

POST WHEAT EXPORT BAN

Exporters rue delay in shipments' clearance

Cargoes stored in warehouses on the East Coast with valid LCs face threat

SUBRAMANI RA MANCOMBU

Chennai, June 28

An "undue" delay in clearing wheat for exports from various ports across the country is causing concern to shippers, particularly with the monsoon beginning to gather momentum. At least 17 ships are waiting across various ports to load wheat consignments.

The problem is mainly with wheat stored in warehouses, mainly on the Eastern coast ports such as Visakhapatnam, Krishnapatnam and Kakinada. The consignments can set sail only after they are cleared by authorities and have an irrevocable letter of credits (LC) opened on or before May 13.

Lower production

The issue cropped up after the Centre banned wheat exports

from May 13 after the food-grain's production dropped due to a heatwave that swept across the country during March and April and the Food Corporation of India (FCI) was able to procure less than 50 per cent of the 43.44 million tonnes (mt) of the cereal procured last year. "Normally, wheat which arrives in April and May is stored for consumption for about 10 months. Therefore, stocks are maintained in a good condition. But possibilities of cargo getting affected by monsoon is possible on the Eastern coast, but not in Kandla or Mundra ports on the West coast," said Rajesh Paharia Jain, a Delhi-based exporter.

Asked about the delay in clearing shipments for exports, a Commerce Ministry spokesman said 16.45 lakh tonnes of wheat with LCs had been



Ships waiting to load could carry a total of 7.67 lt of wheat.

cleared so far. Jain said ships waiting to load could carry a total of 7.67 lakh tonnes of wheat. "Once LCs are issued, the Customs clearance will have to permit the ships to load. But the permission to load the ships is getting delayed," said an exporter, who did not wish to be identified.

Such delays could lead to contractual disputes if the consignments are not delivered on time. "These are contracts that have to be delivered swiftly. Any

delay, particularly in shipping, will lead to default. These are issues that cannot be put in black and white in the contract," said VR Vidya Sagar, Director, Bulk Logix.

"Though there is a delay in clearing shipments, there is no doubt that wheat that has headed to Kandla and Mundra will be exported. On the other hand, part of the wheat that has gone to Vishakhapatnam, Kakinada or any other port on the East coast could be sold in the

domestic market, since wheat prices are expected to rise in the coming months," Jain said.

A New Delhi-based trade analyst pointed out how the Railways had cut the allocation of rakes for wheat exports from early May compared to what happened in April when the cereals exports were accorded priority. "The signal seems to be to slow down exports as much as possible," said the analyst.

Quality at stake

Sagar said it is not good for the wheat consignments to be locked inside bonded warehouses, awaiting clearance. "It will affect the quality of the wheat that is to be delivered. In particular, they will be prone to fungal attack and high moisture," he said. The analyst said the Centre was keen to ensure ample supplies in the domestic market so that wheat prices would not surge and lead to concerns of inflation.

Onion exports jump 22% in FY22 to \$460 m

Bangladesh, Sri Lanka, Nepal, Malaysia and the UAE were the major importers

VISHWANATH KULKARNI

Bengaluru, June 29

Exports of fresh onion touched a three-year high in dollar terms during 2021-22 on higher realisations and increased demand from countries such as Bangladesh and Nepal.

Shipments in dollar value grew 22 per cent to \$460 million in 2021-22 from the previous year's \$378 million, while the volume was down marginally at 15.37 lakh tonnes (lt).

In rupee terms, onion shipments were up 21 per cent at ₹3,432 crore during 2021-22 compared with ₹2,826 crore the previous year.

Bangladesh — the largest buyer of Indian onions — scaled up its purchases during the year by 19 per cent to 6.58 lt from 5.52 lt a year ago. In value terms, shipments to

Bangladesh increased 72 per cent to \$174 million over \$101 million a year ago.

Similarly, exports of fresh onions to Sri Lanka grew by 12.5 per cent to 1.62 lt (1.44 lt). In value terms, onion exports to Sri Lanka were up by 25 per cent at \$55.33 million from \$44.19 million the year-ago period.

Shipments to Nepal, another large buyer, went up by 48 per cent to 1.67 lt. In value terms, shipments to Nepal increased by 69 per cent to \$37.48 million from previous year's \$22.22 million.

Onion exports to Malaysia — the second-largest buyer of Indian bulbs — fell 14 per cent in volume to 1.70 lt (1.98 lt). However, in value terms, shipments were up 6.5 per cent at \$65.93 million (\$61.92 million) during 2021-22. UAE, one of the large

Rising value

(Onion shipments in FY22)

Year	Quantity (lakh tonnes)	₹ Crore	\$ million
2021-22	15.37	3,432	460
2020-21	15.78	2,826	378
2019-20	11.49	2,320	324

Source: Apeda



buyers, imported lesser quantity during 2021-22. Onion exports to UAE fell by 28 per cent to 1.22 lt. In value terms, shipments declined by a tenth to \$37.54 million from \$41.91 million a year ago.

Freight costs

Trade sources said higher freight rates during the year also contributed to the higher value.

Jital Shah, an exporter, attributed the increase in overall value of shipment to higher freight rates. "The growth in rupee value terms is due to higher freight rates pushing up the CIF value and also due to the depre-

ciation of rupee against the dollar. Freight rates were up by about three times," Shah said.

Currently, the demand is normal for Indian onion as shipments are taking place across Asia. The harvest has just started in China. Also, with Egypt set to harvest the new crop, Shah said demand from West Asia may get affected, but traditional markets will continue to buy.

Commenting on the decline in shipments to UAE during last year, Shah said, "there was a point when prices had gone up and we were not competitive. In between Pakistan was very competitive till March while India was expensive."

Weathering Covid, marine exports hit a record

US remains No 1 buyer of Indian seafood; frozen shrimps top the export basket

V SAJEEV KUMAR

Kochi, June 29

Despite the heavy odds, India shipped a record 13,69,264 tonnes of seafood worth ₹57,586.48 crore (\$7.76 billion) during 2021-22.

Frozen shrimp remained the major export item in terms of quantity and value, while the US and China turned out to be the major importers of India's marine products.

In FY21, seafood exports touched 11,49,510 tonnes, valued at ₹43,720.98 crore (\$5,956.93 million).

KN Raghavan, Chairman,

Marine Products Export Development Authority (MPEDA), said the exports zoomed to a record high despite several challenges posed by the Covid pandemic.

Also, 99.4 per cent of the export target set by the Commerce Ministry was met.

Frozen shrimp, which earned ₹42,706.04 crore (\$5,828.59 million), remained the most significant item in the seafood export basket.

At 7,28,123 tonnes, frozen shrimp export fetched \$5,828.59 million.

Key buyers

Among the overseas markets, the US remained the major importer of Indian seafood both in value and volume terms at \$3,371.66 million. Frozen shrimp continued to rule in the US market, with Vannamei shrimp



export registering a growth of 27 per cent in quantity and 35 per cent in dollar terms.

Exports of black tiger shrimp to the US increased by 69 per cent in quantity and 152 per cent in dollar terms.

China emerged the second-largest seafood export destination for India at 2,66,989 tonnes worth \$1,175.05 million.

The European Union continued to be the third-largest destination for frozen

shrimp. South-East Asia is the fourth largest market and Japan stayed in the fifth position. Exports to West Asia also showed a growth.

The US imported 3,42,572 tonnes of frozen shrimp, followed by China (1,25,667 tonnes), the European Union (90,549 tonnes), South-East Asia (44,683 tonnes), Japan (38,492 tonnes), and West Asia (37,158 tonnes).

The export of Vannamei (white leg) shrimp increased from 5,15,907 to 6,43,037 tonnes, with the US accounting for 59 per cent, followed by China (14.59 per cent), European Union (8.16 per cent), South-East Asia (4.78 per cent), Japan (3.61 per cent), and West Asia (3.17 per cent). The US also turned out to be the major market for black tiger shrimp, followed by the European Union and Japan.

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India's wheat export ban comes under fire

once again at WTO

US, EU, Japan allege that the ban rattled food market; New Delhi says blame unfair

AMITI SEN

New Delhi, June 29

India's wheat export ban has come under fire once again at the WTO in the first agriculture meet following the recently concluded Ministerial Conference in Geneva with seven members, including the US, the EU, the UK, Japan and Canada, alleging that the ban had further rattled the global food market.

They further said the ban may not be actually necessary going by production forecasts for 2022-23 made by institutions, including the US Department of Agriculture, according to a Geneva-based trade official.

Defending its decision to impose export restrictions, India said the global price hikes were mostly due to large buyers' behaviour and it was unfair to

most 100 million tonnes of wheat in 2022-23 (April-March), which was well above the average annual volume of production achieved during the five years to 2020 of 96 million tonnes (FAO numbers)," the official told *BusinessLine*.

New Delhi had banned wheat exports after unseasonal heat wave affected the crop and increased domestic prices. India's wheat production in the 2021-22 crop season, ending June, is estimated to be around 106.41 mt, which is 3.8 mt less than the previous year's out-

put, per the Agriculture Ministry. It is also lower than the projected 111.32 mt for 2021-22. However, it is higher by 2.53 mt than the last five years' average wheat production of 103.88 mt.

Victims of export ban

At the WTO's Committee of Agriculture meeting, the US projected Bangladesh as one of the victims of India's export ban as it would earlier pay less than \$400 per tonne for Indian wheat and was now pushed to procure from more expensive sellers, the official said.

Prices shot up

India also pointed out that wheat prices returned to their usual range one week after the measure was announced. New Delhi's comment was in reaction to the seven countries, which also included Brazil and Paraguay, claiming that global wheat prices shot up by 6 per cent on the first day of trading on the Chicago Board of Trade wheat futures following the In-



New Delhi had banned wheat exports after unseasonal heat wave affected the crop and increased domestic prices PTI

Indian announcement on wheat export ban on May 13, 2022. "The Group of Seven stated that they doubted if a ban on wheat

exports was necessary because various institutions, including the USDA, are forecasting that India is likely to produce al-

Japan reminded India of the new MC12 declaration on food security which reaffirmed the importance of keeping trade flowing while Thailand insisted that India should clarify how long it intended to continue with the ban.

"India said that in due course it will notify a policy which would come up with specifics," the official said.

Before the heat wave affected the wheat crop, India was hoping to export a record 10 mt of wheat in 2022-23, compared to 7.86 mt the previous year. *re*

India steps up fuel imports amid shortage

Rush to import petrol and diesel has already led to a surge in regional refining margins



SURGE IN SHIPMENTS

■ Petrol imports are set to rise to about **37,000** barrels a day in the first half of July

■ Diesel imports are set to surge to the highest since February 2020 at about **69,000** barrels a day

■ The heightened import activity from India is shrinking Asia's pool of fuel

ELIZABETH LOW AND DEBJIT CHAKRABORTY

29 June

Global energy markets that have thrown up plenty of anomalies in 2022 as flows get rerouted and prices jump just saw a fresh quirk: India, typically Asia's leading petrol and diesel exporter, has been forced to step up imports of the fuels.

Petrol imports are set to rise to about 37,000 barrels a day in the first half of July, an eight-month high, according to preliminary data by Vortexa Ltd. Diesel imports, meanwhile, are set to surge to the highest since February 2020 at about 69,000 barrels a day in the period. Refiners such as Indian Oil Corp and Bharat Petroleum Corp recently sought to buy diesel for delivery in June and July. The rare uptick has been driven by a need to cover local shortfalls even as India has emerged as a top buyer of shunned Russian crude following the

invasion of Ukraine, and its refiners go all out to produce fuels. Elevated international product prices have prompted India's private refiners to boost exports, creating a shortage that state processors are now rushing to address with extra imports. The heightened import activity from India is shrinking Asia's pool of fuel supplies at a time when China, which is also a key shipper of diesel and gasoline, has been cutting back. Planned fuel volumes from China for July have been reduced following refinery maintenance this month, according to industry consultant OilChem.

India's rush to buy petrol and diesel has already driven a surge in regional refining margins for both fuels, according to industry consultancy FGE, which said there have been fuel shortages in the states of Tamil Nadu and Gujarat. The country is expected to keep importing more fuel in the coming months, FGE said in a recent note.

Economy

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● CURTAILING QUEUES AT FUEL PUMPS

Export taxes on petrol, diesel to help ease domestic supplies

However, price freeze continues to inflate OMCs' under-recoveries

SURYA SARATHI RAY
New Delhi, July 3

EXPORT TAXES ON petrol and diesel imposed last week will curtail the queues at the fuel pumps as a supply crunch will ease. It will also minimise the strain on government-owned oil marketing companies (OMCs) to maintain supplies for nearly six million daily visitors at the retail outlets, analysts said.

The export taxes haven't led to any change in retail fuel prices, which have remained unchanged since May 22. OMCs' under-recoveries from retail sales of fuels are around ₹3/litre at present.

"Margins might reduce in the short-term for refining companies and improve for fuel retailers, whose burden for sustaining the domestic market will now be shared," said Saurav Mitra, director (energy), Crisil.

However, the marketing freedom granted to domestic oil producers may increase the cost of crude purchases for state-run OMCs, which used to be "allocated" the key raw material in fixed quantities.

Aiming to shore up domes-

tic availability, the government imposed taxes on export of petrol and diesel at ₹6/litre and ₹13/litre respectively. It also curbed exports from non-SEZ refineries. Companies exporting petrol are required to sell in the domestic market the equivalents of 50% and 30% of the petrol and diesel sold overseas in FY23.

Since PSU oil marketing companies like IOC, BPCL and HPCL don't export much, the cap along with cess for any petrol and diesel exports from the country will ensure retail outlets do not go dry.

Of India's 1.1 million metric tonne (MT) exports of petroleum products, diesel comprises 52.1% and petrol 23.2% during the April-May

period of the current fiscal, data from the government arm Petroleum Planning and Analysis Cell (PPAC) showed. Exports of petroleum products increased by 14.3% during April-May 2022 as compared to the corresponding period of the previous year, mainly on increase of exports of petrol and diesel.

Overall, India exported 42% of its diesel and 44% of its gasoline production in FY22 and 40% of its diesel and 44% of its gasoline production year to date, Morgan Stanley said in a note.

The move could slow purchases of discounted Russian crude for selling in the European markets reaping higher profits.

As some states such as Madhya Pradesh, Rajasthan, Gujarat and Karnataka were facing supply shortage where the private OMCs have larger outlet concentration, the government in June expanded the scope of the universal service obligation (USO) forcing Jio-BP and Rosneft-backed Nayara to maintain sales at all petrol pumps, including in rural areas and ensure availability of fuel to the consumers at a "reasonable price".

With Brent crude at \$110/bbl+ and refining cracks at \$40-60/bbl, consolidated integrated auto-fuel margins are currently hovering at negative ₹2-3/litre for OMCs compared with the normative run rate of Rs8-9/litre, Emkay

Global Financial Services said in a recent report. "The Q1 average is estimated to be +₹4-6/litre. LPG under-recoveries for Q1 would also average at ~₹300/cylinder, but a seasonal cut in Aramco June LPG has lowered the same to ~₹100/cylinder+ for July 22," it added. According to it, "the continuing price freeze without any indication is worrying," though it expected "some solution in the form of a resumption of price hikes and/or subsidies."

"Our checks with PSU refiners as well as experts indicate incremental Russian crude purchases are not big enough currently to visibly offset under-recoveries," the analyst said.



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INDUSTRY SEEKS REVIEW

Import duty increase to spur gold smuggling

Estimates suggest annual gold smuggling in the country could be 200-300 tonnes

BANIKINKAR PATTANAYAK
New Delhi, July 3

THE TRAVELLER WAS an ordinary man just that his quietness seemed a bit unusual and face swollen. He indicated that he was observing a religious vow of silence. As he sauntered through the airport, something seemed curious to customs officials. They sought to quiz him, he fumbled; his mouth opened up a bit. Silence was indeed golden. There were medium-sized gold bits hidden inside his mouth. He was travelling from Sri Lanka to Chennai.

Elevated import duty on gold and stringent conditions for purchases from overseas have prompted smugglers to find innovative ways to beat the customs staff.

As the government raised on Friday the import duty on gold further to 15% from 10.75% in a bid to ease pressure on the country's current account, some industry executives apprehend a 20-30% jump in smuggling due to the move.

Some estimates suggest gold smuggling in India could be as high as 200-300 tonnes a year. Of course, given that grey

Official gold seizures still negligible (in tonne)

Total gold imports	Seizure
FY20	720 — 3.63
FY21	651 — 1.94
FY22*	628 — 1.72

*Up to November 2021

Airports with maximum seizures

(In kg, in FY21)

Chennai	393
Calicut	147
Delhi	88
Mumbai	87
Kochi	79

Source: Parliament questions

market dealings are not recorded, it's difficult to firm up a precise estimate of gold smuggling, the executives conceded. However, what is amply clear is that seizures by customs officials typically make up only a very tiny fraction of the country's official gold imports.

For instance, while India imported 651 tonnes of gold in FY21, the official seizures were less than two tonnes (See chart). Up to November last fiscal, while imports were to the tune of 628 tonnes, seizures stood at just 1.7 tonnes.

Urging the government to reconsider its move, Ahammed MP, chairman of Malabar Gold & Diamonds, one of the country's largest jewellers, told FE: "The increase in import duty is likely to give a rise to gold

smuggling to a large extent for evading tax. As a result, the government stands to lose a huge amount of tax revenue."

Gold prices, as such, have remained at relatively elevated levels despite easing in recent months, and a duty hike on top of that will be a blow to jewellery trade, industry executives said. On MCX, gold futures for August delivery gained 0.8% on Friday to settle at ₹50,917 per ten grams. The duty increase is "likely to lead to a proportionate rise in the price of domestic gold by around ₹2,000 per 10gm, factoring in international gold prices which are trading with a slightly negative bias", said Sugandha Sachdeva, vice-president (Commodity & Currency Research) at Religare Broking. Somasundaram PR, regional chief executive officer (India) at the World Gold Council, said unless it's a "tactical and temporary" move, it "will likely strengthen the grey market, with long term adverse consequences for the gold market".

According to All India Gem and Jewellery Domestic Council chairman Ashish Pethe the sudden hike in the import duty "will put the entire industry in a spot and may encourage smuggling".

The government's decision came after data showed a 789% surge in gold import value in May to \$6 billion. In FY22, gold imports surged 33% to \$46 billion, albeit on a contracted base.