Business Line dt. 15.9.22

Exports shrink further to $33.92 b in Aug

Trade deficit more than doubles as petroleum, coal push up import bill

OUR BUREAU

New Delhi, September 14

India's goods exports slowed down further in August 2022, growing 1.62 per cent (year on year) to $33.92 billion, as global demand continued to contract, hit by inflation, high interests and piling up of inventories in Western economies..

In contrast, imports posted a sharp increase of 37.28 per cent to $61.9 billion, fuelled by sharp rise in petroleum and coal purchases, leading to more than doubling of trade deficit to $27.98 billion, according to quick estimates of trade data for August released by the Commerce & Industry Ministry on Wednesday.

Exporters hopeful

Exporters are, however, optimistic that the situation would improve in October as demand for low value products is on the rise and a lot of orders, which were earlier going to China, have now started coming to India. "Beijing is becoming costlier and less reliable with a zero Covid tolerance policy and anti-China sentiments are gaining ground day by day," said A Sakthivel, President, FIEO.

In April-August this year, goods exports increased 17.68 per cent to $193.51 billion while imports rose 45.74 per cent to $318.03 billion, widening the trade deficit by 131.52 per cent to $124.52 billion. There has been a slowdown in goods exports since July 2022 when exports increased 2.14 per cent to $36.27 billion.

FIEO estimates that exports in 2022-23 would touch a modest $470 billion, growing about 12 per cent over the previous fiscal, as the Ukraine-Russia war continued to cause uncertainty. The Commerce Ministry, too, is working on a similar export target.

Exports in 2021-22 had posted a growth of over 40 per cent to $422 billion.

"The contraction in global trade is also visible from the sharp decline in the freight rates which have reduced by about 50 per cent on major trade routes. The freight from Asia to North Europe and the US (West Coast) dropped from $14,000 to $4,000 and $8,000 respectively," Sakthivel said.

Items hit

Exports of items that took a hit in August include most major categories such as engineering, ready-made garments, gems & jewellery, marine products, iron ore, handicrafts and yarns & fabrics. Petroleum products, rice, electronics, chemicals and pharmaceuticals recorded an increase in exports.

Non-petroleum and non-gems and jewellery exports posted a fall of 1.64 per cent to $24.88 billion in August.

"Some of the major economies such as the US, China, and the Eurozone have slowed down and this has reflected in a downward trend in engineering exports from India.

"We have given our suggestions to the government to boost engineering exports and hope that quick policy action would mitigate the challenges faced by exporters. The proposals include cheaper export finance for MSMEs, rollback of export duty on selected steel items, and a clear set of guidelines for rupee trade with Russia," said Mahesh Desai, Chairman, EEPC India.

Increase in imports

Import of goods in August increased across a number of sectors such as petroleum, coal, fertilisers, vegetable oil, machinery, electronic goods, project goods and transport equipment. Import of gold, pulses and pharmaceuticals posted a decline.

Non-petroleum, non-gems and jewellery (gold, silver & precious metals) imports increased 40.63 per cent to $37.53 billion in August.

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Tamping irrational exuberance in commodity trade

There is a need to set up a price pooling body that will reflect the market fundamentals of the commodities traded

KUSHANKUR DEY

Irrational exuberance, expounded by Nobel Laureate Robert Shiller, is unfounded market optimism which is devoid of a fundamental foundation of asset valuation.

Instead, it rests on the psychological biases and disposition effect of investors. It creates undue short-lived economic optimism and severely impacts the market and the economy.

The commodity market is not immune to irrational exuberance, as inflated commodity prices compelled the government to suspend more than half-a-dozen active futures contracts in December 2021 for a year.

However, the plausible reasons for this suspension have not been explored yet.

Arguably, commodity exchanges across the world function on the Efficient Market Hypothesis, popularised by economists Fama and French, which enables every participant to make informed decisions with all the publicly available data and information.

Such information is assimilated, which could be daily updates or weekly/monthly data estimates issued by various states, central government authorities, international newswires, and other sources.

An efficient market, where the price is a signal, ensures the most optimal allocation of scarce resources that helps technical analysts predict a fair value of the asset — financial or commodities.

However, technical analysis on prices may not give a transparent explanation for the suspension of futures.

Instead, we need to look at a fundamental analysis for dissecting the proximate causes of invoking or revoking the suspension of futures trading in commodities.

Fundamental analysis

Consider the case of cotton.

While it has gained considerable traction in trade, the clamour for suspending the cotton futures contract calls for revisiting its fundamentals that can complement the technical analysis and justify the decision on suspending its futures or continuing its trading.

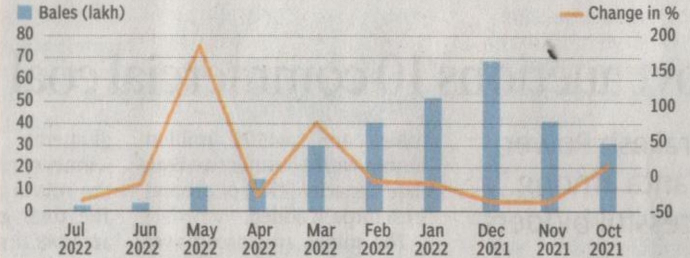
Pressure groups are lobbying for its suspension at the cost of farmers who have been primary beneficiaries of higher cotton prices for several years.

To build a perspective based on cotton fundamentals that impact the spot and futures is important.

First, domestic and international supply concerns are due to unseasonal rainfall and its adverse impact on the harvest.

The USDA expects the lowest harvest for the US as growers in the country's drought-hit south-west abandoned vast tracts of cropped areas in 2021-22. The Cotton Association of India (CAI) estimated the cotton crop for 2021-22, beginning from October 1, 2021, at 315.32 lakh bales, down by 37.68 lakh bales or 10.67 per cent compared to 353 lakh bales of 170 kg each as on April 30, 2022.

Market arrivals of cotton bales between October 2020-July 2021 and October 2021-July 2022



Cotton output outlook

Market participants expect the cotton production for 2021-22 to be about 300 lakh bales.

Unseasonal rains raised quality concerns besides the poor harvest, which has propped up the demand for quality cotton.

Farmers are also reportedly holding on to good quality cotton in anticipation of better prices.

Second, the supply is also adversely affected by the lower opening stock which fell sharply to 75 lakh bales for 2021-22 against 125 lakh bales for 2020-21 following export demand.

Third, per the Committee on Cotton Production and Consumption (COCPC), in November, cotton sowing acreage (provisional) for 2021-22 was down 7.2 per cent to 120.69 lakh hectares compared to 130.07 lakh hectares in the previous year.

Fourth, arrivals from October-April of the current crop year were down 15.38 per cent.

However, prices started cooling in November 2021, as arrivals in market yards or APMCs improved. Figure 1 records the arrivals at APMCs of cotton in bales (lakh) and the percentage change in arrivals between July 2022 and October 2020.

Fifth, polyester yarn prices, a by-product of crude oil and a close substitute for cotton, have increased with the rise in crude prices — the absence of a cheaper alternative to cotton supported global cotton prices.

Policy implications

Pricing of commodities should reflect the fundamentals of commodities. So, first, setting up a nationwide price pooling agency is necessary which should have an arm's length relationship with the exchanges or associated agencies.

It should not have any vested interest in the setting of prices.

Second, commodities that are traded should have good representation across production and consumption centres, be standardised in grade and specifications.

The price pooling mechanism should capture such differences in pricing to enable a fair valuation.

Third, for reliable price discovery and broad-based price dissemination, the electronic spot and futures market should co-exist underlying robust market microstructure.

The Product Advisory Committee of the exchange and the market regulator need to work out the modalities for such a microstructure.

Otherwise, market participants would rig the market, create commodity bubbles, and compel the government to suspend active contracts on account of irrational exuberance.

Dey is Chairman of CFAM, IIM Lucknow. Views expressed are personal

Business Line dt. 15.9.22

India right in curbing rice exports

Per tonne realisation has declined. Curbs on the cereal's export should be seen from this perspective

SUBRAMANI RA MANCOMBU

No tears need be shed over the government's curbs on rice exports imposed from September 9. In fact, one should be happy that the government has learnt its lessons from the wheat conundrum the country faced in May as also the Indonesian ban on palm oil exports in April.

The question before us is: Why should India export blindly when the realisation is declining. This, particularly, when it is the top exporter making up 40 per cent of the global rice trade.

There are three facets to the restrictions. One, the government has banned exports of broken rice. Two, it has imposed a 20 per cent export duty on white (raw) rice, brown rice and paddy shipments. Three, it has exempted parboiled (boiled) and Basmati rice from any restriction.

Critics of the move say the curbs will affect supplies when demand is increasing for Indian rice in the global market, and the industry and trade have not been taken into confidence. On the other hand, there are others who feel the export duty could have been higher.

Be that as it may, the decision is timely and welcome, too, as data point to some interesting developments over the past five years. We will only look at non-basmati white rice and broken rice since Basmati shipments are not affected. Also, exports of brown rice and paddy are insignificant.

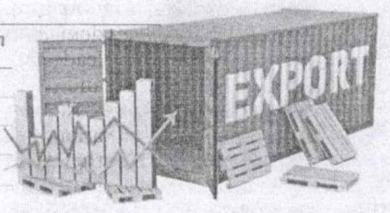
Last fiscal, India exported a record 17.26 million tonnes (mt) of non-Basmati rice with broken rice making up 3.89 mt, white rice 5.94 mt and parboiled the remaining 7.34 mt. The forex earnings were a record ₹45,700 crore. However, the per tonne realisation declined 11 per cent from \$402 in 2018-19 to \$359 during the April-July period of the current fiscal.

The competition among Indian traders is so cut-throat that some of them settled for margins as low as \$1/tonne last year. At one point in time, Indian rice was offered at a \$100/tonne discount to Thailand and Vietnam varieties. Before the curbs were announced Indian white rice was offered at discounts ranging of over \$30 a tonne (Pakistan rice) to \$80 (Thai rice). India's export curbs have only helped Thailand and Vietnam raise their prices.

Rising exports, falling realisation

Fiscal	Volume (in mt)#	Value (in ₹ cr)	Realisation ($/tonne)
2018-19	7.53	20,903.22	402
2019-20	5.03	14,352.75	399
2020-21	13.08	35,448.24	366
2021-22	17.26	45,649.74	361
2022-23*	5.81	16,237.45	359

Source: APEDA *April-July #million tonnes



Lower than MSP

If the minimum support price (MSP) for paddy fixed by the government is converted, the free-on-board price is lower than the MSP. This leads to two questions. One, should Indian rice be sold at a huge discount in the global market, particularly when the government spends at least \$70/tonne on paddy farmers to supply free power? Two, should the shipments be made at a price that is below the MSP?

India should not export its rice cheap. On parboiled rice, despite India's competitors being Thailand and Pakistan, the cereal is offered at discount.

The case of broken rice exports is curiouser. According to the US Department of Agriculture, its trade increased by over 50 per cent to 6.7 mt in 2021. India's share in this was a significant 3.89 mt. The trade was 4.8 mt in the first half of this year.

Last year, the biggest buyers of Indian broken rice were China, Vietnam and Senegal. The African country uses broken rice for one of its staple dishes, though its purchases from India have fallen. China and Vietnam buy it for making noodles and wine as also for animal feed.

On the other hand, demand for broken rice has increased within the country of late for poultry feed with corn and soyameal turning pricier, and also being diverted for ethanol manufacture.

China turned a big buyer of Indian broken rice only in 2020. Until then, it had imported hardly 1,000 tonnes. While last fiscal it imported 1.63 mt of rice with broken rice making up 96 per cent of it, this fiscal it has already bought 1.07 mt during the first four months.

The Centre is justified in taking a decision to ensure broken rice is available for its own poultry and other user industries than meet Chinese animal feed demand. The move is also timely since the government has anticipated more demand for it in view of the 75-day heat wave in China and the brewing supply crisis in the global rice market.

There are a couple of other interest-

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ing aspects to the government's decision, especially in making a distinction between countries in the East and the West.

Exports of Basmati and parboiled rice to the West have been spared since the Gulf nations and poor African countries, respectively, are the major buyers. The move ensures it does not rub the Gulf nations on the wrong side and invite criticism for putting at risk the African countries' food security.

Shipments of non-Basmati white and broken rice, which are to the nations in the East, have been curbed. Indonesia, Vietnam and China are likely to be affected. These countries depend on cheaper Indian rice mainly for feed purposes and the Centre's indirect message is to import corn from us. That way growers will stand to benefit with corn prices ruling at ₹22,000-23,000 a tonne.

There need not be any concern over paddy growers getting the MSP when harvest begins in the next few weeks. The Centre has fixed an ambitious rice procurement target of 51.8 mt for its central pool. Going by the wheat experience, particularly in Punjab, Haryana and Uttar Pradesh, it is likely the growers will want more than the MSP.

The Centre's policy on rice exports is unlikely to end with the September 9 decision. Needed are a couple of logical moves to ensure that the original decision works.

The first could be an announcement of a minimum export price to prevent any under-invoicing. The second will likely be regular checks to ensure premium non-Basmati rice that is sold at over $650 a tonne does not get shipped as Basmati rice to escape the 20 per cent tax.

The third will be to ensure that other types of rice are not mixed with Basmati and shipped out to evade the tax. In both these cases, there is a lurking danger of *hawala* traders operating through this channel.

Over the next few weeks, the government is expected to come up with measures to take care of these concerns. The curbs should also give policy-makers time to try and promote Indian rice as a niche product rather than a cheap competitor.

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India's ban will end trade in broken rice, says USDA

SUBRAMANI RA MANCOMBU

Chennai, September 14

The Indian government's ban on exports of broken rice will eliminate its trade that had increased 53 per cent last year, the US Department of Agriculture (USDA) said.

In 2021, the global broken rice trade was 6.7 million tonnes (mt) and in the first half of 2022, it was up 39 per cent at 4.8 mt. Since India contributed to over 50 per cent of the global broken rice trade, its new policy – to ban its exports– will "eliminate this trade", the USDA said in its Grain: World Markets and Trade report.

"For 2022, rice trade is estimated to contract, in part due to the new Indian policy to ban exports of broken rice," it said.

Low cost, ample supply

Before 2021, broken rice contributed to about 10 per cent of total rice exports. For the first half of 2022, broken exports accounted for nearly 20 per cent. Demand for Indian broken rice increased last year as its costs were low and supply was abundant.

Broken rice made up 3.98 mt of India's total non-basmati exports of 17.26 mt last fiscal with China emerging as the largest buyer. Broken rice accounted for 96 per cent of its total 1.67 mt rice imports from India. During the first four months of the current fiscal, China bought around 1 mt. Besides China, Vietnam and Senegal are the other major buyers.

For animal feed

"Since 2021, China and Vietnam have bought significant volumes of broken rice. China (the world's largest producer) continues to be the largest rice importer and has shifted to purchasing more broken rice for animal feed. More surprisingly, Vietnam (the third largest exporter) has become a major importer, purchasing broken rice from India due to the significant difference in prices," the USDA said.

One reason for Indian broken rice being in demand in China and Vietnam is because it is priced lower than the cereal in their own domestic market and feed grains. India's broken rice is being exported for around $300-310 a tonne.

The ban will also result in China, Vietnam and Senegal reducing their imports.

However, Pakistan, Vietnam, Thailand, and Myanmar could offset the void created by the ban imposed by India, the USDA said.

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Free trade pact on track, will try to roll out this year: Australia

Assures Piyush Goyal that clearance of agreement is top priority and will be taken up by Parliament soon

AMITI SEN

New Delhi, September 14

Australia has assured India that the India-Australia Free Trade Agreement will be taken up by the Australian parliament shortly and efforts would be made to implement it this year, a person tracking the matter has said.

"The Australian parliament was suspended for a fortnight out of respect for the passing away of Queen Elizabeth II. However, Commerce & Industry Minister Piyush Goyal was assured by his Australian counterpart through a phone call that clearance for the India-Australia FTA was a priority and would be done soon," the source said.

Any legislative changes required to implement the treaty, officially called the India-Australia Economic Cooperation and Trade Agreement (ECTA) domestically must also pass both Houses of Parliament.

Once the domestic procedures have been completed, Australia and India will provide each other with confirmation of their completion through an exchange of diplomatic notes, and the agreement will enter into force 30 days later, or on any other date that is mutually agreed, per Australia's Department of Foreign Affairs and Trade.

The India-Australia ECTA, under which Australia has agreed to provide zero-duty market access for 96.4 per cent value of Indian exports on the first day of implementation of the agreement, was approved by the previous government in April 2022, but the new Labour-party led government, too, has expressed commitment to implement it as planned. The pact is beneficial for Australia as well as India has agreed to provide zero-duty market access to 85 per cent of Australian goods.

India has agreed to provide zero-duty market access to 85 per cent of Australian goods

Exporters say that there is a lot of interest from Australian companies for importing more from India once the ECTA is in force. "During our visit to Australia earlier this year, we received several enquiries from business representatives from various sectors who want to use the ECTA to source more from India once it is operationalised. We see a lot of scope going forward," said A Sakthivel from FIEO.

Hike in orders

According to Council for Leather Exports, there was already an increase in orders from Australia as the ECTA had generated a lot of interest and this would go up further once the pact was implemented.

India and Australia will also parallely negotiate a full-fledged India-Australia CECA that will include items that were excluded in the ECTA.

As most agriculture items including dairy products were excluded by India in the ECTA, Australia is keen that some items such as nuts, pulses, grains, oilseeds, cotton and wool, are part of the CECA, in addition to processed food and beverages. The India-Australia pact seeks to double bilateral trade in five years to \$45 billion-\$50 billion from \$27 billion now.

Business Standard dt.15.9.22

Share of petro products in exports at record 21.2%

Outbound shipment of petroleum products surged 76% during April–August

ILLUSTRATION: BINAY SINHA

ASIT RANJAN MISHRA
New Delhi, 14 September

High international energy prices and cheaper crude oil sourced from Russia have lifted the share of India's petroleum products in exports to their highest ever at 21.2 per cent during April-August.

India's heavy energy exports have boosted its outbound merchandise shipments.

During April-August, while non-petroleum exports grew only 8.1 per cent, overall exports went up 17.68 per cent on account of petroleum products, which increased 76 per cent. In August, while non-petroleum exports contracted 1.8 per cent, overall outbound shipments went up 1.6 per cent, thanks to 22.8 per cent growth in petroleum exports. According to the disaggregated trade data available till July, the UAE got the highest share of India's petroleum exports (9.1 per cent), followed the Netherlands (8.8 per cent), Togo (5.8 per cent), the US (5.7 per cent), and Singapore (5.4 per cent).

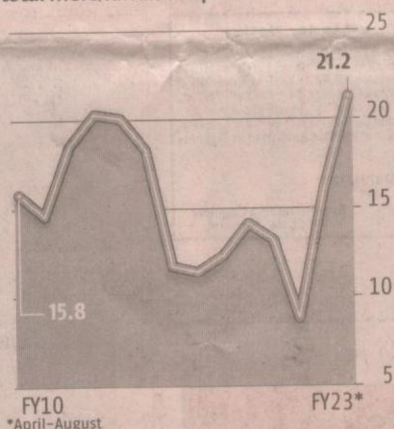
The Netherlands became India's third-largest export destination during April-July with half the $6.2-billion shipments to the country coming from petroleum items. Of the $35.4-billion exports of petroleum products during April-July, the country's key fuel shipments included diesel ($11.7 billion), aviation turbine fuel ($9 billion), petrol ($5.4 billion), high-speed diesel ($4.7 billion), and light naphtha ($2.4 billion). The slowdown in petroleum exports in August could be attributed to the windfall tax imposed by the government on July 1. A windfall tax is a one-off tax levied on companies deemed to have made high profits, normally due to unusually favourable market factors.

The government on July 20, however, exempted the export of petroleum products from units located in special economic zones (SEZs) from the windfall tax and slashed export levies on these fuels amid easing global crude oil prices, less than three weeks after imposing them.

The government continues to review the windfall taxes once every fortnight. While the export duty on petrol continues to be nil, the duty on diesel exports stands at ₹7 per litre and ATF at ₹2 per litre.

SHARP UPTICK

Share of petroleum exports in India's total merchandise exports



*April–August

Russia became India's largest source country for crude oil after Iraq during the April-July period due to the discounted price the country offered after the Ukraine war started.

In May, Russian crude oil was cheaper by $16 a barrel than the average Indian crude import basket price of $110 a barrel. The difference was reduced to $14 a barrel in June, when the Indian crude basket averaged $116 a barrel. As of August, Russian crude oil cost $6 less than the average crude oil import basket price. In a bid to counter the growing clamour among the G7 nations to enforce a price cap on Russian oil, Moscow has told New Delhi it is willing to provide petroleum at even lower rates than before, *Business Standard* reported on September 11. Biswajit Dhar, professor of economics at Jawaharlal Nehru University, said the government's efforts to diversify exports to more labour-intensive ones had not worked.

"With the global economy entering a more sluggish period and headwinds becoming stronger, it will be more difficult for us to diversify exports. Once we lose the advantage of cheaper crude oil from Russia, our exports will face greater downward pressure," he added.

The World Trade Organization (WTO) last month said its latest goods trade barometer pointed to stagnating global trade growth. The volumes of world merchandise trade plateaued with year-on-year growth slowing to 3.2 per cent in the first quarter of 2022, down from 5.7 per cent in the fourth quarter of 2021. The WTO has projected 3 per cent growth in the volume of global merchandise trade in 2022 compared to 9.8 per cent growth in 2021.

Business Standard dt.15.9.22

EXPORTS SURGE 1.62% IN AUGUST

At $33.92 billion, outbound shipments from India grew 1.62 per cent in August, as compared to last year, improving marginally from the preliminary estimate of $33 billion as a result of disruptions caused by high inflation among all economies, resulting in tepid demand. Trade deficit fell from a record $30 billion in July to $27.98 billion, but remained elevated. External demand for key commodities such as engineering goods, gems and jewellery, and textiles fell in August. Imports also remained high at $61.9 billion, but fell sequentially from $66.27 billion. **SHREYA NANDI**

Trade during August 2022

Top products with positive export growth

	Value ($bln)	Growth (%)
Petroleum products	5.71	22.76
Organic & inorganic chemicals	2.53	13.47
Drugs & pharma	2.14	6.76
Electronic goods	1.73	50.83

Top products with negative export growth

	Value ($bln)	Growth (%)
Engineering goods	8.29	-14.19
Gems & jewellery	3.33	-2.98
RMG of all textiles	1.23	-0.34
Cotton yarns/handloom pdts	0.88	-32.17

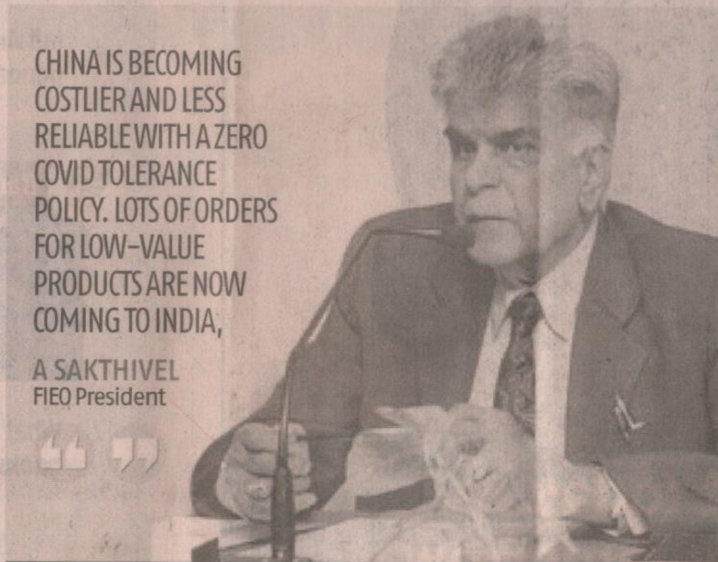
Source: Department of Commerce

Business Standard dt.15.9.22

FIEO expects $470-bn exports by year-end

Rupee trade mechanism with Russia to start soon, SBI already equipped: Trade body president

SHREYA NANDI
New Delhi, 14 September



CHINA IS BECOMING COSTLIER AND LESS RELIABLE WITH A ZERO COVID TOLERANCE POLICY. LOTS OF ORDERS FOR LOW-VALUE PRODUCTS ARE NOW COMING TO INDIA,

A SAKTHIVEL
FIEO President

With global trade facing headwinds due to the ongoing conflict between Russia and Ukraine, merchandise exports from India are expected to grow at a slower pace during the current fiscal.

It may rise about 11 per cent to over $470 billion, apex body for exporters Federation of Indian Export Organisations (FIEO) said on Wednesday.

Exports grew 45 per cent year-on-year (YoY) to $422 billion in 2021-22. Rising inflation and pile up of inventories in all major economies have affected the purchasing power, thus hitting demand.

Official data showed that outbound shipments from India hit a 13-month low at $33.92 billion, up 1.62 per cent, in August.

Trade deficit fell from a record high of $30 billion in July to $27.98 billion but remained elevated. Export of commodities such as engineering goods, gems and jewellery, and textiles witnessed contraction during August.

On the brighter side, exporters are seeing opportunities, since buyers are moving from China to India.

"China is becoming costlier and less reliable with a zero-Covid tolerance policy and anti-China sentiments are gaining ground day by day. Lot of orders for low-value products, which were a virtual monopoly of China, are now coming to India," FIEO president A Sakthivel said.

Sakthivel expected the rupee-trade mechanism — announced by the Reserve Bank of India (RBI) in July — to be implemented soon. The Russia-Ukraine war has hit exports to these nations. Exporters are hoping for a rise in shipments to Russia once the rupee payment mechanism gets operationalised.

According to FIEO's estimate, India can add about $5 billion exports to Russia in the next 12 months.

Sakthivel added, "With Europe maintaining sanctions against Russia, we expect the trade to divert from Russia to India. This has already happened in petroleum products, iron and steel and food products and is likely to be further accentuated in times to come."

He further said that State Bank of India (SBI) is already equipped with doing rupee business with Russia and a corresponding Russian bank is expected to be identified over the next 15 days.

However, exporters have urged the government to enable them to claim export benefits in rupees. This was so far available for export payments received in foreign currency.

According to DG and CEO of FIEO Ajay Sahay, despite a fall in overall exports, the demand for low-value products is surging.

"While we expect volumes to remain intact, value may take a hit. This is also because — steel, ferro alloys, plastic polymers and cotton yarn have declined significantly.

This will affect our exports in two ways — the value of raw material exports will come down and value of the final product manufactured out of such raw material will also be lowered since the input prices have declined," Sahay said.

FIEO has also urged the government to provide some fiscal and non-fiscal support to exporters, amid the rupee's depreciation.

Rupee has depreciated by 8.1 per cent, as on September 7 compared to a year ago. Currently, the rupee is one of the best-performing currencies in Asia. This implies that India no longer has the competitiveness provided by the exchange rate.

Business Standard dt.15.9.22

Trade with India saw big jump in past yr: US envoy

US's trade with its top 15 partners increased over the past one year, but the single biggest jump was with India, the country's Consul General in Kolkata Melinda Pavek said.

Pavek, while addressing a session here at the East India Summit 2022 organised by the Confederation of Indian Industry (CII), said India-US trade stood at USD 67 billion during the first six months of 2022.

"Exports to India were USD 23 billion, while Indian exports to the US stood at USD 44 billion during January-June.

"US trade with its top 15 partners has increased over the past year, but I am proud to say that the single biggest jump was with India... US companies are consistently India's biggest source of foreign direct investment (FDI)," she said.

In 2021, overall US-India bilateral trade in goods and services was USD 157 billion, as per official data.

Some of the top trading partners of the US include China, Canada, Mexico, Japan, Germany, the United Kingdom and France. PTI

Business Standard dt. 15.9.22

Rice prices soften ₹100-200 per quintal; exports may drop 25%

India exported 21.2 mt of rice in 2021-22

SANJEEB MUKHERJEE & AGENCIES
New Delhi, 14 September

On a day when food inflation — measured by the wholesale price index — for August continued to remain high despite overall decline, there is some more good news on the cereal front.

Trade and market sources said that rice prices across major mandis in the country have softened by around ₹100-200 per quintal ever since the world's biggest exporter of the grain late last week banned shipments of broken rice and imposed a 20 per cent duty on exports of various other grades as the country tries to boost supplies and calm prices after below-average monsoon curtailed planting.

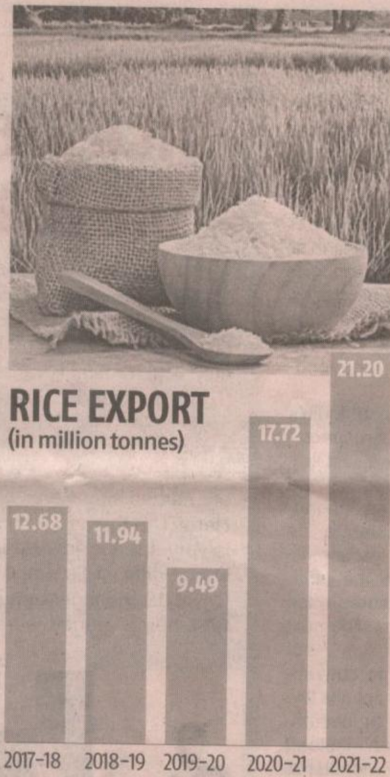
However, traders said an exact picture of the impact of government measures on prices is difficult to ascertain right now because paddy arrivals are low at this time of the year ahead of the kharif harvest.

"On the whole, there is decline, but a clear picture is not emerging because paddy arrivals at most mandis are weak," said a trader.

Internationally, reports and market players said that rice prices have risen since the export ban as the market expects reduced availability in global trade.

India, which commands 40 per cent share in the global rice trade, exported 21.23 million tonnes (mt) of rice in 2021-22, against 17.78 mt in the previous year.

Total domestic rice production in the 2021-22 crop year was around 130 mt, of which around 112 mt was in the kharif season. In the past few days, Thailand rice sellers had increased their quotes for 5 per cent broken rice, 25 per cent broken rice, and parboiled rice by about $2 per tonne, $1 per tonne, and $2 per tonne, respectively, to around $430-434 per tonne, $417-421 per tonne, and $437-441 per tonne, in the aftermath of the ban.



Exports include both Basmati and non-Basmati rice
Source: Government of India, traders

In Vietnam, rice sellers have increased their prices for 5 per cent broken rice and 25 per cent broken rice by about $10 per tonne each to around $403-407 per tonne and $388-392 per tonne, respectively.

Pakistan's rice sellers have increased their quotes for 5 per cent broken rice, 25 per cent broken rice, and 100 per cent broken rice by about $35 per tonne, $35 per tonne, and $33 per tonne to around $413-417 per tonne, $395-399 per tonne, and $383-387 per tonne, respectively.

"Globally, all major players have raised their rice prices ever since India imposed a duty on some types of rice, while totally banning export of broken rice as supplies could get further squeezed," said Rahul Chauhan, commodity analyst at iGrain India.

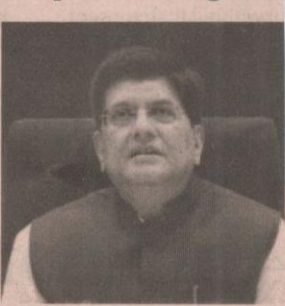
The Centre last week imposed 20 per cent export duty on some non-Basmati rice types. This was followed up with a total ban on the exports of all forms of broken rice. Trade and market sources said in total, around 10 mt of rice exported from India (5.9 mt under export duty and 4 mt banned) of the total annual exports of 21.2 mt (as on 2021-22) will now be under restriction.

The ban on broken rice came into effect on September 9, but the notification says that between September 9 and September 15, consignments and shipments where loading has started at ports before the ban and shipping bills is filed of vessels berthed or where broken rice consignments have been handed over to the Customs will be allowed to be exported.

As a consequence of the ban, news agency *Reuters* on Wednesday reported that India's rice exports could fall by around a quarter this year as buyers switch to rival suppliers offering the grain at a cheaper price, said trade and industry officials.

Some auto cos forcing gear makers to import: Goyal

Business Standard dt. 15.9.22



His remarks come even as the Indian auto component industry exported parts worth $19 billion in FY22.

Also, for the first time, it shipped out more than what it imported and the trade surplus stood at $700 million.

The industry clocked its highest ever turnover of ₹4.2 trillion in 2021-22, registering a growth rate of 23 per cent.

Goyal's remarks disconcerted automakers and their suppliers.

"Most of us have a conducive relationship with our OEMs (original equipment makers) As a matter of fact, they want us to localise and have very stringent localisation targets," said a top official at an auto component maker.

Vinnie Mehta, director general, Automotive Component Manufacturers Association, said: "The remarks should be seen in the context of trade facilitation and ease of doing business. What he has been doing for the industry is very encouraging."

An executive who serves on the boards of several auto component firms said what the minister said would have been true six to eight years ago, when localisation was not high on priority.

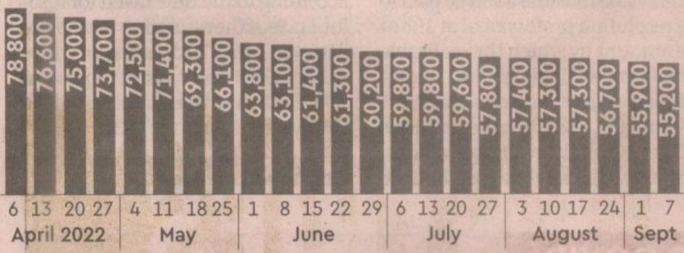
In the absence of local wherewithal, manufacturers would often ask the suppliers to import some parts or technology and sometimes even a certain grade of steel to meet their quality standards, the executive said. But that is no longer the case.

sometimes by ₹2,000 crore and compliance. GST collections

Financial Express dt. 15.9.22

Ministry wants 15% export duty on steel to stay till December

Weekly HRC price* (in ₹/tonne)



*Ex-Mumbai; Source: SteelMint

SURYA SARATHI RAY
New Delhi, September 14

THE 15% EXPORT duty imposed in May on a range of items covering around 95% of the finished steel export basket is likely to stay till December as the steel ministry feels that any roll-back of the duty at this stage may suppress domestic prices. "Duty rollback may also give unintended signals to market to prefer exports over domestic demand," the ministry said in a note.

The ministry is confident domestic demand will go up after the monsoon, particularly because of governments thrust to building infrastructure across the country, and this will put upward pressure on prices.At the same time, cost of production for the domestic steel makers will rise as prices of major inputs such as coking coal and iron ore are expected to move up.

"In view of this, reduction in duty may be considered after stabilisation of the present volatile market condition, cooling of inflationary pressures and the steel price trends in the next quarter," the ministry said. In FY 22, India's steel exports at 18.37 million tonnes (MT), comprising both finished and semi-finished steel, was the highest both in absolute terms and in proportion of production – 11.9% in case of finished steel and 15.3% in case of crude steel.

"Higher exports may have, in part, helped sustain high prices of steel during FY22," the ministry believes. Export duty was imposed on eleven items including hot-rolled coil (HRC) and cold-rolled coil (CRC) on May 21 to contain domestic prices of steel.

Within 20 days of the duty imposition, prices declined by 9-14% by June 10, but the pace of decline moderated since then. The decline was in the range of 5-17% by August 19 compared with the May 21 price.

Financial Express dt. 15.9.22

Exports barely rise in August, trade deficit remains elevated

FE BUREAU
New Delhi, September 14

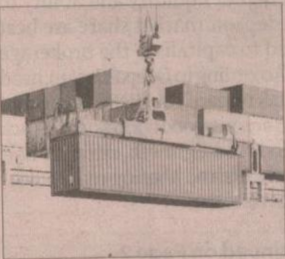
MERCHANDISE EXPORTS INCHED up marginally in August from a year before, reflecting a demand slowdown in key western markets, but a sustained surge in imports kept trade deficit at an elevated level.

According to the provisional data released by the commerce ministry on Wednesday, exports rose 1.6% from a year earlier to \$33.9 billion, while imports jumped 37.3% to \$61.9 billion. Consequently, trade deficit in August hit \$28 billion, the second-highest on record and close to the monthly peak of \$30 billion in July.

Interestingly, following a cut in the windfall tax, petroleum product exports rose almost 23% to \$5.7 billion, against a 9% rise in the previous month. This somewhat propped up overall exports in August.

Meanwhile, high trade deficit will continue to pressure the current account deficit (CAD), already expected to have hit a nine-year high in the first quarter. Official sources, however, stressed the government has adequate heft to finance the CAD.

Importantly, with global commodity prices moderating, export value will remain under pressure in the coming months. This will add to the woes of a demand slowdown in the US, EU, China and the UK. However, domestic exporters are pinning hopes on the diversion of a portion of western orders away from China, whose ability to ship out is somewhat undermined by the fresh Covid outbreak there.



FEARS OF DEMAND SLOWDOWN

\$28 billion Trade deficit in August, the second-highest on record and close to the monthly peak of \$30 billion in July

37.3% Jump in imports in August, to touch \$61.9 billion

Although imports still remain elevated, the pace of growth is slowing—from 43.6% in July to 37.3% in August. It suggests pent-up domestic demand, responsible for a spurt in purchases in the aftermath of the Omicron onslaught, is probably losing steam, some analysts said. However, some others suggest domestic manufacturers are probably selling their products in the local markets more aggressively, weighing down the growth on external trade.

The data showed exports in the first five months of this fiscal hit \$193.5 billion, up almost 18% from a year earlier. Imports, however, jumped about 46% to \$318 billion, leading to a record trade deficit of \$131.5 billion. Earlier this month, commerce secretary BVR Subrahmanyam exuded confidence that exports would pick up going ahead. The optimism stems from the fact that India's recent trade deals with the UAE and Australia will start bearing fruit soon, and that there could be a partial diversification of western orders away from Covid-hit China. The secretary said exports of both goods and services will exceed \$750 billion in FY23 from a record \$676 billion in FY22.

Fresh challenges in the global supply chains, the restrictions on wheat and wheat export supplies, higher duties on despatches of certain steel products and iron ore will continue to drag down export growth. For instance, iron ore exports crashed by 91% to just \$13.4 million.

Goods imports, meanwhile, continued to be driven by a massive 87% year-on-year jump in purchases of crude oil & petroleum products to \$17.7 billion and 134% spurt in coal to \$4.5 billion. A spurt in prices of crude oil and coal just served to inflate the import bill of a net commodity importer like India. Electronics imports, too, rose 23% to \$7.3 billion in August, and purchases of machinery and organic and inorganic chemicals jumped 33% and 43%, respectively, to \$3.9 billion and \$3 billion.

Financial Express dt. 15.9.22

Tell me if you are forced to import auto parts: Goyal

SWARAJ BAGGONKAR
New Delhi, September 14

PUSHING THE CAUSE of localisation further, commerce and industry minister Piyush Goyal on Wednesday told auto component makers to report to the government if any vehicle maker discourages them from sourcing auto parts locally.

On the back of a strong revival in demand seen almost across all categories, auto component imports last year ballooned 33% to $18.3 billion, the highest in at least five years.

Piyush Goyal, Union minister

"In case any of the automotive companies is pressurising any auto component manufacturer to import parts instead of sourcing them locally, I urge you to come straight to me and talk without hesitation. If any company is forcing you to import from their own suppliers, which has been reported to me by different people, I will be happy to take the case," Goyal said at the 62nd Annual Session of ACMA.

He also said that some companies are facing pressure from their joint venture partners over sourcing of parts. "If a joint venture partner is unhappy then that company is free to leave. I am sure our Indian companies will give them a fair and honourable exit. The government will take up the case with our counterparts in other countries," the minister added.

Financial Express dt. 15.9.22

Govt to allow 5 MT of sugar exports in first tranche

MAYANK BHARDWAJ & RAJENDRA JADHAV
New Delhi/Mumbai, September 14

INDIA IS POISED to allow 5 million tonne of sugar exports in the first tranche for the new marketing year beginning October, two government sources said on Wednesday.

"The permission to export 5 million tonne of sugar is expected in the coming weeks and once we have a better sense about next sugar year's production, we could allow another 3 to 5 million tonne for exports," said one of the sources who didn't wish to be named. Early estimates suggest the sugar output in 2022-23 would hover around this year's record 36 million tonne, the official said. On October 1, 2022, when the new season begins, mills' carryover stocks from the previous season are expected at 6 million tonnes against 8 million tonnes a year earlier.

—REUTERS

The Economic Times dt.15.9.22

Exports Grow 1.62% in August, Trade Deficit More than Doubles to $27.98 b

Our Bureau

New Delhi: India's goods exports grew 1.62% in August, while the trade deficit more than doubled to $27.98 billion on the back of a sharper rise in imports, official data released on Wednesday showed.

The official numbers reflect an improvement as preliminary data released earlier this month had shown a 1.15% contraction in exports in August, the first drop since November 2020.

Exports stood at $33.92 billion in August, as compared to $33.38 billion in the year ago period.

Imports rose 37.28% to $61.9 billion in August this year.

Outbound shipments of electronic goods, rice, oil meals, tea, coffee and chemicals increased on-year while those of engineering goods, gems and jewellery, and ready-made garments of all textiles fell.

"Some of the major economies such as the US, China, and the Eurozone have slowed down and this has reflected in a downward trend in engineering exports from India," said EEPC India Chairman Mahesh Desai.

During April-August 2022-23, exports registered a growth of 17.68% to $193.51 billion.

Import of crude oil in August surged 87.44% to $17.7 billion whereas gold imports dipped by about 47% to $3.57 billion.

Exporters confident

While the pace of growth slowed in August, the country's apex export organisation FIEO exuded confidence of exports picking up post October on the back of rupee depreciation. The Indian rupee had touched an all-time low of 80.15 against the US dollar in August.

The country could clock $470 billion in goods exports in FY23, Federation Indian Export Organisations (FIEO) said.

Ajay Sahai, director general, FIEO said that demand for low value products is increasing but volumes seem to remain intact.

The Economic Times dt.15.9.22

The Economic Times dt.15.9.22

Engineering Exporters Body Proposes Cheaper Finance for MSMEs

Press Trust of India

Kolkata: Engineering Export Promotion Council has suggested that export finance to micro, small and medium enterprises should be made cheaper and a dedicated PLI scheme for the sector be introduced.

In a statement, EEPC said cheaper advances for MSMEs, a dedicated production linked incentive scheme for them, guidelines for 'rupee trade' with Russia and alternative payment mechanism for Myanmar were some of the key suggestions made by the industry body during a meeting of the Board of Trade held on Monday.

EEPC India chairman Mahesh Desai also proposed to withdraw export duty on selected steel items as it will be especially helpful for MSMEs, which have a significant contribution to the country's engineering exports.

He cited the feedback received from member exporters and noted that imposition of export duty will dampen Indian interest and endanger the survival of the country's stainless-steel producers.

Desai requested the government to relook at the rates under RoDTEP and give full rebate on the taxes that still remain in the export production chain.

Refund of Duties and Taxes on Exported Products is a flagship export promotion scheme of the Commerce Ministry.

He recommended inclusion of the steel sector under RoDTEP as the metal is the most widely used raw material in the engineering industry.

EEPC suggested that MSMEs should be offered advances at a rate that would be lower than MCLR (Marginal Cost of Funds Based Lending Rate) and RLLR (Repo Linked Loan Rate) so that they don't run out of funds and can sustain businesses. While appreciating the steps taken by the Reserve Bank of India for facilitating 'rupee trade' with Russia, Desai called for sensitising the banks for the process.

He suggested that a clear set of guidelines in this regard would be of immense help for the exporting community.

The Economic Times dt.15.9.22

stry – at annual conclave of automotive component cos held in N

'Action to be Taken Against Auto Cos Pushing for Import of Parts'

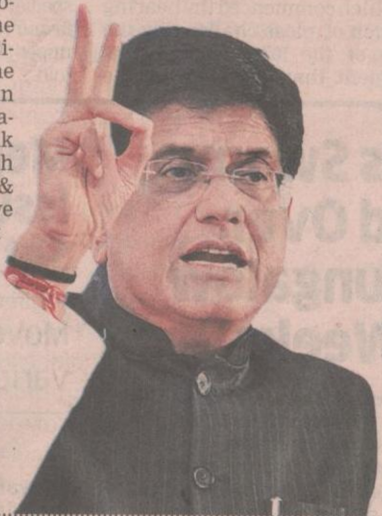
Govt supports localisation, to examine matter if imports are at uncompetitive prices: Goyal

Sharmistha Mukherjee & Ketan Thakkar

New Delhi: The government warned multinational auto companies of serious action if they pressure component makers to import from preferred suppliers in areas where there is an opportunity to localise.

"In case any auto company is pressurising any auto component manufacturer to import the components instead of localising them, when they have the technologies by which they can localise, I would urge you to please come straight to me and talk without hesitation," said Piyush Goyal, minister for commerce & industry at the annual conclave of the Automotive Component Manufacturers' Association (ACMA) adding, the government will be taking "serious note" of that effort to force the components to be imported from preferred suppliers only.

Goyal added in the event these imports occur at prices which may not necessarily be competitive, the government will examine the matter. "I'd be happy to take cudgels on your behalf," he said. Goyal informed it was brought to his attention some auto ancillaries, who have collaborations with other companies around the world are also facing pressure from the joint venture partners.



FULL SUPPORT

The govt will fully support fair play and fair business dealings between Indian companies and foreign companies...

"This is a matter that the government will take and view very seriously and if at all, any joint venture partner is unhappy, he's free to leave. I'm sure our Indian companies will be in a position to give them a fair and honorable exit," he said.

The minister held if Indian companies are being forced to agree to unfair terms, the government will take up the matter with counterparts in other countries. The government recently took reciprocal action against Indonesia over specific auto parts in the downstream industry, he said.

"And I can assure you, the government will fully support and back fair play and fair business dealings between Indian companies and foreign companies because India has never discriminated...we've allowed them the equal access to the large Indian market. And in that spirit, I think it's only fair that our companies also get a fair deal and equal opportunity when it comes to doing, growing and expanding our business or in the event of a dispute when it comes to owning our own business," said Goyal.

The Indian government recently announced ₹44,038 crore production-linked incentive (PLI) schemes for advanced chemistry cell batteries, auto and auto components makers to aid manufacturers in developing India into an attractive alternative source of high-end auto components. Companies across the world are looking to rejigging their supply chain post pandemic.

"They are looking at trusted partners, they want to see a resilient supply chain. "US, Japan, South Korea, Australia, companies across sectors, investors, start ups, they are all looking at the great India opportunity. I dont think there is any comparable opportunity of size and scale in India in the world," said Goyal.