline 10 per cent due to Iran's temporary stoppage of fresh order issuances. The country has not issued any fresh import permits after October 2014. However, execution of existing and past orders has continued.

"India does not face any ban in terms of basmati rice exports to Iran. Only thing is Iran has not issued import permits, which it does to any country before bringing consignments into its territory, since October due to oversupply. During past years, Iran had imported large quantity of basmati rice from India," said A K Gupta, Director, Agricultural & Processed Food Products Export Development Authority (Apeda).

Once, import permit is issued, India would commence exports of basmati rice to Iran, said Gupta.

India's overall basmati rice exports declined by over six per cent at 2.57 million tonne during April and December 2014 as compared to 2.74 million tonnes reported in the corresponding period last year.

In value terms, overall basmati rice exports declined by 2.64 per cent to $3373.23 million in the first nine months of the current financial year as compared to $3465 million in the same period last year. But average per tonne realisation increased to Rs 80,000 this year as compared to Rs 75,000 during the previous year.

While country-wise bifurcation is not available, experts believe, exports to Iran has declined by 15-20 per cent this year.

Iran is the largest basmati rice importer, accounting for around 60-65 per cent of total premium rice exports from India. India exported 1.44 million tonne of basmati rice worth $1,834 million to Iran in 2013-14. During 2012-13, however, basmati rice shipments to Iran totaled 1.08 million tonnes worth $1187 million.

Basmati was India's second largest export commodity after buffalo meat.

A recent report by the Food and Agriculture Organization of the United Nations estimated Iran's rice output in 2014 at all time record of three million tonnes as compared to 2.9 million tonne and 2.8 million in the two subsequent previous years. Total cereal output in Iran, however, is estimated to decline by 4.4 per cent to 20.4 million tonne in 2014 as compared to 21.4 million tonnes and 21.3 million tonnes in 2013 and 2012, respectively.

Apart from basmati, India exports non-basmati rice and other cereals to Iran to the tune of around $150 million annually.

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Exports decline 15% in Feb due to Euro Zone woes

Business Line

New Delhi, March 13, 2015: Continued uncertainty in the Euro Zone resulted in a sharp 15.02 per cent export decline in February to $21.54 billion from the same month last year.

The fall in out-bound shipments — the third in a row —- is spread across all major sectors, including gems & jewellery, engineering goods, petroleum products, electronics and pharmaceuticals.

The decline, however, has not dented the balance of payments as imports posted a sharper decline of 15.66 per cent to $28.39 billion during the month due to low global oil prices.

The trade deficit narrowed to $6.84 billion in February compared with $8.31 billion a year ago, according to quick Commerce Ministry estimates.

Exporters have called for immediate announcement of relief measures in the “long-delayed’’ Foreign Trade Policy by the Central government to retain their foot-hold in Europe. “The demand from Europe is low because of continued financial problems in the zone and the value of euro has been falling. Chinese exporters, because of their fixed exchange rate, are faring much better,” said Federation of Indian Export Organisations chief Rafeeque Ahmed.

Engineering Export Promotion Council Chairman Anupam Shah said engineering exports, which had managed to stay afloat the last few months, also declined in February, underlining the need for fiscal support.

Gold imports up

Gold imports increased 48.78 per cent to $1.98 billion mainly because of relaxation of import restrictions.

Exports during the April-February 2014-15 period were at $286.58 billion, just 0.88 per cent higher than the same period last year. Imports during these 11 months were 0.71 per cent higher, at $411.80 billion.

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Weak Brazilian real thwarts India's efforts to boost sugar exports

Pune, March 12th 2015: A sharp drop in the Brazilian real has thwarted India's efforts to step up raw sugar exports despite New Delhi's decision to give an incentive to boost shipments, industry officials said.

Lower exports from India, the world's biggest sugar producer behind Brazil, could help to revive benchmark New York prices that touched a six-week low on Wednesday.

The Brazilian real has dragged down global sugar prices but the Indian rupee has not fallen by the same proportion to boost Indian exports, Yatin Wadhwana, managing director of Sucden India, told Reuters on the sidelines of the India Sugar Forum conference.

On Wednesday the Brazilian real fell to a 10-year low against the dollar.

The lower real raises returns for Brazilian exporters because sugar is priced in dollars, but the currency's weakness and lower global sugar prices have dented Indian export plans.

"When subsidy was announced (by India) there was a lot of optimism, but the subsequent fall in the real has made exports difficult," said a Mumbai-based dealer with a global trading firm.

After months of wavering, India decided in February to give mills a subsidy of Rs 4,000 ($64) a tonne for exports of up to 1.4 million tonnes in an effort to reduce stockpiles after five years of surplus output.

Indian mills have been contracted to export an extra 20,000 tonnes of sugar, a number of dealers said.

Though mills sealed deals to export 50,000 tonnes of sugar since the subsidy was agreed, dealers expect the annual figure to be less than 500,000 tonnes.

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Indian raw sugar prices have fallen to $330-$340 a tonne from $465 a few weeks ago.

As a result, very few mills are producing raw sugar, the Mumbai-based dealer said.

So far Iran, India's biggest buyer last year with purchases accounting for almost half of the country's total raw sugar exports of more than 1 million tonnes, has not placed an order.

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Gold imports rise to $1.98 bn in February

The Economics Times

New Delhi, March 12, 2015: Gold imports in February rose to $ 1.98 billion (Rs 12,293 crore), the second successive monthly rise.

Gold imports had inched up in January 2015 to $ 1.55 billion.

Despite easing in gold import norms, the shipments had dropped sharply in December 2014.

The December import figure stood at $ 1.34 billion, about one-fourth of the quantity in November.

As per data released by the Commerce Ministry this month, the gold shipments in February jumped 48.78 per cent on a year-on-year basis.

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

In November 2014, the RBI had eased restrictions on gold imports by scrapping the controversial 80:20 scheme.

Under the 80:20 norm, put in place in August 2013 to curb high gold inflows that was widening the current account deficit, at least 20 per cent of the imported gold had to be mandatorily exported before bringing in new lots.

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

The data further revealed import of silver contracted by 60.47 per cent in February to $ 121.42 million. Imports of petroleum, crude and its products shrank 55.49 per cent.

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Govt cuts import tariff on gold, silver

Business Line

New Delhi, March 14' 2015: The Government has slashed the import tariff value on gold to $375 per 10 grams and silver to $512 per kg following a weak global price trend.

During the first fortnight of the month, the tariff value on imported gold was fixed at $393 per 10 grams and on silver at $549 per 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 decrease in tariff value on imported gold has been notified by the Central Board of Excise and Customs, according to an official statement released late last night.

Gold in New York, which normally sets the price trend on the domestic front, declined from a high of $1,162 per ounce and is currently ruling at $1,158.60 per ounce.

Silver too has dropped to $15.64 per ounce.

Gold, silver imports

In February, gold imports had jumped by 49 per cent to $1.98 billion compared to the year-ago period, while silver shipments contracted by 60.47 per cent to $121.42 million in the same period.

Gold is the second-largest import item for India after petroleum. Higher gold import bill adversely affects the country’s current account deficit (CAD).

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

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Coal imports jump 31% in Feb

Business Line

New Delhi, March 4’2015:India's imports of thermal and coking coal jumped 31 per cent in February from a year ago, as new power plants ramped up output, preliminary data from online trader mjunction showed, though purchases sank month-on-month on rising prices.

Shipments through the 31 coal-handling ports in India, which is about to unseat Japan as the world's second biggest coal importer after China, stood at 17.94 million tonnes in February compared with 13.72 million tonnes a year ago.

Imports in January this year, however, were much higher at 20.29 million tonnes, compared with initial estimates of 15.79 million tonnes, according to the data based on monitoring of vessels and information from shipping companies.

"Spot steam (thermal) coal prices remained volatile in the international markets during February while showing an increasing trend over the previous month," mjunction Chief Executive Officer Viresh Oberoi said in an email.

Prices of thermal coal for export from Australia's Newcastle port, Asia's benchmark, soared 30 per cent in January and February to over $80 a tonne at the end of last month as major miners cut production, although prices have since fallen below $70 a tonne.

India imported 13.61 million tonnes of thermal coal in February this year, 3.54 million tonnes of coking coal and 138,499 tonnes of metallurgical coke among other varieties.

Thermal coal is used for electricity generation in power plants while coking coal and metallurgical coke find use in steel making.

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