Agriculture

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US plays spoilsport, to nix India's wheat export plan

Amiti Sen, Economic times

New Delhi, July 2, 2012: The United States has put a spoke in India's attempts to export wheat even before the government can get its act together on the proposal to ship two million metric tonne of wheat.
Washington has indicated that it will oppose the grain exports by India if they are sold below cost, as export subsidies are not permitted by the World Trade Organisation.

In a recent meeting of the agriculture committee of the WTO, the US asked India about the exports. "The US asked us detailed questions on the minimum support price paid to procure food grain and the price at which it could be sold in the overseas market," a government official told ET.

The government has over 50 million tonne of wheat in the central pool as on June 1 against the buffer norm of 32 million tonne on July 1. Much of the grain is stored in the open, exposed to elements and is at high risk of loss.

It is keen to export some of the stock at $228 a tonne(Rs.12,500) against the overall cost of about $300 a tonne (Rs. 16,500) to clear the way for the new crop as without the subsidy it will not find takers in the world market.

However, commerce department officials are apprehensive that once India starts exports at a subsidised rate, the US may create a greater noise at the multilateral forum against the move.

India may be able to defend the exports claiming that subsidies would be given only for a short period, but the US concern reflects a growing global glare on India's food export policy that the government needs to be weary of, a commerce department official told ET.

"India's flip-flop on cotton exports has already been criticised by a number of nations and discussed at length at the WTO. Now the focus is shifting to export subsidies. We need to be careful," the official said. Even in forums such as the G-20, there has been criticism of domestic policies that affect international prices of food grain.

"Although India need not fear action against it at the WTO for its proposed subsidised wheat exports as these would be withdrawn by the time a dispute is launched, we need to ensure that it does not get projected as a country that distorts world food prices," a Delhi-based trade expert told ET.

Interestingly, even the finance ministry in India is reportedly against the food ministry's proposal of selling wheat at $228 per tonne as it will add to the subsidy burden that the government is desperately trying to reduce.

However, since the export price was arrived at after a bidding process and the global prices of wheat are also ruling low, the food ministry is of the view that exports cannot happen if it is not heavily subsidised. The issue is likely to discussed at a meeting of the Union Cabinet scheduled on July 2.

The country could have got a much better price if it had exported some months earlier when global prices were higher, but the decision to export wheat is always a sensitive one because of food security issues and the government often takes long to decide.

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Wheat recovers as govt allows 2mn tonne exports

Press Trust of India

New Delhi, July 4, 2012: Wheat futures prices today rose by 0.49% to Rs 1,225 per quintal as speculators created fresh positions after the government approved export of two million tonnes of its exports.

Traders said record procurement of wheat by the government that rose by 36% to 37.85 million tonnes (mt) in the current marketing season so far, buoyed by record production of wheat in the country restricted the gains.

At National Commodity and Derivatives Exchange, wheat for delivery in August traded Rs 6, or 0.49%, higher at Rs 1,225 per quintal, with an open interest of 13,450 lots.

The wheat for delivery in current month also rose by Rs 5, or 0.42%, to Rs 1,198 per quintal, with an open interest of 21,670 lots.

The government yesterday approved export of two million tonnes of wheat from its buffer stock in order to clear storage space for new crops.

The decision was taken by the Cabinet Committee on Economic Affairs (CCEA).

"CCEA has approved export of two million tonnes of wheat from government stock with floor price of USD 228 (about Rs 12,400) per tonne," Food Minister K V Thomas had said yesterday after the meeting.

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Government okay with Punjab exporting wheat to Pakistan

Rituraj Tiwari, Economic Times

New Delhi, July 2, 2012: The Union government, in principle, has agreed to export wheat to Pakistan. The empowered group of ministers on food has asked the Punjab government to work out a proposal for exporting wheat to Pakistan through the Integrated Check Post (ICP) on the Attari border.
The decision came after the Punjab government sought the commerce ministry's permission to export wheat from its choked warehouses to Pakistan.

"We are facing a wheat glut here with no more space to store grains. We have asked the Union government to allow us to export wheat directly. We are waiting for the Union government's decision," said Punjab food and civil supplies secretary DS Grewal.

Wheat procurement in Punjab has touched an all-time high of 128 lakh tonne forcing the state government to press for exports from Punjab-based central warehouses. "We have a stock of around 165 lakh tonne of wheat. We need to move the grain fast to create storage space," he said.

Punjab deputy chief minister Sukhbir Singh Badal has been demanding that shipments be allowed to Pakistan and other CIS countries through Attari. "If we can allow exports of sugar and cotton, why the Union government can't take a bold step of allowing wheat exports through the land route," he had said in a public meeting.

But Pakistan has more wheat than it needs this year. It has produced 23.5 million tonne wheat this year as against the domestic demand of around 21 million tonne. It has exported 1.8 million tonne to Saudi Arabia, Egypt and the Gulf countries.

Pakistan's wheat imports were valued at $10.725 million last year but this year there were no imports. "There is no demand from Pakistan. We are surprised why the state government is pressing for wheat exports across the border?" said Sanjay, a grain exporter based in Amritsar.

Meanwhile, the food ministry is likely to present its proposal to the Cabinet on Tuesday seeking approval for incentivised export of 2 million tonne from the central stock. The food ministry envisages an export subsidy of Rs 750 per quintal for moving wheat from its choked warehouses as international prices are significantly lower than the government's cost of buying and storing the grain.

"Global prices are around $228-230 a tonne while the government's cost is $328 a tonne. If export happens, the government will have to shell out the differential," said a food ministry official.

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India rethinks frequent ban on export of foodgrain, other farm commodities

Amiti Sen, Economic Times

New Delhi, July 4, 2012: India's frequent ban on export of foodgrains and other farm commodities may soon become a thing of past as the commerce department is working on a policy to allow traders meet their exports obligations even in times of domestic shortages through imports.

The move will help India restore some global credibility as it has often faced flak for its banning spree.

"Once we are ready with the proposal, it will be sent to the finance ministry," a commerce department official told ET.

New Delhi's flip-flop on exports of onions, sugar and cotton in particular has been criticised at the international foras such as World Trade Organization and G-20, creating fears of India being branded as an unreliable supplier.

The G-20 meeting of farm ministers in Paris last year underlined the need to oppose export bans, especially at a time of humanitarian crisis.

Moreover, banning exports at the slightest pretext of domestic shortage has also led to bitter exchanges among commerce, food and agriculture ministries, as seen in the case of cotton exports.
The proposal seems to have the blessings of the finance ministry as former finance minister Pranab Mukherjee raised the issue in the discussion on the Union Budget in May this year.

"We have to maintain our presence in the international market and meet our commitments," Mukherjee had said, adding it is all right to export something that the country produces even if it has to be re-imported later if the need arises.

Despite having millions of tonnes in wheat stock, the exports in 2009-10 and 2010-11 was only 3.5 lakh tonne.

The exports industry, too, has been complaining for long that short-term policies affect decision making.

"Our reputation as an exporting nation suffers because of our fast changing policies. It creates uncertainties not just for exporters but also for our importers.

We are not seen as reliable suppliers," said Abinash Verma, director general, Indian Sugar Mills Association. The commerce department is confident the proposed policy will work.

"If we implement the proposed policy, an exporter can continue serving his customer, provided he is ready to import from other sources if there is a shortage at home," the official said.

Experts say the concept is fine, but it needs to executed with care.

"When exports continue at the time of shortages, the impact on prices is much more than the demand-supply gap because of speculation," says Biswajit Dhar, director general, Research and Information System for Developing Countries. So, when the government decides against export ban, it has to simultaneously think of ways to control speculation, Dhar adds.

The commerce department had earlier proposed unrestricted exports of all major commodities under a limited ceiling, but it was not appreciated by food and textile ministries.

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India hopes to revive mango export to Australia this year

Jayashree Bhosale, Economic Times

Pune, June 22, 2012: India is preparing to export irradiated mangoes to Australia, four years after being granted market access, in a move that traders believe could revive faltering overseas sales that have declined 30% in the last three years.

Ranked first in the world in mango production, Indian exports are not significant. The Agricultural and Processed Food Products Export Development Authority (APEDA) has been trying to develop overseas market for Indian mangoes. The United States opened its market for Indian mangoes five years ago. The US has one of the strictest hygiene norms and the mangoes have to be treated at the irradiation facility.

Australia approved the policy of importing Indian mangoes in 2008. However, the trial shipments of mangoes treated with vapour heat treatment (VHT) reportedly faced quality issues. The Australian authorities recently visited the irradiation facility at Lasalgaon near Nashik, Maharashtra.

Both the Indian and Australian governments are currently working on preparing the standard operation procedures (SOP) for mango export. If the SOP is prepared this season, then there is a possibility of sending trial shipments of the Chausa and Langda varieties in July after irradiation.

Mangoes are irradiated at the Lasalgaon facility where the US officials remain physically present. Mango export has declined 30% from 83,703 tonne in 2008-09 to 59,220 tonne in 2010-11. Export for the juicy fruit to the US has also declined during the same period.

The Middle East still remains the main market for Indian mangoes. "Middle East is an easy market for Indian mangoes. The US market needs many compliance. The mangoes have to be transported from the growing area to the irradiation facility and then to Mumbai for shipping. This results in deterioration of quality," said an official of a big agri-business company on condition of anonymity. However, Indian exporters face tough competition from Pakistan, which is cheaper than the Indian mangoes.

Mango exports to Japan, which needs VHP treatment, have declined 88% during 2008-09 to 2010-11. "Indian mangoes become very expensive by the time it reaches US or Japan. After the tsunami, the demand for Indian mangoes has declined in Japan. Major customers of Indian mangoes in the US are the people of Indian origin who prefer to eat Alphonso mango. But Alphonso has quality issue as it develops spongy tissue by the time it reaches US," said KZ Toshnival, managing director, Maharashtra State Agricultural Marketing Board.

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Onion prices up 25% as govt allows export without MEP

Dilip Kumar Jha , Business Standard

Mumbai, July 3, 2012: Onion prices rose 25 per cent in the spot market here on Monday due to lower output estimates on deficient monsoon rainfall and the government's decision, on Friday, to allow its shipment abroad without any minimum export price (MEP).

Data compiled by the National Horticultural Research and Development Foundation showed the model price of onion jumped by Rs 150 a quintal from yesterday, to trade at Rs 750 a quintal. Arrivals in the spot market here have also intensified. Accordingly, on Monday total arrivals in the spot market were 11,200 quintals as compared to 10,466 quintals yesterday.

A Friday notification by the Directorate General of Foreign Trade showed the government had scrapped the MEP barrier to boost exports. Pakistan, the normal competitor has none available at present, with its crop having failed last year. Continuous revision of MEP had restricted India's opportunity; the government feared rising onion prices might help raise inflation. However, after May 8, the MEP requirement had been removed; the loosening was applicable till July 2, when it was to be reviewed. "Trade was better, with export demand having got support from the MEP removal," said Ashok Valunj, director of the Agricultural Produce Market Committee at Vashi.

Traders are optimistic on a further rise in prices due to the deficiency in monsoon rain. According to the India Meteorological Department, there was 31 per cent lower rainfall in June, on the long term average, resulting in a 60 per cent delay in sowing of the early crop in Karnataka.

Union food minister K V Thomas had earlier estimated India's total onion output at 15.7 million tonnes in the 2011-12 crop year (July-June), against 13 mt in the previous year. However, frequent changes in government policies restricted demand at home and abroad. Due to the high export price, India had lost its competitive edge in international markets to China and Egypt. In January, the government had lowered the MEP on all varieties, except Bangalore Rose onions and Krishnapuram onions, to $150 per tonne.

India ranks second in the world in onion production, with Maharashtra and Gujarat the main producing regions. There was a serious supply crunch in late 2010 and early 2011, when prices rocketed to Rs 80-85 a kg in the retail market. Demand was usually stable through the year in 2011-12.

The vagaries of nature affect the crop badly. Hence, the deficiency of rainfall is likely to hit output this season. India exports onion to Sri Lanka, West Asia and Malaysia, besides a small quantity to some European countries.

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Southern spinners import cotton

Sharleen D'Souza, Business Standard

Mumbai, June 30, 2012: As the fall in cotton prices in the international markets has been much sharper than in India, spinners in south India are now looking to import cotton. Moreover, spinners have the choice of making payments within six months without paying any interest, after which they will have to pay a nominal interest of below three per cent per annum.

From 85.7 cents per pound in the beginning of May, international prices of cotton have slid 20 per cent to 70.52 cents per pound now. But the rupee has fallen during the period, making imports costlier. Consequently, the fall works out to 5.06 per cent.

The price of cotton in the Indian market, however, has remained stable. It traded at around Rs 9,200 per quintal on Friday.

The price of imported cotton, similar to Shankar 6, is 75 cents per point while Indian cotton is being exported at 80 cents per pound.

South India-based spinners are currently importing from Africa, as it is cheaper.

So far, mills in the south have imported 70,500 bales (one bale = 170 kg) of cotton, according to indenting agents. The import cost is Rs 34,000 per candy. This, while Gujarat cotton is available in Coimbatore at Rs 37,000 and Andhra Pradesh's version at Rs 38,000.

“We are getting orders from spinners from the south to import cotton. They fear the delay in monsoon will cause cotton acreage to shrink, which will eventually cause prices to go up in the coming cotton year," said Umang Kapasi, joint managing director of Comibatore-based Shri Vardhaman Cotton Corporation, which also operates as an indenting agent. He said the only issue is it takes 40 days for imports to arrive.

Since May, export orders for cotton have remained almost stagnant. During October-May, 11 million bales were exported. However, since then, only one million bales were exported.

Since the fall in international prices has been much sharper than in India, exports have almost stagnated. Demand usually arises from China, but that country has already created a buffer stock by heavily importing from the US, the largest producer of cotton in the world.

Even Bangladesh, which procures cotton from India, has not been importing in the last few weeks. "There is very little demand from Bangladesh and China for cotton," said M B Lal, a Mumbai-based cotton exporter.

Even after India threw open its exports after the ban, exports in the month of May stood at only one million bales.

Domestic demand has also taken a hit as many mills have resorted to need-based buying. Traders are not selling to mills on credit, as they are not sure if the latter will be in a position to pay back later, due to overall weakness in demand.

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Iran looks at India wheat for possible imports

Reuters

June 12, Mumbai: A delegation from sanctions-hit Iran arrived in India on Tuesday to explore the possibility of importing wheat from the South Asian nation, which has huge stocks and wants to reduce its trade imbalance with the oil exporter, government sources said.

Food shipments to Iran are not targeted under Western sanctions aimed at curbing Iran's nuclear programme, but payments remain difficult because of financial sanctions, even though India has just won a waiver from Washington on the strictures.

India, Iran's second biggest crude client, hopes it can reassure Tehran on quality and secure wheat sales to help settle part of its $10 billion a year-plus oil import bill through a barter-style mechanism using rupees.

The delegation from Tehran will primarily see whether India's wheat meets the quality norms of Iran, a government source said, with actual deals unlikely to emerge at this stage.

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Imports of sensitive items breach Rs.1 lakh crore mark

PTI

June 20, New Delhi: Imports of sensitive items, including fruits, vegetables and edible oils, went up by 42.8 per cent year-on-year to Rs.1,00,911 crore in 2011-12 from Rs.70,655 crore in the previous year.

Imports of fruit and vegetables soared by 70 per cent to Rs.8,929.24 crore from Rs.5,248.38 crore, Commerce Ministry said in a statement.

Items such as foodgrains, automobiles, milk and beverages fall in the sensitive category and the import of these goods are monitored by the government to see if there is any adverse impact on the domestic industry.

Imports of edible oils rose by 57.9 per cent to Rs.46,309 crore from Rs.29,319 crore. India is the world's largest importer of edible oil and one of the largest consumers.

"Imports of both crude oil as well as refined oil have gone up by 53.5 per cent and 85.6 per cent, respectively. The increase in edible oil import is mainly due to substantial increase in import of crude palm oil and its fractions," it said. Imports of items such as alcoholic beverages and spices also increased by 58.3 per cent and 54.2 per cent, respectively.

Imports of products of small scale industries such as umbrellas, locks, toys and glassware went up by 43 per cent year-on-year to Rs.2,205.75 crore. Automobile imports jumped by 40 per cent to Rs.3,587 crore. Similarly, milk imports increased by 43.8 per cent.

"Imports of foodgrains have declined at broad group level. Imports of all other items such as edible oil, automobiles, pulses, fruits & vegetables, rubber, cotton & silk and spices have increased during the period," it added. Imports of foodgrains contracted 92.6 per cent.

Imports of sensitive items from Indonesia, China, Malaysia, Germany, Argentina, Korea, the U.S., Japan, Thailand, Canada, Myanmar, the U.K., Australia, have gone up while those from Brazil have gone down. Imports of sensitive items constitute 4.3 per cent of gross imports during the period.

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DGFT has approved export of 0.33 mt sugar since May

Press Trust of India

Jun 7, 2012: The commerce ministry has issued registration certificates for export of 3,30,000 tonnes of sugar since early last month when the government decided to free sugar shipments, according to industry body Indian Sugar Mills Association (ISMA).

On May 2, the government decided to allow unrestricted sugar exports by bringing it under the open general licence. However, exporters were allowed to ship only after taking registration certificate (export permits) from the Directorate General of Foreign Trade (DGFT) under the commerce ministry.

"Till June 3, the DGFT has issued registration certificate for 332,000 tonnes of sugar. Of which, 1,77,000 tonnes has already been exported," a senior official of the ISMA said. He also said mills have also shipped the entire 200,000 tonnes of sugar that were allowed before May.

According to DGFT, an exporter can apply for registration certificate for a maximum quantity of 25,000 tonnes.

The application for second and subsequent RC can be made after exporting at least 50 per cent of the allotted quantity. Exports were permitted as the country's sugar output is expected to touch 26 million tonnes in 2011-12, higher than the annual demand of 21.5-22 million tonnes.

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Enough stock for another 2mt sugar export: Govt

Anindita Dey, Business Standard

Mumbai, June 07, 2012: The Union ministry of food has worked out an internal limit of two million tonnes of sugar that could be exported under Open General Licence (OGL) till September, without affecting domestic prices.

According to official sources, the ministry expects final output in the current season to be 25.8 mt, against the earlier estimate of 25.2 mt. They said crushing of cane had ended in north India, but some mills in south India were still reporting production.

The current sugar marketing year started in October last year. India is the world's second-largest producer and biggest consumer. Output was 18.6 mt last year.

Before sugar export was brought under OGL, freeing it from quantitative restrictions, the government had allowed export of two mt. Officials said under the new regime, 170,000-180,000 tonnes of sugar had been registered with the Directorate General of Foreign Trade (DGFT) for shipment abroad till date. They added the ministry was comfortable with availability of a three-month stock at its disposal for managing domestic demand at any given date. Beyond this limit, the surplus could be considered for exports, they said.

The commerce ministry told millers, once the OGL decision was announced, to register export contracts with it, to keep pace with the quantity of shipment. With the new regime, the DGFT raised the ceiling in each registered contract (RC) from 10,000 tonnes to 25,000 tonnes, equivalent to one vessel load for white sugar. An applicant has the liberty to seek split RCs for export through more than one port, within the overall limit of 25,000 tonnes. Also, the time limit for completing export has been extended from 30 days to 60 days from the date of issuing the RC.

Among other reasons why the Union government keeps control on the marketing of sugar is its requisitioning of what is termed 'levy sugar', the quantity it requires mills to supply (at a price it sets) for subsidised supply through ration shops. It is mandatory for mills to sell a tenth of their production to the government at this lower rate. This levy sugar quota is then allocated to states and Union Territories for the Public Distribution System.

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As Pakistan lowers imposts, Indian tea exports set to get a fillip

Indrani Dutta, Hindu

Kolkata, June 5, 2012: Indian tea exports to Pakistan is set to get a fillip, following the lowering of sales taxes by a steep 11 per cent. Sales tax along with a high level of customs duty and some local imposts have rendered Indian teas uncompetitive in Pakistan. This is now expected to get corrected to a large extent.

“This will provide a huge boost to Indian exports of black tea to Pakistan,” Azim Monem, Chairman, Exports and Domestic Sales Sub-Committee of the Indian Tea Association said. ITA Chairman C. S. Bedi, too, welcomed the development saying that Pakistan was now keen to buy all types of Indian tea. Ullas Menon, Secretary of the United Planters' Association of Southern India, said, “Genuine buyers would now get value for their money”. Bulk of the 24 million kg of tea that Pakistan imports goes from South India.

Mohammad Hanif Janoo, Chairman of the Pakistan Tea Association, told *The Hindu* that sales tax had been reduced to 5 per cent from 16 per cent and this would boost tea imports from India. “Import of good teas from India will increase,” he said, adding that Pakistan's legal tea imports would now “increase from 125 million kg to around 170 million kg.”

It may be mentioned that amid the positive spirit now ruling between the two countries, in April 2012, a pact was sealed between the industry representatives of India and Pakistan to double tea exports to 50 million kg by 2015.

Pakistan is one of the top three tea importing nations with a consumption of 220 million kg and an official import of 120 million kg. Its main supplier is Kenya. “ We are hopeful that India's share will grow… tea consumption is growing in Pakistan where it is a food item,” Mr. Janoo, leader of a 13-member delegation, had said at a press meet here in April.

Mr. Monem said Pakistan was now showing a preference for value-added teas and samples had been sent. He said these were mostly made of fannings of which there was surplus in India.

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US must fall in line on cotton subsidy

Ritesh Kumar Singh/Prerna Sharma, Hindu Business Line

25 May, 2012: With WTO's Doha Round negotiations stalled till the new US President assumes office, all hopes of a reduction in US cotton subsidy rest on the upcoming revision of current farm support legislation that expires on September 30, 2012.

Though the issue has not received much media attention in India, it has long-term implications for India's cotton and manmade fibre producers already suffering from unsold stocks and slowing demand.

The US Senate Committee of Agriculture has cleared the new farm bill, called 'Agriculture Reform, Food and Jobs Act 2012'. The bill seeks to eliminate direct and counter cyclical payments to the farm sector.

However, it proposes increase in support to crop insurance, extension, and horticulture which can become contentious. Although cotton would be one among the list of commodities that would see the largest subsidy cut, there are indications that a subsidy cut on cotton would not be sufficient to completely remove trade distortions.

Among countries that should be watching the US farm bill deliberations is Brazil, which is embroiled in a long-drawn battle over US cotton subsidy at the WTO.

Another Grouping that is closely watching the developments are Cotton-4 (a consortium of four cotton producing African countries Benin, Burkina Faso, Chad and Mali). They had already submitted a proposal to the WTO calling for a global agreement to end all production-related support for cotton in all WTO member nations, but have not met with much success. It would be pertinent to revisit the Brazil-US WTO cotton subsidy dispute.

DISPUTE WITH BRAZIL

The origin of the dispute can be traced back to September 2002 when Brazil first took the US to the WTO over latter's trade-distorting subsidies for cotton. Later, Argentina, Australia, Benin, Canada, Chad, China, Chinese Taipei, European Union, India, New Zealand, Pakistan, Paraguay, Venezuela, Japan and Thailand joined the dispute as third parties.

After losing at WTO, the US made some changes in its cotton programme. For example, it abolished payments to induce purchase of relatively high priced US upland cotton ('Step 2'), export credit guarantee programme ('GSM-103'), the fee cap on another export credit guarantee programme ('GSM-102') and supplier credit guarantee programme (SCGP). However, the US introduced some new subsidy schemes in its 2008 Farm Bill, such as countercyclical payments and provisions for marketing loans. Unhappy with the US actions, Brazil asked for a WTO compliance panel, which found that the US has not fully complied with the WTO rulings.

Subsequently, on March 3, 2009, Brazil claimed the right to take retaliatory trade measures. Disagreement over the nature and extent of the retaliation led to both parties requesting for an arbitration panel. The panel permitted Brazil to use countermeasures with respect to trade in goods. It also allowed relaxation in Brazil's commitment under TRIPS and GATS. This forced the US to come to the negotiating table.
As a result, Brazil agreed to postpone the retaliatory actions till the revision of US farm legislation, in return for an annual payment of $147.3 million in technical assistance and capacity-building aid to the Brazilian Cotton Institute.

EFFECTS OF US SUBSIDY

Thus, Brazil has somewhat been compensated, but other cotton producing countries have been left in cold. Such countries too can challenge the US cotton subsidy, but that could be expensive and time-consuming.

As per a recent estimate by the Congressional Research Service (CRS) between 1994-2008, US cotton subsidy averaged $5 billion and accounted for roughly one-fourth of its total farm support. Though the US is the third-largest producer of cotton, next to China and India, it is the largest cotton exporter and accounts for 30-40 per cent of the world export of cotton, despite being a relatively inefficient producer. Of late, the US has been exporting an increasing share of its annual cotton production mainly because of the declining demand of domestic mills. Its exports of cotton as a share of total production have averaged 67 per cent since 2001, up from a 40 per cent average during the early 1990s. To be fair to the US, many other countries such as China or European Union also provide farm subsidies including that for cotton. India is no exception either; however, its subsidy is well within its WTO commitments.

High US subsidy on cotton keeps the international price of the cotton artificially low. This adversely affects the export competiveness of competing cotton-exporting countries, including India, which accounts for roughly 20 per cent of the world export of cotton, or Australia with 7 per cent, Brazil (6 per cent) and West Africa including C-4 countries (5 per cent). For C-4 countries cotton is the key export item. The low international price of cotton (on account of US subsidy) also depresses the demand for and price of other manmade fibres, in particular of viscose staple fibre which is blended with cotton to make yarn, fabric and garments.

When India is faced with a burgeoning trade deficit, every exportable item counts. However, continuing US subsidy on cotton, despite a series of adverse rulings by WTO, hurts India's exports of cotton as well as those of blending materials like viscose staple fibre, or in some cases, synthetic fibres. As if India's export curbs and policy flip flops are not enough, artificially suppressed price of cotton on account of US subsidy deprives the producers of cotton and manmade fibres from getting remunerative prices for their products.

Such market-distorting policies lead to sub-optimal allocation of resources and adversely affect the prospect of the cotton (and manmade fibres) sector that provides livelihood support to millions in India and other poor developing countries in Africa.

In the long run, it will also lead to less acreage being allocated to cotton farming that will jeopardise the steady supply of raw material to India's textile sector, and expose the sector to the fluctuations in international markets. It's time India engaged with US policymakers to get trade-distorting US cotton support substantially reduced or completely removed in this farm bill revision.

It should be noted that 80 per cent of the US cotton subsidy is appropriated by 10 per cent of the farms, hence there's not much justification for its continuance.

The US, being the staunchest proponent of free trade, needs to bring its farm support policy in compliance with its WTO commitments and strengthen the global trade regime.

(*Ritesh Kumar Singh is an international trade expert for a corporate house. Prerna Sharma is a research analyst — agri commodities. The views are personal.)*

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Destroying farm exports

Business Standard

Instability in govt policy hurts producers and consumers

New Delhi May 15, 2012: Stability is not the hallmark of the Indian government's trade policies. This is true particularly of trade in agricultural products, which is switched on or switched off frequently — often at inappropriate times. The slew of recent decisions regarding the liberalisation of exports of agricultural commodities, such as sugar, cotton, onion, milk casein and staple cereals like wheat and rice, provides ample evidence of this. Curiously, most of these decisions were taken not by the ministries concerned, but by groups of ministers (GoMs) or at a still higher level. Such an ill-conceived approach towards exports helps neither to gainfully tap the global market to fetch better prices, nor to steady domestic commodity markets. Even an administrative decision like doing away with the minimum export price (MEP) for onion was taken at a meeting chaired by the prime minister. Similarly, lifting the export ban on a minor product like casein – a form of milk protein used as dietary supplement and for making cheese – had to wait for ages, until a GoM was ready to take a call on it.

One of the most detrimental repercussions of decision paralysis of this kind is that the ideal opportunities to tap the global bazaar are almost invariably missed. Take, for instance, the unshackling of sugar exports, a step that was overdue, given sugarcane output has consistently provided surpluses. Exports were allowed only in dribbles at first, and were freed up only when international prices fell to their lowest level of the year. In fact, a further price slide is not being ruled out, in view of the anticipated arrival of the latest harvest in Brazil, the world's largest sugar producer. The domestic sugar industry is saddled with high inventories and sugarcane price arrears have mounted to over Rs 10,000 crore, hurting cane growers severely. The MEP for onions, too, has been raised at a time when it is unlikely to benefit onion growers, as they have already disposed of their main kharif produce. And, of course, cotton exports were liberalised only after several hiccups that dented importers' faith in the reliability of supplies from India.
China, the largest importer of Indian cotton, is reportedly now looking towards the United States and other such more dependable cotton-producing nations.

In the milk sector, which is also going through a productivity boom, exports have been liberalised only for casein, though the actual need is to ship out skimmed milk powder, to trim the mounting inventories. Indeed, the list of such mistimed and misdirected trade moves seems unending, including even cereals like rice and wheat. Though their production and procurement have outstripped requirements for several years now, causing an unprecedented glut and acute scarcity of storage space, the decision to export was needlessly held back until international prices began to soften. As a result, wheat exports have lost much of their profitability, and non-Basmati rice exports are possible only to nearby destinations — and that too has been possible because of the weakening of the rupee. The government should have learned from all these errors that it would do better to stop making heavy weather of farm exports. It is better to leave them to the markets than to infrequent and inefficient GoMs.

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Cotton may see gloomy days ahead

Rajesh Bhayani & Komal Amit Gera, Business Standard

Mumbai/ Chandigarh, May 16, 2012: The cotton controversy does not seem over yet, despite the decision at the beginning of this month to re-allow its export. Cotton prices in the domestic and global markets have fallen six to seven per cent. Exporters say they're selling at a loss due to individual ceilings imposed in the notification. Prices have fallen globally as well, due to expectations of high (global) ending stocks.

The real problem for consumers would start three months down the line, by when stocks at home would have dried up and the new crop might be lower, going by the expectations of a 10 per cent fall in area sown. Which is likely to mean prices begin to move up. Even before the government allowed free export a fortnight earlier, the Cotton Advisory Board (CAB) had estimated a closing stock of 2.51 million bales (a bale is 170 kg) after considering 11.5 million bales already shipped out. The closing stock estimated was already the lowest in a decade. It was four million bales in each of the past two years.

Exports have since been freed but traders are not as enthusiastic, though they feel 1.5 million bales might still be exported in the next three months, before the season ends. Exports will be limited on two counts. Several restrictions have been imposed by the government and the US department of agriculture (USDA) has said the current year's global closing stock is expected to be higher by 12 million bales, at 77 million bales. The reason: China, the largest importer of cotton, is expected to have huge cotton reserves and is not likely to purchase substantial quantities this year. Traders say China's new import quota, to be announced in the near future, may be close to 1.2 million tonnes (seven million bales) this year.

Govt caps, stocks

Explaining procedural difficulties in exports under the new notification, Rakesh Rathi, president of the North India Cotton Association, said the guidelines issued by the directorate general of foreign trade say an existing exporter can send only up to 10,000 bales and a novice 1,500 bales under one Registration Certificate (RC). A second RC would be issued only on filing proof of executing at least half the quantity of export mentioned in the first RC. This, he said, has undermined the prospects. Exporters who had contracted would now have to seek a new letter of credit (LC) from importers, which they are finding difficult as they had not been able to meet past commitments due to a sudden export ban.

On the other hand, even if only 1-1.5 million bales are exported in the next three months, the closing stock will fall to a little over a million bales, going by CAB estimates. D K Nair, director-general, Confederation on Indian Textile Industry, says: "The cotton crop may be lower than even CAB had estimated, as arrivals of new cotton are not that high at present." CAB had in its April meeting estimated 34.7 million bales.

This may lead to a crisis for cotton textile mills and spinning mills when the season comes to an end, as they will not get cotton till the new season crop arrives. "By then, prices should start rising and the benefit of higher prices will not accrue to farmers, as they would have sold all the cotton they have and traders will reap the benefits," said Nair.

Jagdish Joshi, a veteran cotton industry analyst, however said, "The scene may not be that bad, as CAB's estimates seem very conservative and India's total crop for 2011-12 may turn out to be 36.5 to 37 million bales."

Interestingly, several exporters who'd stored cotton expecting free export have started selling even at a loss in the domestic market, given the 10,000-bale cap on shipment abroad. This has lead to a slide in prices at home, as mentioned over the past week, of seven to eight per cent. In the Mumbai market, the Shankar-6 variety was selling at Rs 33,000 per candy (356 kg). After the latest USDA projections regarding high global ending stock, prices in the US market have also come down by eight per cent, to 76.71 cents per pound.

Cotton prices in China are 10 per cent higher but they are not eager to give more orders to Indian exporters, as the latter have not met past commitments due to the sudden ban imposed by the government.

Noting the drop in global cotton prices, spinning mills in India are also buying less. Summarised a Mumbai-based exporter: "Ever since government intervention started in cotton, the entire value chain has gone into a mess. Neither farmers nor traders have been rewarded with the recent decision on lifting of the ban on exports."

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DGFT imposes restrictions on sugar exports

Business Standard

Mumbai May 16, 2012: Within three days of the ministry of food allowing "free" sugar exports under the open general licence, the Directorate General of Foreign Trade (DGFT) has imposed restrictions similar to the control it did for cotton earlier this month.

The DGFT, reversing the food ministry's May 11 order, has not only made registration mandatory, but has also put a quantitative restriction of 10,000 tonnes by an individual exporter. The DGFT has also clarified that an exporter can be granted a registration certificate (RC) for a maximum 10,000 tonnes at a time. To obtain a second RC, the exporter would require to execute the export order and give to the DGFT all relevant details.

The May 14 circular has another factor that some find most embarrassing: penalty for an exporter who fails to execute an order within 30 days from the date of issuance of such certificate. According to the policy, the exporter would be liable to pay not less than Rs 10,000 and not more than five times the value of the goods, whichever is more.

The Indian Sugar Mills Association (Isma) said the latest DGFT order amounted to "complete reversal" of the logic behind the decision taken at a May 2 inter-ministerial meeting chaired by the prime minister, which freed export of quantitative and time restrictions — the need for release orders from the directorate of sugar was done away with. Instead of the release orders, the mills have to get registration and for a maximum of 10,000 tonnes.

"This is in total contradiction to the food ministry's May 11 notification, which did not put in place any such quantity or time restrictions," according to Isma director-general Abinash Verma. "Such a registration requirement and control, as ordered by the DGFT, will badly stall sugar export. There is almost no way now the mills would be able to clear cane arrears of a whopping Rs 10,000 crore."

One shipload of sugar requires at least 25,000 tonnes, which is not the quantity that one exporter would usually get. The DGFT's restriction proves unworkable, he claimed. "We, therefore, appeal for the immediate withdrawal of the DGFT notification and allow unrestricted sugar exports as per notification issued by the food ministry," Verma added.

Union agriculture minister Sharad Pawar has decided to take up the matter and find a solution.

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Government mulls wheat export to sort out storage crisis

Rituraj Tiwari, Economic Times

May 18, 2012, NEW DELHI: Government may export 4-5 million tonne of wheat lying in Food Corporation of India (FCI) godowns in a bid to cope with the storage crisis, said a food ministry official. Commerce Minister Anand Sharma and Food Minister KV Thomas are scheduled to meet late on Thursday evening to discuss a mechanism that will make Indian wheat competitive in global market. The final decision will be taken by the cabinet.

A panel headed by PMEAC chairman C Rangarajan, which has been constituted to examine the possibilities of wheat exports, is also learnt to have recommended shipments of 4-5 million tonne wheat.

FCI has a shortage of space for storing 12 million tonne. The government will have procured 75 million tonne of grains by June while the total storage capacity is at 63 million tonne.

Indian wheat, which seems to have lost the race to cheaper Russian and Australian varieties in global market, is priced at around Rs 19,440 ($360) per tonne, which is Rs 5,400 ($100) dearer than the Russian grain.

"The two ministers are likely to discuss the amount of export incentives to be shelled out to exporters to place Indian wheat at a competitive position in global markets. The incentive, if at all is given, can be in the range of Rs 4 and Rs 5 a kg for private traders lifting government wheat and Rs 7-8 a kg for Food Corporation of India (FCI) as the economy cost of wheat is around Rs 20-21 a kg," said a food ministry official.

India was absent in the world wheat market for six years. After it lifted export restrictions in September last year, it has been able to export only 8.5 lakh tonne wheat.

"We need to incentivise the movement of grain, if we are serious about the storage issue. The wheat stock with FCI is close to 20 million tonne. By the end of this wheat procurement season, 33-34 million tonne would be added while the total storage capacity is at 63 million tonne. For moving wheat out, export incentives are a must," said a food ministry official.

State Trading Corporation (STC), a government-run trading company, recently invited bids from overseas wheat buyers to discover the market value of Indian wheat. Last week, food minister KV Thomas said India was exploring possibilities of exporting wheat from the central pool to countries such as Uganda, Afghanistan and Pakistan which need wheat.

Iran, which is on a wheat-buying spree, too may be a prospective buyer. The sanction-struck country had stopped importing Indian wheat since 1996 over complaints that a fungal disease had infested wheat crops.

"A delegation from Iran will come to India next week to explore the opportunity of restarting the wheat trade. The delegation will also examine whether the Indian wheat is still infested with the fungus," said another food ministry official.

However, there is uncertainty over the prospects of wheat export. "Wheat export can happen only when it's incentivized. Finance minister Pranab Mukherjee holds the key to exports. The FM has already turned down a food ministry proposal of making additional allocation of wheat to poor families citing the burgeoning food subsidy bill. Now will he be ready to feed other countries at the cost of the exchequer?" asked the official.

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Bilateral pacts may help India sustain exports of agri commodities

Madhvi Sally, Economic Times

May 14, 2012, CHANDIGARH: Exporters of agri commodities such as wheat, sugar and cotton feel that shipments could pick up if India would enter into bilateral agreements with countries in the Middle East, Africa and the Saarc bloc.

Comfortable global stock and a slowdown in the world economy are making Indian agri commodity exports unviable, say exporters. With a weak rupee, exporters are confident of demand for Indian agri products in international market if bilateral agreements are in place.

Bilateral agreements have earlier ensured exports of wheat to Afghanistan and Bangladesh and could further boost Indian exports, an analyst said. "Iran, a major importer, is procuring wheat from Australia and Canada. India can export wheat to Iran, Saarc and West African countries with the help of bilateral trade agreements," said Emmsons International MD Anil Monga. Basmati rice exporters hope India will have a trade agreement with China.

Currently, there is a downward pressure on wheat prices with a bumper crop anticipated in India. "The government has to market Indian wheat aggressively before the new crop from Russia arrives in the next two months. Canadian and Australian exporters are giving a negative publicity to Indian wheat saying it has been affected with a fungal disease," said Emmsons International MD Anil Monga.

Indian wheat was quoted at $270-275 a tonne in the Middle East and Saarc countries compared to Argentina wheat at $230-232 and Australian wheat at $245. "Procurement cost and movement of the commodity to ports are not viable for exporters and merchant houses. Ideally, wheat in the range of $225-230 a tonne FOB will have buyers," said Indian Pulses and Grain Association president Pravin Dongre.

A pause in cotton demand by China, the world's largest procurer of the raw material, has impacted Indian exporters. Multinational merchants have started offloading pressed cotton lots to local mills in Gujarat and Punjab, said ginners and traders.

"India's unclear export policy has cost us dear. Apart from slow buying by Pakistan and Bangladesh, there is negligible demand in the international market," said Cotton Association of India president Dhiren Sheth. However, with China likely to issue one million tonne of import quota, India exporters could be benefited.

International demand for sugar is weak owing to ample stocks following good production in India and Thailand. "The Brazilian policy on petrol will decide how much sugar will be processed and how much will go for ethanol," said New Delhi-based International Trading Co director Kiran Wadhwana. White sugar future prices were at $643 a tonne on April 1, which are currently ruling at $560 due to expected higher supply from India, according to sugar traders.

However, basmati and non-basmati rice exports look viable. Indian basmati prices are competitive in the range of $800 to $1,500 a tonne. Indian parboiled rice is selling at $520 a tonne compared to Thailand's at $590 a tonne.

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Foreign Trade Policy set to bring stability to farm exports

Amiti Sen, Economic Times

24 May, 2012, NEW DELHI: The foreign trade policy is likely to infuse some predictability in India's agricultural exports to counter the country's image in global markets that it is an unpredictable supplier of farm produce.

The government's flip-flop on cotton exports-first banned and then allowed under pressure from cotton growing states and the agriculture ministry-has cast doubts among buyers over Indian exporters' ability to honour supply contracts.

The foreign trade policy to be announced in the first week of June is expected to address the issue.

"There is more or less an agreement between various ministries and departments that exporters should be allowed to honour the contracts that have been already established with buyers and that are backed with letters of credit, irrespective of a ban," a commerce and industry ministry official told ET.

The policy may offer protection to contracts already signed when the government decides to impose a ban on the export of any agricultural commodity fearing shortage at home.

Other measures such as allowing unrestricted export of all major commodities under a limited ceiling is not finding favour with some ministries including food and textile, which argue that inaccurate farm output forecasts could land policy makers in trouble in case of a production shortfall.

"The policies to be announced in the FTP will only be those that find favour with all ministries and departments," the official added.

The frequent changes in commodity export rules, especially those relating to cotton and sugar, because of differences between key ministries has drawn flak from unexpected quarters.

Earlier this month, Finance Minister Pranab Mukherjee underlined the need to meet export commitments during discussions on the Union Budget.

"We have to maintain our presence in the international market and meet our commitments," Mukherjee said, adding that it was acceptable to export a commodity even if it has to be imported if the need arises.

Industry has been complaining that short-term policies affect decision-making. For instance, the government freed sugar exports earlier this month for the marketing year ending September, but the Indian Sugar Mills Association says the move will benefit the industry only if the exports are allowed for a longer period as only a limited quantity can be shipped every month.

Similarly, the government's decision to lift the ban on cotton exports is subject to a periodic review.

"I think it will be too much to hope that the government will decide how much of each commodity it will allow to be exported at the beginning of a year, as our production estimates are not considered very reliable. But even if it rules that despite bans all contracts have to be respected, it will be a big step towards policy predictability," said Ajay Sahai, director-general of the Federation of Indian Export Organisation.

Following the cotton exports ban last year, both Pakistan and Bangladesh wrote to India's commerce and industry minister demanding that supply contracts be honoured as it affected their domestic textile industry.

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India emerges as world's top rice exporter

Sanjeeb Mukherjee, Business Standard

Removal of curbs on overseas shipments was followed by firms cutting prices and entering new markets

New Delhi, May 5, 2012: India, a leading exporter of rice before a slew of domestic curbs came in the way, returned with a bang in the global markets in 2011-12, toppling traditional leaders like Vietnam and Thailand to emerge as the biggest exporter.

However, sustaining this performance might be difficult. For, exporters have started raising prices. Last year, they had huge stocks because of a ban imposed on non-basmati rice since 2007. Even then, India will continue to be a big player in global rice markets, albeit not as big as it was in 2011-12, say those in the trade.

According to sector officials, aided by a much-awaited decision to open export of non-basmati rice in September 2011 (a ban was imposed in 2007 to ease domestic supply), India managed to export more rice in six-seven months than Vietnam and Thailand could do in all of 2011-12.

India’s total rice export in 2011-12 is expected to be 6.5-7 million tonnes (mt), which is around seven per cent of the country’s total production. Vietnam and Thailand, too, exported 6-6.5 mt. The United States Department of Agriculture pegged export from India at seven mt in the year.

Vietnam exported some 1.5 mt during October 2011 to January 2012, while India recorded 2.7 mt during the period. Between April 2011 and January 2012, India’s rice exports were worth $3.78 billion, against $1.96 billion during the same period the year before.

Of the total rice exported by India, around 4.5 mt was non-basmati rice and 2.5 mt was basmati.

Pricing, markets

“Indian rice is priced less than Vietnam, which has propelled it to capture traditional markets like Africa,” said Ashok Gulati, chairman of the Commission for Agriculture Costs and Prices.He said when India began exporting in September, Vietnamese rice was priced higher than that of India. As India started dropping its rates, Vietnam had to follow to stay in competition. Vijay Sethia, member of the All India Rice Exporters Association, said Indian rice was priced at $360-450 a tonne (FOB), while that of Vietnam was priced at $450-550 and Thailand at $575 a tonne. Pakistan sold at $480 a tonne.

Vietnam was the undisputed leader of the world rice market, exporting eight to 10 mt yearly. It had to undercut after India entered the market in September-October, offering prices almost $100-150 per tonne less than the Southeast Asian nation. Thailand was also priced out of contention as its output dropped because of floods and a high floor price that made its rice costly.

"Basmati rice export was not a problem, as it had its set buyers in West Asia and elsewhere, but it was non-basmati rice which changed the game in favour of India," another major exporter said.

"Some credit should also be given to Indian exporters, who adopted modern techniques to process rice and scouted for newer markets," said Prem Garg, managing director of Sri Lal Mahal group and a leading rice exporter. He said Africa, particularly Nigeria, was one such market which Indian exporters managed to capture because of the quality of rice and the price differential.

"Africa is largely a parboiled rice consuming region. We sold our parboiled rice at $400-500 per tonne, while Thailand could sell only at $580-650 per tonne," Garg said, adding Indian rice was also of a much superior quality.

Momentum challenge

However, there already were signs in April of the pace slackening. "It will be a big challenge to maintain the pace of export in 2012-13, as Nigeria is not expected to purchase at the same level as in 2011-2012," Garg said.

He said total rice exports (basmati and non-basmati) in 2012-13 could drop to around four to five mt, 29 per cent less than last year, as Indian exporters are slowly raising prices. "Most exporters till last year were liquidating stocks accumulated during the ban period, which allowed them to sell at lower rates. However, it is not the case this year, which could nullify the cost advantage that India enjoyed vis-à-vis Vietnam and Thailand," Garg said.

However, with a bumper harvest in excess of 100 mt in 2011-12 and record stocks of a little over 34 mt in state-run warehouses, India will continue to remain a major player in the global market till at least June 2013, even if on a lower scale than 2011-12.

"We should focus more on exporting value-added rice like rice with just five per cent broken content, or else we will lose our advantage," Sethia said.

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Government allows further export of cotton

Surojit Gupta, Times of India

April 30, 2012, NEW DELHI: Under pressure from the Congress party and some of its allies, the central government on Monday allowed fresh cotton exports. A panel of ministers will meet in three weeks to review the situation again.

The government had been under pressure from the Congress party, the Nationalist Congress Party (NCP) to ease the ban on cotton exports. The directorate general of foreign trade (DGFT) had banned exports on March 5, but it was forced to partially permit registered consignments.

The informal group of ministers met under the chairmanship of finance minister Pranab Mukherji on Monday to review the cotton export situation. The panel considered the estimates of the cotton advisory board and the third estimate of the ministry of agriculture.

"After a comprehensive review it was decided that suspension of new registrations for cotton exports be revoked and exports be permitted," a government statement said.

The Cotton Corporation of India has been asked to build a buffer stock of 10 lakh bales to meet any emergency during June, July and August.

"It is true that some other members of the parliament had given their views that some cotton was still available. So we have, therefore, lifted the suspension of fresh registrations for exports and accordingly, the DGFT will take the necessary steps," commerce, industry and textiles minister Anand Sharma told reporters.

He said efforts will be made to ensure that domestic industry needs are met. The textile sector directly or indirectly provides employment to 105 million people and the hand-loom sector also employs a large number of people. "Therefore, a balanced view had to be taken, the GOM will make a fresh assessment in three weeks, Sharma said.

The meeting was attended by agriculture minister Sharad Pawar, commerce, industry and textile minister, Anand Sharma and chairman of the Prime Minister's economic advisory council C Rangarajan.

Earlier, Pawar had slammed the curb on cotton exports and had shot off a letter to the prime minister saying "Indian cotton farmers should not be asked to bear the burden of subsidizing the textile mills."

The cotton advisory board has revised cotton production estimates at 3.47 crore bales from 3.45 crore bales for the current season that ends in September. Domestic consumption has been estimated at 2.5 crore bales from 2.6 crore bales. The agriculture ministry had also revised upwards the estimate for cotton output in the third advance estimates of crop production.

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New procedure by DGFT to speed up cotton exports

Business Standard

Mumbai May 9, 2012: To speed applications from interested cotton exporters, the Directorate General of Foreign Trade (DGFT), under the Ministry of Commerce, has modified the procedure for obtaining registration certifications (RCs).

As against the earlier procedure of personal visits to the respective departments dealing in RCs, DGFT has mandated sending of all documents and associated papers through an e-mail. The purpose is to keep queries, if any, ready by the time an exporter sends hard copy of the applications and other relevant papers.

According to the current practice, an exporter applies with all valid documents in physical form. After these papers are assessed by DGFT, queries are raised. An RC takes weeks and, sometimes, months to obtain. With the new format of application, the RC can be issued within a couple of days.

The procedure is required to be speeded, especially when DGFT issued revised guidelines early this month for cotton exporters. In fact, DGFT clarified through a notification on May 4, that an exporter would be issued a second RC only on filing proof for executing at least 50 per cent of the quantity of exports mentioned in the first RC.

Generally, from the date of RC an exporter requires at least a month to physically ship the quantity of exports. The 50 per cent mandatory shipment clause, therefore, requires executing export orders fast to obtain another RC for the next consignment.

Welcoming the move, M B Lal, an industry veteran, said, “With the revised procedure, only genuine traders would be able to execute export orders fast.”

The price of the benchmark Shankar 6 variety remained stable at Rs 35,000 a candy (one candy = 356 kg) in the Ahmedabad spot market, despite exports being allowed by the government. So far, 16 million bales have been exported. By the end of this month, exporters expect this figure to move up to 20 million bales.

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India frees sugar exports, global prices fall

Mayank Bhardwaj and Ratnajyoti Dutta, Reuters

** Global prices could make exports unprofitable*
** Govt could reinstate limits if domestic supplies threatened*
** Committee to consider wider commodities export policy*

NEW DELHI, May 2:India has removed any limit on sugar export volumes for now, a government source said on Wednesday, adding pressure to global prices, but the world's second-biggest producer could reinstate restrictions later if domestic supplies are threatened.

Ministers met to try to sort out conflicting views on sugar and other agricultural exports from one of the world's biggest food producers.

Farm Minister Sharad Pawar, a powerful ally of the coalition government, had called for more sugar exports beyond the 3 million tonnes already approved for the year to September 30, while the food ministry had dithered on an allocation mechanism.

"Sugar exports have been freed, and there will not be any quantitative restriction, but we will stop it (exports) once it reaches a particular level," the government source told reporters on condition of anonymity.

The decision followed a series of policy flip-flops and delays to implementing overseas sales, which kept global markets on edge.

India took a similar line on wheat and rice exports late last year, removing restrictions on sales but tacitly eyeing a limit in case global demand threatened domestic supplies.

Raw sugar futures sank 1.77 percent to 20.58 cents a lb by 1628 GMT, close to a one-year low, pressured by the potential extra exports and by the start of the harvest in Brazil, the world's largest producer.

"The market does not need Indian export supplies, because the global market is in surplus," said James Kirkup, head of sugar brokerage at ABN AMRO Markets in London, adding that prices could fall enough to make it unprofitable for Indian mills to export.

The government remains anxious over supplies after having to import sugar following a severe drought in 2009, sending international prices spiralling upwards.

In the current year, production is expected to be 26 million tonnes and domestic demand around 22 million tonnes, the second year of a surplus.

"The decision has come due to adequate supplies in the domestic market as production exceeded demand in the last couple of seasons," said Harish Galipalli, head of commodities research at JRG Wealth Management.

"This a long awaited, positive step which will help the industry and farmers," said Narendra Murkumbi, managing director of Shree Renuka Sugars, the country's biggest sugar refiner which last week called for unrestricted exports.

Sugar mills, sitting on higher stocks than they need, owe 100 billion rupees ($1.9 billion) to farmers, Abinash Verma, director general of the Indian Sugar Mills Association, a producers' body, told Reuters on April 24.

The meeting of finance, food, farm and trade ministers with Prime Minister Manmohan Singh also agreed to set up a committee to agree on a long-term policy on grain exports. The issue has pitted Pawar, a champion of farmers, against the food ministry, which is concerned about domestic inflation.

Pawar has also clashed with Trade Minister Anand Sharma over cotton exports, but on Monday these too were freed.

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Exports of farm products under scanner

Appu Esthose Suresh, Mint

May 2, 2012: Law enforcement agencies are scrutinizing India's exports of agricultural commodities on suspicion that the quantity of overseas shipments is being inflated by racketeers to corner export incentives and repatriate untaxed wealth stashed abroad.

Global efforts to trace, and consequent efforts to "legitimize" unaccounted money have given a fillip to the so-called fictitious exports in the last one year, said officials at multiple agencies tracking the phenomenon.

The agricultural items in question are relatively low-profile commodities such as guar and honey in the case of which exports exceeded domestic production. The money involved in the suspected racket could be as much as Rs.500 crore, according to some of the officials interviewed by *Mint*. To be sure, that's a fraction of the billions Indians are suspected to have stashed away in foreign countries (In February, the Central Bureau of Investigation put the number at $500 billion, or Rs.26 trillion today).

Guar was one of the commodities cited by a senior Central Economic Intelligence Bureau (CEIB) official, who spoke on condition of anonymity. The gum extracted from the beans is used as an emulsifier, thickener and stabilizer in a wide range of foods.

According to a preliminary CEIB investigation, India, which handles one-third of the global supply of guar gum, exported 600,000 tonnes of it in 2011-12. India's total supply of guar in the period was about 1 million tonnes (mt), which can only produce a maximum 300,000 tonnes of the extract.

"How is this possible?" said the CEIB official cited above. "Our investigations are pointing towards two facts. One, by inflating the exports, they are cornering the export benefits. Secondly, we found that the remittance is coming from a third country, different from that of the consignees. We suspect this is a method to route back the money."

The Forward Markets Commission last month barred the trading of guar gum after a sharp rise in its price on the futures market because of speculation. Following this, the National Commodities and Derivatives Exchange terminated all existing futures contracts on guar seed and guar gum.

A report by the Associated Chambers of Commerce and Industry of India on the anomalies in the trading of guar and four other commodities is due this week. The report suggests that unfair trade practices may have been involved in the five commodities, according to a person with the knowledge of its contents. He didn't want to be named.

A senior Directorate of Revenue Intelligence official, who didn't want to be named, said the agency is looking into exports of the commodity.

Enforcement agencies suspect over-invoicing of bills, with the difference being shown as legitimate receipts.

To be sure, there is a more innocent explanation for the mismatch in numbers.

“The export data was wrongly tabulated,” said an official in the ministry of food and consumer affairs, also on condition of anonymity. “The husk of guar, which is used in cattle feed, has also been added to the data and that is the reason for the difference in actual production and exports,” said this person.

Indian government data is riddled with errors, and data is frequently revised. The government slashed the Index of Industrial Production for January to 1.1% from the 6.8% it had reported previously. This followed sugar production being wrongly reported at 13.41 mt instead of the actual figure of 5.81 mt, the government said on 12 April.

“If there is an excess of exports in comparison to the production, the only possibility I see is that there are third-country imports, which are further exported,” said Ajay Sahai, director general of the Federation of Indian Export Organisations. “There has been a lot of trading in the forward market on guar gum, so maybe to meet the demand there could be imports.”

Honey is another commodity that’s come under focus, according to an official belonging to the Research and Analysis Wing, India’s external intelligence agency.

“We have received information from the Federal Bureau of Investigation about the suspicious import of honey from India to the US,” the official said. “We collated the data and it is not matching. India’s exports to the US in 2011-2012 is over 200 million pounds. This is several-fold more than the total honey production.”

During 2010-11, the total export of natural honey was 69 million pounds. One pound is equivalent to 0.45kg.

The CEIB official cited above said that those with black money abroad are feeling the pressure of a global crackdown.

“The Financial Action Task Force efforts at the global level and the leakage of (details of) several (bank) accounts by disgruntled staff have increased their vulnerability and they are trying to bring the money back,” he said. “These low-key products are now emerging as a safe route since much of the other commodities” are high-profile, where the chances of detection are higher.

The Financial Action Task Force is an intergovernmental organization formed to combat money laundering and terrorism financing.

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Turkey may withdraw duty on imports of Indian cotton yarn

Press Trust of India

India requested for consultation with WTO to resolve the imposition of import duties

New Delhi, April 23, 2012: Turkey has expressed its willingness to withdraw safeguard duty on imports of Indian cotton yarn within a year, provided India refrains from pursuing legal proceedings at the WTO, sources said.

An indication to this effect was given by Turkey in a draft submitted to the Commerce Ministry.

"The consultations (on the issue) were held (in) March following which a draft of agreement has been received from Turkish side. It provides for lifting of the current safeguard measures within one year, starting with the entry into force the agreement/MoU provided India shall not seek a DSU (dispute settlement unit) panel investigation," said a source.

India had requested for consultations with Turkey under the dispute settlement system of the WTO to resolve the dispute over the imposition of special import duties on Indian cotton yarn. The request for consultations, filed on February 13, formally initiates a dispute in the WTO.

Commerce and Industry Minister Anand Sharma has also raised concerns on the issue during his meeting with Minister of State in charge of foreign trade of Turkey Zafer Caglayan on April 19 at the sidelines of G-20 Trade Ministers' meeting in Mexico.

The country has said that additional import duties imposed by Turkey "are very high and have affected exports of fabrics and garments from India. This sharp increase in duties could lead to high price rise and resistance from Turkish consumers," the source said.

The duty by Turkey, a major producer of cotton, was imposed in 2008 for a period of three years. When the term expired in July 2011, the country re-imposed the duty.

According to industry experts, the duty was increased to 15-20%. Indian cotton yarn producers have said that these markets are resorting to unnecessary restrictions.

Consultations give the parties an opportunity to discuss the matter and to find a solution without proceeding further with litigation.

After 60 days, if consultations fail to resolve the dispute, India may request adjudication by a panel.

Bilateral trade between India and Turkey in 2011 was $4.51 billion.

Further, India has also asked Turkey to consider issuing longer duration business visas to Indian professionals if recommended by the respective apex chambers of industry and commerce.

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Commerce ministry proposes suspension of onion MEP

Rituraj Tiwari, Economic Times

26 April,NEW DELHI: The commerce ministry has proposed to suspend the minimum export price (MEP) of onion for two months to spur exports and help growers get better prices for their produce at domestic market also. The present MEP of onion is $125 per tonne.

"The proposal was to be discussed in the meeting of empowered group of ministers (egom) scheduled for Wednesday. But it has been postponed due to some important engagement of finance minister Pranab Mukherjee who chairs the meeting. Now it will be taken up when the egom meets next," a senior commerce ministry official said.

In last 8 months, India had slashed MEP several times from $475 per tonne in September last year to the current floor price of $125 per tonne in February this year to boost the export. India exports onion to countries like Gulf countries, Malaysia, Sri Lanka, Indonesia, Russia and other European countries. The exports have slowed down due to stiff competition from China and Pakistan. "The current MEP is not finding much favour from buyers at the global market. This year's bumper crop is also putting pressure on prices," the official added.

According to trade sources, India, the second-largest onion producer in the world after China, has exported around 1.5 million tonnes of onion in the fiscal 2011-12 while the onion production is estimated at 15.13 million tonnes in the 2011-12 crop years (July-June). Of the total production, 60% comes from the Rabi season.

"The produce is swamping the markets leading to sharp decline in prices. The production cost is more than the present market rate causing dissent among the onion growers," said Shivnath Shinde, an onion trader in Maharashtra, the largest onion producing state.

The modal price or the rate at which most trades takes place at the Lasalgaon market yard in Maharashtra is hovering around Rs 350 a quintal - down by Rs 60 a quintal over a week following huge Rabi arrivals. "The prices will further drop if demand doesn't pick up. The moderate demand in domestic as well as export market is a cause of worry for farmers," he said.

The Maharashtra government has also appealed to the central government to remove the minimum export price (MEP) mechanism for onions. The chief minister Prithviraj Chavan had met the prime minister Manmohan Singh and finance minister Pranab Mukherjee seeking removal of the MEP.

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Sugar export to pick up as centre removes quota for individual mills

Jayashree Bhosale, ET Bureau

March 28, 2012,PUNE: The government has relaxed rules for sugar exports after red tape kept 70% of the quota locked within the country and put pressure on mill cash flows. Mills that had been trading old export licences to make a quick buck will find them virtually worthless after 10 lakh tonne was allowed to be shipped on first-come-first-serve basis.

Sugar stocks rose following a government decision to export the third tranche of 10 lakh tonne in 2012 and were trading 2-6% higher on the Bombay Stock Exchange. The government was till now allocating export quota to every mill based on its production during the previous three years. The EGoM on Monday decided to do away this system. Though there is no clarity on the alternative, the industry believes that unrestricted exports would be permitted.

Monday's decision to allow exports under the open general licence (OGL)-VI plan is expected benefit mills in Maharashtra, Karnataka, Tamil Nadu and Gujarat. "The decision of allowing unrestricted exports is positive for the mills which are actually exporting.Net realisation for exporting will improve now as exporters do not have to pay for licences. This will also help domestic market prices -- which is our main concern -- to go back to where they were in December 2011," said Narendra Murkumbi, managing director, Shree Renuka Sugars, the largest sugar refiner in the country.

Mills in coastal states are particularly happy about the decision. "It is good that the quota system has been done away with. This will benefit state like Maharashtra, Karnataka and Tamil Nadu which are sugar surplus.The landlocked sugar mills were getting higher export realisation in the quota regime as their domestic sugar price is higher. Doing away with quota will bring parity between the coastal mills and the landlocked mills," M Manickam, vice chairman and MD, Shakti Sugars.

With the government deciding to do away with the quota for individual mills, the industry expects faster shipments. "The quota system was introduced at a time when the difference between international prices and domestic prices was at Rs 6,000-8,000 per tonne to ensure equity among mills.But as there is a difference of about only Rs 1,000/tonne between the two now, there is no logic in continuing with the quota system," said the chairman of a private mill from Tamil Nadu. He added, "The quota system slowed physical exports considerably.Today, the main issue is that sugar should go out and keep domestic prices firm which are falling continuously."

Murkumbi said the decision of removing the quota will help in shipping the volume within the next 90 days.

From the OGL-V plan, release orders are yet to be issued for about six lakh tonne sugar and these are expected to be added to OGL-VI plan.

Indian Sugar Mills Association (ISMA), the sugar industry body, has called for allowing export of 10 lakh tonne more. In its official response, ISMA said: "The government can easily allow another 1 million tonne of sugar exports within the next 15 days looking at the comfortable stock position in the country.This will clear cane arrears which are threatening to cross Rs 10,000 crore by April. It will be a daunting task for mill owners to clear the arrears unless fresh cash flow is generated."

ISMA has said there is more demand for raw sugar in the international market. If permission is available by the end of March for further exports, mills could produce raw sugar before they shut their operations by mid-April.

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Millers tell govt to rethink ban on pulses export; seek long-term policy

BS Reporter

Also say pulses should be a part of the public distribution system

Chennai April 7, 2012: The central government's ban on export of pulses has affected the milling industry, say traders' bodies. They want export to be allowed with certain quantity restrictions.

"We have been demanding an opportunity to import raw pulses, which could be milled and re-exported. The milling industry, currently antiquated, will have a huge opportunity if the government allows this," said Anurag Tulshan, coordinator , eastern and northeastern region, India Pulses and Grains Association.

He was speaking to journalists after announcing the annual Global Pulses Convention 2012, to be organised by the International Pulse Trade and Industry Confederation (IPTIC) in Dubai from April 21 to 24.

The pulses' processing industry in India is a Rs 40,000-50,000 crore one, said Sudhakar Tomar, chair of communications and sponsorships at IPTIC. Mills process about 15 million tonnes (mt) of the annual 17 mt output. Another three-four mt are imported each year. The government stopped export three to four years earlier.

"While we are lagging, the food processing industry in countries like Sri Lanka and some African countries are booming. There is enough room for us to grow and we can also adapt newer scientific technologies and methods," said Tulshan.

The industry has also asked the government to include pulses in the Public Distribution System. It would be a boost for them; they argue it would also help better nutrition among the population.

The industry is also demanding the government bring a long-term policy to boost output and the processing industry.

IPTIC, in which IPGA is a member, is also lobbying to announce the year 2016 as the 'Year of Pulses'. It has support on this from the governments of India, Canada and Australia so far. It is expecting two more countries to approve the proposal, before it can be considered by the United Nations.

Output may dip this year

Pulses' production is expected to drop from 18.2 million tonnes last year to 17.5 mt in the season
ending June, said Anurag Tulshan, coordinator, eastern and northeastern region, India Pulses and Grains Association.

Local prices are expected to remain stable for the near future. These have been stable after a spiralling in 2008-09. It has contributed negatively to inflation for some months.

However, the price of imported pulses are seeing growth of around 10 per cent due to strengthening of the rupee. India imports three-four million tonnes annually, of which 1.2-1.5 mt is from Canada, France, Russia and Ukraine, he said.

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Ban on cotton exports to stay for a while: GoM

Business Standard Reporter

New Delhi April 10, 2012: A group of ministers on Monday decided to continue with the ban on cotton exports, even as the prohibition on outbound shipments had led to intense political pressure on the government.

"For the time being, there is no move to ease the export ban," said a senior official who participated in the meeting on Monday.

Traders said this could also mean no more exports in the current crop marketing year, as supplies would start falling in the coming months. The cotton season runs from October to September.
Before the ban on fresh registrations was imposed, around 9.5 million bales of cotton had been shipped out of the country.

The official said fresh registrations for exports would continue to be suspended. The group of ministers, chaired by finance minister Pranab Mukherjee, comprises agriculture minister Sharad Pawar and commerce, industry and textiles minister Anand Sharma.

The government had banned exports of cotton on March 5, but relaxed it partially within a week, following political pressure, both from within the United Progressive Alliance, as well as Gujarat chief minister Narendra Modi. Following this, farmers had resorted to agitation in some parts of the country.

The government then allowed exports of those quantities which had already been registered with the Directorate General of Foreign Trade, subject to revalidation by authorities.

The meeting of the panel of ministries on Monday reviewed the demand-supply situation in cotton and also whether more exports could be allowed. The commerce ministry felt allowing fresh exports would harm the interests of domestic mills. The agriculture ministry, however, said more exports could be allowed, as domestic production, at 34.08 million bales, was four per cent more than last year's.

Last week, as an interim measure, the textiles ministry had directed state-run Cotton Corporation of India (CCI) to build a 2.5-million bales cotton reserve this season to ensure the smooth supply of the raw-material to cash-starved textile mills.

To build the reserve, CCI would start procuring around a million bales at market rates from April. The purchase and the subsequent storage are expected to cost the government an additional subsidy of about Rs 4,000 crore.

Currently, cotton prices stand at about Rs 4,000 a quintal, higher than the government's minimum support price of Rs 3,100 a quintal. Output in the 2011-12 season is estimated at a record 34 million bales, with consumption at 21.6 million bales.

Meanwhile, cotton exporters whose registration certificates are being revalidated by the commerce ministry, allege a deliberate attempt to single out exporters with business operations abroad. Of the total 1.8 million bales of cotton sent for revalidation, just 500,000 bales had been cleared till Wednesday.

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Import food items regularly to check prices: Survey

Press Trust of India

New Delhi Mar 15, 2012: To tackle supply constrains that push up food prices, the Economic Survey today suggested that the government should consider import of farm items in small quantities on a regular basis.

"Given the compositional shift in the food basket of a common household and its impact on consumption demand, improved supply response is critical for ensuring price stability in food items," the Economic Survey 2011-12 said.

"As a strategy, regular imports of agricultural commodities in relatively smaller quantities with an upper ceiling on total quantity could be considered," it said. The upper ceiling on imports can be decided annually, relatively well in advance, it added.

The Survey pointed out that there have been increases in the prices of protein rich food items because supply has not kept pace with demand. It said the country needs to step up efforts to increase production of milk and other dairy products, egg, poultry, fish and meat.

The Survey also outlined other options to improve food supply including setting up special market for specific crops, improving mandi governance and promoting inter-state trade by eliminating multiple levies.

It also suggested that the government take perishables out of the ambit of the Agricultural Produce Markets Committees (APMC) Act.

"The recent episodes of inflation in vegetables and fruits have exposed flaws in our supply chains. The government regulated mandis sometimes prevent retailers from integrating their enterprises with those of farmers. In view of this, perishables have to be exempted from this regulation," the Survey observed.

It also advocated that organised trade in agriculture should be encouraged and hoped that foreign direct investment (FDI) in multi-brand retail, once implemented, could help in improving agriculture commodities management in the country.

The Survey asked the government to step up creation of modern storage facilities for foodgrains.

India's agricultural imports were $17.5 billion, with a 1.2% share of world trade in agriculture in 2010, according to WTO data.

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Govt partially withdraws cotton export ban

BS Reporter

Allows outbound shipment of only those consignments that have already been registered

New Delhi Mar 13, 2012: Maintaining that ballooning cotton exports were used for stockpiling abroad, the commerce ministry today gave a partial relief to exporters by allowing outbound shipment of only those consignments that were already registered, and, only after revalidation of certificates.

No fresh registration certificates (RCs) would be issued till further orders, a much-awaited notification by the Directorate General of Foreign Trade (DGFT) said. But, the decision would be reviewed by a Group of Ministers, comprising of Finance Minister Pranab Mukherjee, Agriculture Minister Sharad Pawar and Minister for Commerce, Industry and Textiles Anand Sharma, within the next two weeks.

Sharma met MPs from Maharashtra, Gujarat and Andhra Pradesh to apprise them of the decision.

Of the total registration of 13 million bales (one bale weighs 170 kg) before the ban, 3.5 million bales are yet to be shipped. These will be revalidated, commerce secretary Rahul Khullar told reporters here.

"No new RCs will be issued until the exercise (of revalidation) gets completed, which means till we sort out what is going to be done with those 3.5 million bales," he added.
Exporters fear that in the name of revalidation of certificates, scrutiny could be done about trade to sister-concerns abroad by companies operating in India.

India is the world's second-largest cotton producer and its biggest customer is China.

"There was clear information that more than 85 per cent of actual shipments are going to China and there was also evidence of stockpiling abroad. On the back of this, the ban was imposed," Khullar said.

Khullar said exports had already hit record levels of 9.5 million bales in just two weeks.

"There was madness to export, which could be seen from the fact that the RCs for export of 7.2 million bales were issued in January and February alone," he added.

"Scrutiny and revalidation is to make sure there is no fictitious transaction," he said. The parameters to check the veracity of RCs would be decided by the commerce and textile ministries.

Early last week, the textile ministry had said the ban was imposed after taking into account the trend of domestic consumption and depletion of domestic availability.

The commerce ministry had banned cotton exports suddenly on March 5 and announced lifting of the restriction yesterday after severe criticism from Pawar, who opposed the move and requested Prime

Minister Manmohan Singh to revoke the ban. A statement issued by the commerce ministry said the first priority would be given to those consignments handed over to the Customs department.

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Exports of agri commodities in doldrums

Rajesh Bhayani, Business Standard

Issues related to quality, prices and global surplus restrict exports from India

Mumbai, Feb 29, 2012: Exports of several agricultural commodities have been facing hurdles. Even as quotas for sugar and wheat exports had been raised, the actual figures have not seen any significant rise.

Coffee exports have also faced viability issues, as prices in global markets have been lower than in India and recessionary conditions in Europe have impacted demand. Maize, which initially saw some exports, is now facing quality issues, hurting India's reputation as a quality exporter.
Cotton exports, on the other hand, have bucked the trend, despite surplus in the global market and slowdown in Chinese buying.

Late last year, export of up to two million tonnes (mt) of wheat was allowed, thanks to a huge surplus in the domestic market. But, even in global markets, supply is much larger than demand, which has led to a fall in prices, making Indian exports unviable. According to the representative of a multinational exporter active in the Indian market, not even half of the export quota has been met till now. According to estimates, only about 500,000 tonnes of wheat have been exported.

"Wheat remains abundant around the world and prices are expected to remain bearish," said Rabo Bank in a report on agri commodities. India faces a similar situation, as the wheat crop is expected to be robust this season too, at an all-time high of 88 mt.

Availability of sugar in the global markets is not much different. Unless there are end-of-season crop losses, Brazil's stock is estimated to be in surplus. However, the sweetener has seen some export activity and it is expected that India would soon be able to exhaust the one mt quota.
However, permissions for exports are still awaited. Industry leaders say they want to export to dilute the inventory and ensure they do not open the next season with domestic surplus. Sugar prices have improved in London over the past few days and are currently at $665 a tonne.

In case of maize, India's exports, so far, have crossed one mt and are expected to match last year's figures of 2.7 mt, as global prices have been higher. The domestic production of the commodity is expected to be 21.6 mt this year.

Amit Sachdev, the India representative of the US Grains Council, said: "Exports from India are still open, but some reports do indicate that there has been a quality issue with some consignments of maize, and this could be one of the reasons for prices to have remained soft for some time."

There had been reports that some consignments sent by India to Vietnam were rejected after a higher level of moisture and broken maize were found.

Cotton export registrations, meanwhile, have seen a sudden increase in the past few days, despite a global surplus. According to the International Cotton Advisory Committee, “Global cotton production is rising by an estimated seven per cent in 2011-12 to 26.8 mt. This would be the largest level of production achieved in five years. However, the global production could drop to 24.9 mt in 2012-13 due to rising agricultural production costs and lower prices received by farmers this season, improving attractiveness of grain and soybean”.

In India, cotton is currently trading at 10 per cent lower prices than a fortnight ago — at Rs 33,000-34,000 a candy (356 kg) — on expectations the government could cut duties on synthetic yarn, which competes with cotton yarn, in the Budget.

Shirish Shah of Bhaidas Kursondas & Company said: “There are reports that seven million bales (of 170 kg each) have been shipped so far and the total registration with DGFT for exports is understood to have crossed 10 million bales.”
Registrations have gone up sharply in the past few days on the fear that the government could be planning to restrict cotton exports.

Since India has lowered the minimum export price (MEP) for basmati rice, the export of the commodity is expected to pick up. On February 23, the government notified a reduction in MEP from $900 a tonne to $700 a tonne.

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Govt says will review cotton export ban

Sanjay Jog & Sanjeeb Mukherjee, Business Standard

Mumbai/ New Delhi Mar 07, 2012: Amid severe opposition, the government on Tuesday called a Group of Ministers' (GoM) meeting on Friday to review the decision to ban cotton export barely a day after it was effected. "The GoM will take into account all the views on this ban and take an appropriate decision," textiles secretary Kiran Dhingra said.

Dhingra said the textiles ministry was of the view that given the sudden surge in export registrations, the ban was necessary or else the country would not have enough cotton to run its mills till October. Earlier, farmers in parts of Maharashtra and Andhra Pradesh were reported to have resorted to distress sale of cotton on Tuesday. Union Agriculture Minister Sharad Pawar said the decision was wrong, taken without asking him and must be revoked.

In some places, farmers were said to have sold at Rs 2,500-3,000 a quintal, far below the government's minimum support price of Rs 3,300 a qtl for the long-staple variety. Against this backdrop, the Cotton Corporation of India (CCI) started direct procurement in Andhra Pradesh and issued instructions to officials to do it in Maharashtra if the prices of average quality cotton slipped below the MSP. Nearly 1,000 ginning mills in Gujarat would observe a two-day bandh from Wednesday in protest against the ban, news agency PTI reported.

Pawar said he took serious objection to the ban decision and had written to the Prime Minister. Pawar, head of the the Nationalist Congress Party, part of the ruling coalition, told Business Standard, "I was not consulted by the commerce ministry. I was kept in the dark on the issue. I came to know about this only after a notification was issued by DGFT (the directoate-general of foreign trade) yesterday. Such a decision, which would impact lakhs of farmers, should have been taken after proper consultations, either in the Cabinet Committee on Economic Affairs or the Cabinet Committee on Prices, like it is done in the case of wheat and sugar."

Pawar said the decision was harmful, as growers in Gujarat, Andhra Pradesh and Madhya Pradesh were in great distress, with traders having stopped buying from them after the decision. "Now the issue is in the Prime Minister's court," he said.

Gujarat Chief Minister Narendra Modi (from the opposition Bharatiya Janata Party) also sent a letter to the PM. Modi said he was shocked and the decision would be disastrous for farmers.

N P Hirani, Chairman, The Maharashtra State Cooperative Cotton Growers' Marketing Federation, said the Centre needed to immediately lift the ban in the larger interest of growers. "As per the estimates by the Cotton Advisory Board, the country will have production of 34.5 million bales (a bale is 170 kg), against the demand for 24 million bales, in 2011-12. Therefore, export of 10.5 million bales after meeting the country's requirement is possible, which will benefit farmers in particular," he said.

Shirish Shah, Partner, Bhaidas Cursondas & Co, said the ban was harmful for farmers, traders, ginners and spinners. "It should be lifted forthwith. At the same time, the Centre should allow export of 3.3 million bales already registered for export. Besides this, the registration of (another) 0.3 million bales has been contracted but not registered for export," he said.

Bhadresh Mehta, Additional Vice-President, Cotton Association of India, said farmers were expected to incur a total loss of Rs 2,500 crore from the decision. "The decision is a lose-lose situation for farmers, traders, ginners and spinners.

The government needs to come to the rescue of farmers on the lines of the Chinese government, which has increased its cotton support price by three per cent," he said.

“In mid-February, when a Committee of Secretaries (CoS) reviewed the export scenario, 8.3 million bales of cotton had been shipped out of the country, while registrations were for 10 million bales,” said Dhingra.

However, by early March, when the CoS again met, the registrations had surged to 12.5 million bales, which meant exporters had some inkling the government might clamp down on exports and started applying heavily for registration.

“We were already in a bad situation as the shipped quantity of cotton would pull down the carry-over stocks for the 2012-2013 season to 3.6 million bales against a requirement of five million bales,” Dhingra explained.

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India drags Turkey, Egypt to WTO for import duties on Cotton yarn

Amiti Sen, ET Bureau

Feb 24, 2012,NEW DELHI: Striking against rising global protectionism, India has dragged both Turkey and Egypt to the World Trade Organisation for imposing special import duties on Indian cotton yarn, lowering competitiveness in these markets.

New Delhi has been criticising Turkey for violating WTO norms at several forums of the WTO for the past few months, but it has requested formal consultations on the issue for the first time, which is the first step towards filing a dispute.

Egypt, on the other hand, will be asked to explain reasons behind imposing similar duties on cotton yarn in December 2011.

Both countries have resorted to safeguard duties as such levies are easier to impose since a country only has to claim that rising imports were harming the domestic industry, a government official told ET.

Indian cotton yarn producers say that Egypt and Turkey, the fifth and sixth largest export destinations for the products, were growing markets and all attempts to check imports through unnecessary restrictions have to be opposed.

"We are concerned by the imposition of safeguard duties by both countries and hope the issue is resolved soon," said Siddharth Rajagopal, executive director, The Cotton Textiles Export Promotion Council or Texprocil.

Turkey imposed safeguard duties between 12% and 17% with effect from last July over and above the customs duty of 5% making prices of India's exports shoot up. Egypt, on the other hand, imposed a specific duty of 55 cents per kilogram of yarn in December. "In Turkey's case we have questioned its claim that adverse effect on the domestic industry due to higher imports was because of unforeseen developments and imposition of global trade rules," the official said.

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India topped Thailand in rice exports last year

Rituraj Tiwari, ET Bureau

21 Feb, 2012, NEW DELHI: India and Thailand are caught in a race for the top slot in farm exports from Southeast Asia. India has pipped Thailand to become the top rice exporter but the latter has won the day in sugar exports.

For the first time in four years, India has overtaken Thailand in rice exports. According to industry estimates, India exported 2.3 million tonne of rice including basmati between October 2011 and January 2012 while Thailand could export around 2 million tonne during the period.

But Thailand, the second largest exporter after Brazil, shipped 6.68 million tonne sugar in 2011 while Indian sugar exporters have been allowed to export only 2 million tonne till now.

India has always had a price advantage over Thailand, which sells at a premium in the world market. Last year, the export price of Thai rice ranged between $525 and $575 per tonne. But this year, the price swelled to $660 tonne on the back of the Thai government's high support price to farmers. The government paid farmers 15,000 baht a tonne for 100% white paddy and 20,000 baht for fragrant paddy to fulfill its election promise. This raised the export price of Thai rice, making it non-competitive in global markets. India recently raised its export quota of non-basmati rice from 2 million tonne to 4 million tonne to boost exports further.

"Rice-importing countries got a good alternative in India to expensive Thai varieties. While Indian rice costs $500-$530 per tonne, Thai rice costs $660 per tonne. This has led a surge in demand from countries like Indonesia and other African countries," said Om Prakash Arora, president Punjab-Haryana Rice Broker Association.

The rise in exports is supported by the expected bumper production of rice this year. The estimated record output of 102 million tonne allows the government to shed worries on food security. Besides, high inventories of more than 30 million tonne paves the way for smooth exports. The economical Indian rice is making inroads into major Thai markets such as Africa, Indonesia, Malaysia, Bangladesh and Nepal.

"We are getting good demand from overseas markets. We will cross the 3.5-million tonne mark this year. We expect to gain momentum in basmati once a formal order is issued on lowering the floor price from $900 to $700," said Vijay Setia, president, All-India Rice Exporters Association. However, India is way behind Thailand in sugar shipment. A good crop and a buoyant overseas demand keep Thai sugar steady in the global market.

According to media reports, about 33 million tonne of cane have been crushed since the season started in mid-November in Thailand, with around 2.3 million tonne of raw sugar and around 913,000 tonne of white sugar produced till now.

India is struggling to export one million tonne even as the government has further allowed the export of an additional one million tonne. Indian millers expect to produce 26 million tonne of sugar in 2011-12 while sugarcane production is likely to stand at 347.87 million tonne - higher by 5.09 million tonne over the previous year.

"We have given a release order for over 9.9 lakh tonne. But we are not sure about their physical delivery. The release orders have to be consumed within 60 days. Given the capacity of our ports, we don't think we will able to export more than 3 lakh sugar a month. This poses a big question mark over the second tranche of 1 million tonne," said a sugar directorate official.

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Basmati export price may be cut by $200

Bloomberg

New Delhi Feb 01, 2012: India, the world's second-biggest rice grower, may cut the minimum export price (MEP) of the basmati variety by $200 a tonne to boost shipments, according to a government official with direct knowledge of the matter.

A ministerial panel on February 7 will consider a proposal to reduce the minimum price from $900 a tonne, or may scrap the floor, the official said, asking not to be identified, citing government policy.

Basmati shipments may increase 14 per cent to 2.5 million tonnes in the year ending March 31, should the government abolish the minimum export price, Vijay Setia, president of the All India Rice Exporters' Association, said in a phone interview on Tuesday. If the price stays unchanged, exports may drop to 1.9-2 million tonnes in the year ending March, he said. The panel may consider cutting the benchmark export price or dismantling it, food minister K V Thomas told reporters on Tuesday. Indian traders have contracted to ship 3.5 million tonnes of basmati rice as of yesterday since the financial year began on April 1, 2011, according to the rice association.

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Additional export duty likely on deoiled rice bran

Anindita Dey, Business Standard

Mumbai, Feb 01, 2012**:** The ministry of agriculture has proposed imposition of additional export duty on deoiled rice bran, to ease the supply of animal feed and bakery ingredient, in the domestic market. Production of deoiled rice bran in 2011-12 was estimated at 8-8.5 million tonnes of which around 170,000 tonnes or two per cent would be exported.

“The export currently carries a duty of 10 per cent but the domestic price of animal feed is increasing, a significant input in composition of prices of milk and poultry. On the other hand, domestic prices of milk and poultry are consistently increasing. Therefore, there is no reason why India should export deoiled rice bran when the demand in the domestic market is high, going by the prices of animal feed,” explained an official source.

This is based on the recommendation of the department of animal husbandry under the ministry of agriculture. Besides rice milling, animal feed is also extracted from oil cakes after oil extraction. India imports crude oil and the refining edible oil. Thus, when this is domestically marketed, it will be at a premium compared to in-house supply of animal feed. So, exports should be discouraged.

De-fatted or deoiled rice bran is obtained after extraction of oil from either raw or parboiled bran and contains a higher percentage of protein (17-20 per cent), vitamins (A and E) and minerals than full-fatted bran obtained from raw and parboiled paddy.

Meanwhile, to increase milk production and strengthen dairy co-operatives, the National Dairy Plan (NDP) proposes to set up producer firms under the Companies Act. The objective is to facilitate co-operatives to retain their 50 per cent share in milk production, amidst stiff competition from the private sector. Officials explained that a producer company would be registered under part XI of the Companies Act and set up to cover the entire value chain in the milk production process.

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Concern over dip in spices export

The Hindu

21 January 2012, Kochi: Availability of quality produce in sufficient quantities is a major problem : Spices Board chairman A. Jayathilakan has expressed concern at the decline in quantity of spices export.

Inaugurating a workshop on 'Sustainable growth in spices sector' here, he said though exports had increased in value terms, there was a decrease in volume.

He called for coordinated efforts by various agencies involved in the agriculture, processing and export segments to improve the situation. Experts from the industry and farmers participated in the programme, organised by the Spices Board, in association with the WTO cell of the Government of Kerala and World Spice Organisation.

Mr. Jayathilakan said spices consumption was steadily increasing internationally. India was the largest producer, exporter, and consumer of spices in the world. Issues pertaining to food safety and food security were to be addressed in a cohesive manner. Some of the serious concerns facing the spices export sector included pesticides residue and toxins that cannot be removed once the products were contaminated.

Among the major spices, black pepper, cardamom, ginger, turmeric and nutmeg were of significance to Kerala economy. Availability of good quality produce in sufficient quantities was a major problem with respect to ginger, turmeric and pepper. Pesticide content in cardamom and aflatoxin in nutmeg were problems faced by exporters.

Intercrops

Ginger, turmeric and several other spices could be cultivated as intercrops in coconut farms. Possibilities of tying up with the Coconut Development Board for encouraging such an agricultural pattern were being explored.

Presiding over the meeting, V.V. Pushpangadan, Director, Department of Agriculture, said less rainfall and reduced fertility of the soil were among reasons for lower productivity in most areas.

Only a few of the farmers were getting the benefit of government's farm support schemes.

The Director also called for intervention by government bodies and non-government organisations for increasing yield.

P.M. Suresh Kumar, Director, Marketing, Spices Board; K. Pratapan, Director, State Horticulture Mission; George Paul, Director, World Spice Organisation; S. Regeena, Special Officer, WTO cell, Government of Kerala; and P.S. Sreekantan Thampi, Deputy Director, Spices Board; were among those who addressed the session.

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Tea exports up 13% in November 2011, but output down 4%

PTI

6 Jan, NEW DELHI: India's tea exports rose by 13 per cent during November last year to 17.47 million kg, but output fell by 4 per cent to 90.30 million kg, according to the latest government data.

During November, 2010, the country's tea exports stood at 15.41 million kg, while production stood at 93.92 million kg, according to Tea Board data.

Tea exports from North India rose by 7 per cent to 10.46 million kg in November, 2011, from 9.82 million kg in the year-ago period.

Overseas shipments from South India increased by 25 per cent to 7.01 million kg in November last year from 5.59 million kg in the corresponding period of the previous year.

India is the world's second-largest producer and the biggest consumer of tea.

Tea production in North India fell by 7 per cent to 65.79 million kg in November, 2011, from 70.82 million kg in November, 2010.

Output in South India, however, increased by 6 per cent to 24.51 million kg in November last year from 23.10 million kg in November, 2010.

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Cotton exporters back in market as cotton prices decline

Madhvi Sally, ET Bureau

29 Dec, 2011, AHMEDABAD: Cotton exporters are making brisk purchases across Gujarat and Maharashtra as prices weaken to Rs 33,800 to Rs 34,000 a candy (of 356 kg each). Simultaneously, demand from local mills has begun flowing thanks to requirement from garment manufacturers.

Cotton prices are still volatile with a movement of Rs 500-1,000 a candy a day, say traders. "Robust demand from China is expected to ensure cotton export of over 85 lakh bales (of 170 kg each) and more this year, similar to the 2007-08 figure. Our prices are the lowest in the international market," said Cotton Association of India president Dhiren N Sheth.

Coimbatore-based cotton broking house JG Pujara and Sons owner Baldev Pujara said major buying was being done by Bhadresh Trading Corporation, Louis Dreyfus Commodities India, Gill & Co, Jaydeep Cotton Fibres, Olam Agro India, Cargill India and others. "Contracts of over 46-48 lakh bales have been signed while actual shipments are at 29 lakh bales. By January, we should export 50 lakh bales," he said.

Owing to the delayed availability of cotton crop and with farmers holding the yield, exports have been slow this year and gradually picking up. "We will be able to achieve our export targets. But we must address the concerns of buyers over the low micronaire value -- a measure of fibre fineness and maturity -- and the mix of low and high variety cotton this year," he added.

In the domestic market, ginners are getting orders and queries from Ludhiana, Kolkata, Tirupur and Coimbatore mills. "There is a movement in finished goods like fabrics and garments," said Saurashtra Ginners Association president Bharat Vala who added that demand from mills varied from 500 to 1000 bales.

Ludhiana-based Vardhman Textile, a textile conglomerate, expects buoyancy in trade for the next few months. "There is improvement in yarn prices due to the increased offtake in export and domestic markets. Spinning mills have booked good orders and we expect the business to revive," said Vardhman group chai-rman SP Oswal, who is exporting 5,000 tonne yarn per month.

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Centre urged to raise import duty of tapioca starch

S. Ramesh, The Hindu

1 Jan, TAMIL NADU, ERODE,: Increase in import has led to drastic fall in prices The farming community has appealed to the Centre to raise the duty on the import of tapioca starch and modified starch to protect tapioca growers and domestic starch and sago manufacturing industry in the State.

The increase in the import of tapioca starch from Thailand and Vietnam had led to the drastic fall in the prices. "The prices, which stood around Rs. 9,000 a tonne, had come down to Rs. 2,700 now, due to the massive import of tapioca starch," Lower Bhavani Farmers Association President, S. Nallasamy, says.

Since tapioca starch and modified starch are agricultural products, the bound rate of customs duty on these items could go up to 150 per cent, Mr. Nallasamy says.

Over four lakh growers and farm labourers in the State depend on the income from tapioca cultivation. Farmers in Erode, Salem, Namakkal, Dharmapuri and Krishnagiri are the major cultivators of the crop.

These areas are home to most of the sago and starch manufacturing units.

"The government should consider slapping safeguard duty on the import of tapioca starch and modified starch in the country. Though banning the import may not be possible under the WTO regime, it is very much possible for the government to slap safeguard duty and raise the tariff on the import to 150 per cent," Mr. Nallasamy says.

The raise in the tariff will check the import and enable the farmers to get remunerative prices for their produce.

But the government seems to have taken no notice of the issue, which has been highlighted by the farmers from different parts of the State for a long time, Tamil Nadu Farmers Association district secretary T. Subbu alleges.

Mr. Subbu has appealed to the Tamil Nadu government to take this issue to the notice of the Centre. The extensive use of chemicals for the production of sago led to the fall in the demand, which resulted in the decline of the prices of tapioca.

The government should also take measures to control the use of chemicals in the sago production, he says.

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'Darjeeling Tea' tag: EU-India meet in February

Sutanuka Ghosal, ET Bureau

KOLKATA: The European Union is all set to clear the air over its decision to allow some European blenders a five-year transition period for selling 100% Darjeeling tea in packet. EU lawyers will engage in a discussion with the Darjeeling tea industry, commerce ministry and Tea Board officials on February 10 to work out a solution to this issue which has irked Darjeeling tea producers.

The EU notification says that for the existing blends mixing Darjeeling tea with non-Darjeeling tea, the EU regulation foresees a five-year transition period during which the term can continue to be used. After this period, these blends would have to be renamed.

"This notification has come into effect from November 10, 2011. We had been pursuing the matter with the Union government as well as with lawyers in Germany, France and the UK for a review of the decision," said Sanjay Bansal, chairman, Ambootia group.

The blenders have been handed a caveat in the sense that only those people whose products were in the market five years before October 14, 2009 can continue selling their blended product as Darjeeling tea for the next five years.

EU has registered the term Darjeeling as a protected geographical indication (PGI) for black tea originating from the West Bengal region. It is the seventh non-EU product name to get a protected status within Europe, following Columbian coffee and five Chinese products.

At least one of the stages of production, processing or preparation must take place in the specified area for the industry to obtain the label. EU's decision to grant PGI is being considered as a defining moment because nearly three-four million kg of made Darjeeling tea is exported to European countries.

The 80-odd gardens in Darjeeling produce around 10 million kg of made tea annually but industry officials estimate that around 40 million kg gets sold as Darjeeling tea across the globe a year.

In this light, the EU's decision is considered important. The process of granting a geographic indicator began with India according the GI status to Darjeeling tea in 2003. This was after the World Trade Organisation approved the Trade Related Intellectual Property Rights in 1995.

Darjeeling tea has been added to over 1,000 names of agricultural products and foodstuffs protected as PGI in the EU. Meanwhile, Darjeeling tea industry has clocked a 12% increase in production in 2011

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Indian basmati rice consignments held in US being cleared

Press Trust of India

New Delhi December 02, 2011:The US government is in the process of clearing Indian consignments of basmati rice held at its ports for traces of pesticide called tricyclazole, a senior official of the agri-export promotion body, the Agricultural and Processed Food Products Exports Development Authority (Apeda) said.

Tricyclazole is a widely used pesticide in rice-growing countries, including India, Thailand, Japan and China.

“The US has cleared the maximum containers of basmati rice. It is in the process of examining the remaining few. The problem is easing," the official added.
As some containers of basmati rice had presence of a pesticide named tricyclazole, the US Food and Drug Administration (USFDA) had detained all consignments without physical examination, he said.

Tricyclazone, a pesticide manufactured by a US company, is, however, not registered and not found in the pesticide list that USFDA checks while detecting pesticide residues in the imported food items. If not a registered pesticide, the USFDA considers it illegal and not safe for human consumption.

According to the government sources, out of 150 containers (20 tonnes each) of basmati rice from India that have been detained since July at various ports of the US, 85 per cent have been cleared.

Noting that domestic exporters have been facing hurdles in shipping basmati rice to the US due to the pesticide issue, the Apeda official said: “There is no panic situation. The issue is being resolved."

Meanwhile, the All India Rice Exporters Association (AIREA) has taken up the issue with the US authority and has requested it to consider registration of tricyclazole.

“About 10-15 per cent of our detained containers have traces of tricyclazole, which is not registered in the US. We have informed them the traces of tricyclazole found in our containers are much lower as compared to other countries," AIREA President Vijay Sethia said.

The presence of tricyclazole in the aromatic grains are within safety levels of 0.02-0.04 ppm (parts per million) set by the Indian government. In comparison, Japan and Europe allows a maximum pesticide residual level of one and three ppm, respectively, he said.

India exports around 80,000 tonnes of basmati rice to the US annually. 50,000 tonnes has been shipped this year.

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India ready to block any move to put farm tariffs at WTO meet

Amiti Sen, The Economic Times

12 December 2011, NEW DELHI: India will resist any attempt by developed countries to take away the right of World Trade Organisation (WTO)-member nations to restrict export of food items and raise import tariffs beyond existing levels.

Trade ministers of WTO-member countries are meeting in Geneva on Thursday to try and identify issues that can be discussed till the US presidential elections are over next year.

The meeting is also likely to take up proposals to "cherry-pick" issues from the negotiating agenda of the decade-old Doha round of global trade talks and sign a plurilateral pact. India will oppose this too, a senior government official has said.

"We have already indicated to the WTO that we are not in favour of any of these issues. However, we have to watch out at the ministerial against any attempt by developed countries to put the items on the negotiating table," India's chief negotiator at the WTO, Rajeev Kher, told ET.

The Doha round of trade talks, launched a decade ago to help poor nations benefit from global trade, is almost paralysed because of differences between the US and large developing countries such as India, China and Brazil on removal of tariffs on some industrial goods.

Kher said these proposals are harmful for countries such as India as there are a large number of farm items in which import duties at present are negligible, which gives freedom to the country to increase duties to higher levels whenever required.

"If we freeze duties at the applied levels, we will lose our flexibility to increase it in future," Kher said, adding that developing countries also need to impose food export restrictions when required.

Australia, the EU and the US are at the forefront of the seemingly "innocuous" proposals that would require developing countries to take on commitments that go beyond the Doha agenda.

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US, EU seek to ban countries from imposing restrictions on food export, limit taxation on exports

Amiti Sen, Economic Times

Nov 21, 2011,NEW DELHI: Rich nations are likely to seek a ban on food export curbs as part of a solution to the global food crisis, a move India vows to fight vehemently.

Developed countries, including the US and the EU, are likely to move the proposal, which also calls for eliminating import duties on so-called environment products, at the World Trade Organization ministerial in December in Geneva.

India tightly controls food exports to ensure adequate domestic availability. "It is unacceptable to India and a number of developing countries, and we will put up a joint front at the ministerial meeting," a government official told ET.

The final declaration of the G20 Cannes Summit earlier this month encouraged the adoption of a declaration at the upcoming WTO ministerial to remove food export restrictions, including extraordinary taxes, for food purchased for non-commercial humani- tarian purposes by the UN's World Food Programme.

"Although the G20 named the United Nations as the agency which should be allowed to import food without restrictions, developing countries should not be allowed to take on such commitments as they have to feed their own people as well," the official said.

India's farm export are meager and often subject to price and quantity restrictions. In case of grain, despite sitting on huge stocks, New Delhi has been reluctant to allow exports fearing it will exacerbate food inflation, already running into double digits.

Restraining developing countries from imposing curbs on food exports could create considerable political problems as it could deprive locals from getting adequate supplies at reasonable prices, said Abhijit Das, head, Centre for WTO Studies. "We did export to Africa and Bangladesh last year on humanitarian grounds when the global food situation was not good. But it should not be binding on us," he said.

Experts see a bigger agenda in bringing food on the discussion table. Food is an emotive issue and the developed countries are using it to build grounds for a similar regime of export restrictions in case of natural resources like coal and metals and minerals to corner China, a trade expert from a Delhi-based think-tank said.

A recent report by UN Special Rapporteur on the Right to Food Olivier De Schutter warns against "face-saving, short-term solutions" aimed at hauling Doha over the line. Instead, we should grasp the opportunity to ask what kind of trade rules will allow us to combat food insecurity and realise the human right to food, it said.

A government official said India will also oppose the resolution pushing for eliminate import duties on environment-friendly products.

India is hopeful that influential countries, including China and Brazil, will fight attempts to arm-twist developing countries into agreeing to include new issues outside the agenda of the ongoing global trade talks of the WTO.

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Apple issue brings Cong, BJP at loggerheads

Anand Bodh, TNN

Oct 14, 2011: The apple issue has brought the Congress and the BJP at loggerheads in the state. The BJP since three years has been demanding inclusion of apple in the special product list of the central government, besides a hike in its import duty. But, a recent letter from the Union minister for commerce, industry and textiles, Anand Sharma, who belongs to Shimla, has made it clear that at present both the demands cannot be met because of different reasons.

Horticulture minister Narinder Bragta on August 4 had written to Sharma on the issue. In response, Sharma through a letter dated September 16 made it clear that after getting the matter examined, it was found that the present import tariff was 50% which was also a "bound rate of duty agreed in general agreement on tariffs and trade (GATT) and World Trade Organization (WTO)".

Sharma added that scope for further increase in the tariff rates without further negotiations under the WTO regime seemed unlikely at the moment.

On the letter, Bragta said the central government has failed to protect the interests of apple growers of Himachal, Uttrakhand and Jammu and Kashmir. "Import duty during NDA rule at the Centre was 30%. When we had taken up the issue with then prime minister Atal Behari Vajpayee, the import duty was increased to 50%. But what has UPA done for the apple growers?" said Bragta.

Expressing surprise, he said the Union minister made it clear through the letter that Union ministers from Himachal Pradesh have no clouta¦ they have failed to protect the interests of the state. "When for other fruit products import duty can be 300%, then why is it not being increased for apple," he added.

As both the parties know that apple production directly affects the livelihood of over 1.6 lakh families in the nine districts of 12 in the state, they keep on raising issues concerning apple growers in the state from time to time.

BJP leaders in the state, especially chief minister Prem Kumar Dhumal and horticulture minister Narinder Bragta, had been raising the issue of "increasing import duty on apple and including it in the special product list to safeguard the interest of domestic fruit growers" as they are facing stiff competition from apple imported from the US and China. The state government claims that as compared to 35,832 tonne of apple imported in 2006-07, import increased to 1.15 lakh tonne in 2010-11, while during current financial year it is expected to be around 2 lakh tonne which is directly affecting the interest of domestic producers.

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Govt lifts restrictions on cotton exports

PTI

New Delhi, July 31:Amid abundant availability and a crash in prices, the government today removed restrictions on the export of cotton and permitted shipments under open general licences (OGL) for the remainder of the current season.

The cotton season runs from October to September. Cotton exports for the remaining two months (August and September) have now been put under OGL, Commerce Secretary Rahul Khullar told PTI.

"Now, exporters only have to register with the Directorate General of Foreign Trade (DGFT)," he said.

The issue came in for review at a meeting of secretaries in the ministries of commerce, textiles and agriculture, convened by Commerce and Industry Minister Anand Sharma here last week.

In October last year, the government had capped cotton exports at 55 lakh bales (170 kg each) to protect the domestic textiles industry in the face of rising raw material prices. An additional 10 lakh bales were permitted for export in June, after prices had corrected sharply.

Prices have declined to about Rs 31,000 per candy (356 kg) now from the peak of Rs 62,500 per candy in March-end.

The restrictions on cotton yarn were removed from April 1, after the manufacturers found themselves saddled with big inventories following the curbs on exports.

Besides the changing dynamics in the market, administering the restriction has proven to be "a big headache" for the Commerce Ministry, especially after the recent allocation of 10 lakh bales, as some exporters have taken the issue to different courts, sources told PTI.

They said it was in this context that Sharma reviewed the situation with the three secretaries on the weekend.

According to the estimates of the Cotton Advisory Board (CAB), the cotton surplus at the end of the current season would be 52.5 lakh bales on account of lower industry demand. In February, the CAB had estimated it at 27.5 lakh bales.

Likewise, the projection for domestic consumption of cotton this season has been lowered to 236 lakh bales, as against the earlier estimate of 265 lakh bales, on account of high inventories.

The cotton production projection, however, has been increased to 325 lakh bales for the current season.

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