A FEW STEPS LIKELY IN BUDGET

Financial Express dt. 19.1.23

Export boosters soon

Higher tax refund rates, aid to export hubs on agenda

BANIKINKAR PATTANAYAK
New Delhi, January 18

THE GOVERNMENT HAS decided to initiate a raft of steps, including higher outlay for its flagship tax remission scheme for FY24 and assistance to develop various districts as export hubs, to help reverse the recent deceleration in outbound merchandise shipments.

Given the elevated interest rates, it is also weighing a proposal to increase the interest subsidy from (up to) 3% to 5% for pre-and-post shipment credit for MSME exporters manufacturing stipulated products. Some of the proposals could feature in the FY24 Budget announcements.

Exporters are set to gain, as the government has acknowledged "anomalies" in case of 432 products under the so-called Remission of Duties and Taxes on Exported Products (RoDTEP) scheme. Consequently, the effective refunds will rise for most of these exported products under the RoDTEP programme.

The government will likely raise allocation for its flagship tax remission scheme for exporters by 10% in the Budget for FY24 from the revised estimate for the current fiscal, official sources told *FE*. It had budgeted ₹13,699 crore for the RoDTEP scheme for FY23 and the revised estimate is expected to be around this level.

Under the scheme, eligible exporters used to get refunds in the range of 0.3% to 4.3% of the freight-on-board value of the exported products. The latest anomalies were identified by a government panel under former commerce secretary GK Pillai.

Similarly, a composition fee — which is slapped on traders who fail to honour their re-export commitment under the advance authorisation scheme (AAS) within a stipulated period and seek the renewal of permit — is being slashed. For instance, the composition fees in such cases used to be as much as 0.5% of the freight-on-board value of unfulfilled export obligation.

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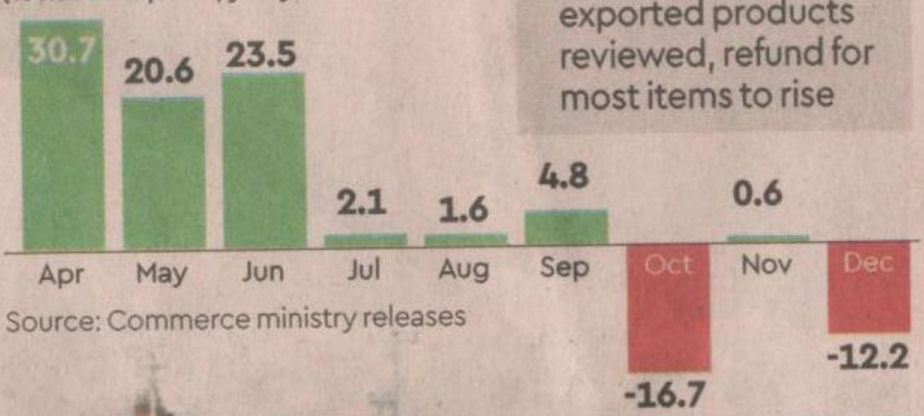
RELIEF FOR EXPORTERS
(% rise in exports, y-o-y)



Source: Commerce ministry releases

- Anomalies in tax remission for 432 exported products reviewed, refund for most items to rise
- Cabinet note moved for offering aid to develop various districts as export hubs
- Composition fees for exporters who fail to honour re-export pledge to be slashed
- Support for marketing products overseas could be raised
- Interest subsidy may be hiked from up to 3% to 5% for select exporters

RUN-UP TO THE **BUDGET**

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FROM THE FRONT PAGE

~~capitalisation of ₹4.09 trillion.~~

Export boosters soon

However, under the new regime, the fee will be fixed at flat rates of ₹10,000-₹30,000, depending on the value of the unfulfilled commitment. Under the AAS, exporters get to import inputs at zero duty after undertaking obligation to re-export finished products within a stipulated period.

The commerce ministry has also floated a Cabinet note on a new scheme to develop select districts across the country as export hubs. Under the scheme, the Centre could extend a total assistance of ₹3,000-5,000 crore to not just states but also eligible private players for creating export infrastructure in select districts. It is also considering extending greater outlay for the marketing of exported products overseas.

The set of proposals comes at a time when India's merchandise exports are faltering due to a demand slowdown in top markets like the US and the EU. Goods exports shrank 12.2% on year in December, having witnessed a marginal rise in November and a steep 16.7% contraction in October, which was the first drop in 20 months and the worst since May 2020. So, any support to boost exports of goods and services, which account for over a fifth of the country's GDP, assumes significance at this juncture.

Already, the government has stepped up efforts to ensure greater geographical diversification of exports to beat slowdown in its traditional key markets. It has also started brainstorming sessions with industry to expand the country's product basket to cater to a wider buyer base.

The ministry has also started in-depth, product-wise analysis to identify export opportunities in markets beyond the traditional ones.

Having hit a record $422 billion in FY22, India's exports started faltering in recent months, thanks to the Ukraine war and the interest rate tightening by key central banks that will hit growth in advanced economies.

The International Monetary Fund has forecast only 0.5% growth for Europe and 1% for the US for 2023, against the projected expansion rates of 3.1% and 1.6%, respectively, for this year. The World Trade Organization (WTO) has estimated only 1% growth in global trade volume for 2023. This will weigh on the prospects for India's export growth as well.

Exporters feel the heat of govt curbs on gold imports

SIT RANJAN MISHRA
ew Delhi, 19 January

75 per cent dip in gold imports in December, triggered by government's efforts to curb non-essential imports, led to contraction in India's overall imports for the first time in 25 months, while a resultant supply constraint of gold contributed to a 15 per cent decline in gems and jewellery exports.

Gold imports dropped to $1.2 billion in December while gems and jewellery exports stood at $2.5 billion. India's merchandise imports in December contracted 3.5 per cent to $58.24 billion while merchandise exports slid 12 per cent to $34.48 billion, leading to a marginal sequential widening of the deficit to $23.8 billion in December. Amid rising risks to external demand, the Centre is concerned about widening trade deficit, bringing the focus back on curbing non-essential imports.

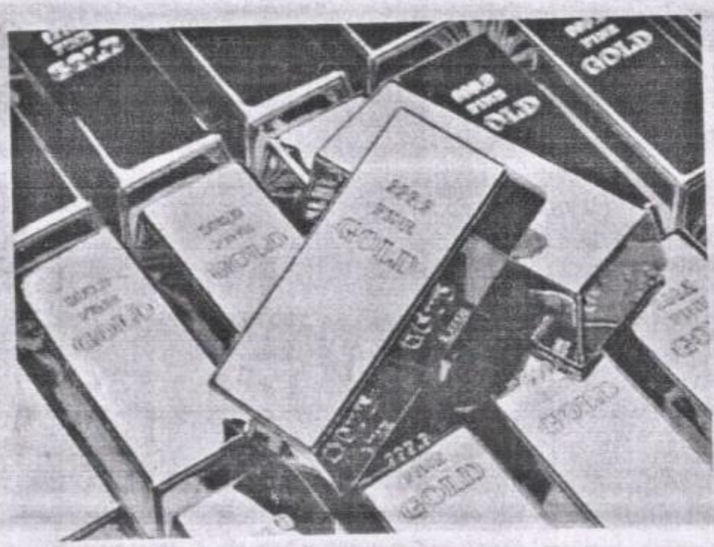
While releasing the trade data on Monday, Commerce Secretary Sunil Barthwal said: "We have consciously chosen to reduce gold imports. Imports also decline if substitution is taking place." Vipul Shah, chairman of Gems and Jewellery Export Promotion Council, said supply of gold was a big challenge and that's one of the reasons exports of gems and jewellery were falling.

"I can't say whether it (dip in gold imports) was deliberate or not. That only the government can say. But the laws have become so strict that it is not lucrative for the nominated agencies to import gold. If the government doesn't relax the rules, it will be difficult for exporters," he said.

Shah said the Council had raised the matter with the government. "Nominated agencies are not comfortable to import gold because there are a lot of liabilities on their side and are not making that kind of margin. We are trying to resolve it, sitting along with the government," he said.

Shah said the volatility in gold prices could have contributed to the dip in demand for gold. Gold prices increased by an average of 3.9 per cent sequentially in December.

ICICI Direct has projected gold price to touch a new high of ₹62,000 per 10 grams.



LOSING LUSTRE

Month	Gold imports (in $bn)	YoY growth in %	Gems & jewellery exports (in $bn)	YoY growth in %
April	1.7	-72.4	3.5	2.6
May	6.0	789	3.2	8.8
June	2.7	182.64	3.6	25.1
July	2.4	-43.6	3.3	-5.3
August	3.6	-46.9	3.3	-2.96
September	3.8	-24.8	3.8	19.3
October	3.7	-27.5	3.3	-21.3
November	3.2	-23.2	2.5	2.3
December	1.2	-75	2.5	-15.2

Source: Commerce department

Considered a safe haven during times of high-interest rates, gold had a bumpy ride in 2022. As the Ukraine war pushed gold prices to near all-time highs in Q1, broad dollar strength crushed the commodity to two-year lows in the September quarter.

However, domestic gold prices were more resilient, particularly due to the sharp depreciation in rupee, which fell by more than 10 per cent year to date. "Following the sharp increase in central bank demand for gold in Q3, the outlook for official sector demand for gold may be resilient in 2023," Kotak Securities said in a report. "Customers are taking a wait-and-watch approach for the gold prices to stabilise. That's why there is a fall in import on gold side. Because of China's zero Covid policy, China was not importing much. Hopefully, now Chinese market should open up," Shah said.

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Centre to decide on extra sugar exports after reviewing supplies

TAKING STOCK. State sugar commissioners to meet next month to evaluate production, demand

Prabhudatta Mishra
New Delhi

The government is likely to decide next month if it should allow exports above the 60 lakh tonnes (lt) allowed till May 31, after assessing the domestic production scenario since the crushing of sugarcane is still going on, Food Secretary Sanjeev Chopra said on Thursday.

The Food Ministry has allocated a mill-wise export quota totalling 60 lt for the current 2022-23 season (October-September), which need to be shipped by May 31. India had exported record 110 lt of sugar in the previous season.

Mills have dispatched 30 lt of sugar for exports, out of which 18 lt have already been shipped out of the country while 5 lt are in the pipeline, Chopra said, adding that the entire allotted quota might be exported by May. "We are open to revisiting the export quota. Depending on the domestic production and internal requirement, we will take a fresh call in the next month when we sit with sugarcane commissioners of states," Chopra said. Pointing out divergent production estimates from different sugar associations for the current season he said a clear picture would emerge by the end of this month or early next month.

Production would not be lower than 340-345 lt, said Subodh Kumar Singh, Additional Secretary in Food Ministry. This means there is potential for some additional quantity to be exported, he said.

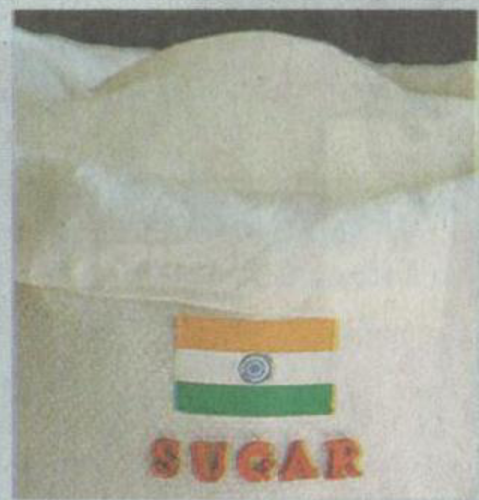
According to the Indian Sugar Mills Association (ISMA), mills have entered into contracts to export 55 lt so far, whereas production has reached 156.8 lt as on January 15 against 150.8 lt in year-ago period. Indicating there is no need to raise the minimum selling price of sugar from the current ₹31/kg, the Food Secretary said the mills are earning good revenue from different streams including sweetener and ethanol.

20% ETHANOL BLENDING

He expressed confidence that the target of 20 per cent blending would be met by sourcing ethanol from different feedstock including sugarcane and grain.

CAUTIOUS OUTLOOK

- For the current 2022-23 season, the Food Ministry has allocated a mill-wise export quota totalling 60 lt, which needs to be shipped by May 31
- Mills have dispatched 30 lt of sugar for exports, out of which 18 lt have already been shipped out of India
- Production likely to be about 340-345 lt



Business Line dt. 20.1.23

Wheat held up at ports after export ban gets sold locally

Subramani Ra Mancombu
Chennai

At least 1.75 lakh tonnes of wheat stocks held up at warehouses near various ports across the country after the Centre banned exports on May 13 last year have been sold in the domestic market. This is after wheat prices soared to record highs.

"At least 2.25 lakh tonnes had been held at various ports, mainly Kandla and Mundra after the government banned exports last year. Of this, about 50,000 tonnes were exported since exporters had signed the deals before the ban," said a trader without wishing to identify.

QUALITY INTACT

The rest had been held at the warehouses of mainly multinational trading houses such as ITC, Agro-Corp, Louis Dreyfus, Viterra, Olam International, Gujarat Ambuja and Bagadiya Brothers. "The wheat was maintained well in the warehouses by exporters and their quality was intact. Though some of them incurred losses, they were bearable," said New Delhi-based exporter Rajesh Paharia Jain.

The wheat from the warehouses was sold to flour mills in Gujarat, Rajasthan and South India, he said.

The reason for some of the exporters incurring losses was that they had to sell at a price lower than their procurement cost. Many exporters bought wheat at nearly ₹26,000 a tonne and some of them sold the stocks at ₹22,000 in August. However, others have been able to break even at least with prices topping ₹30,000 earlier this week. According to traders, wheat is quoted at over ₹28,500 in Madhya Pradesh and over ₹31,000 in Uttar Pradesh.

Data from Agmarket, a unit of the Agriculture Ministry, show that the wholesale price of wheat has soared to ₹2,930.31 a quintal this week. During the same time a year ago, the price was ₹2,099.31.

On Tuesday, the national weighted average price of the cereal that arrived at various agricultural produce marketing committee (APMC) yards surged to ₹2,853 a quintal.

Wheat prices have been zooming since March last year after the Ukraine war broke out. It led to demand for Indian wheat in the global market as Russia and Ukraine account for 30 per cent of the supply in the global wheat market.

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With demand from West improving, gherkin exporters grapple with low supply, inventory

Vishwanath Kulkarni
Bengaluru

Gherkin producers are unable to meet demand from the West, where the offtake of the pickled cucumber has increased even as supplies have shrunk from regions such as Ukraine and other parts of Europe.

"We are in a sellers market. There's a rebound in demand and we are unable to meet it as the supply is low and inventories have dried up," said Pradeep Pooviah, Vice-President, Indian Gherkin Exporters Association. He estimates the shortfall in demand-supply to be around 20 per cent.

IMPROVED PRICING

Pooviah said the shortfall in supply has led to improved pricing even as exporters-producers grapple to fulfil the order backlog. "We are trying to meet the built up demand of last four months," he added.

TOUGH PHASE. Exports were down at 2.175 lakh tonnes for 2021-22 over previous year's 2.235 lakh tonnes THE HINDU

Gherkins are a type of small cucumbers grown by farmers in parts of south India are processed and shipped in brine solution by exporters to overseas markets in the West, where they are consumed as pickle. Gherkins are cultivated under the contract farming model, where exporters decide on the quantity based on the projected demand. It is estimated that around 60,000 acres are under gherkin cultivation in Karnataka, Tamil Nadu and Andhra. Close to one lakh farmers are engaged in the production of gherkins, which are mainly exported overseas to markets in the US, Russia and Europe among other countries.

The current shortfall in gherkin supply is attributed to the trimming of production by exporters, who operated at a capacity of around 60 per cent. In the previous year, exporters faced challenges such as lower prices and higher logistics costs impacting realisations and profitability.

"We produced about 40 per cent less during the April-December, which helped reduce the inventory in the market," Pooviah said. Also, the prices paid to farmers saw a marginal increase, resulting in lower output. Now the production is getting back to normal and there is backlog to be fulfilled, he said. Sources said the reduction in supplies from the war-torn Ukraine and the drought affected Europe has also contributed to the increased demand for Indian gherkins. India exports gherkins round the year, unlike other producers such as Ukraine and Mexico, while the production takes place in about nine months a year.

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Sugar exports to resume next month

3 MT exported so far against 6 MT approved for season

SANDIP DAS
New Delhi, January 19

SUGAR EXPORTS WILL resume next month after a small gap.

Since the sugar quota of 6 million tonne (MT) was issued in November last year, 3 MT of sweetener has been exported and by May the entire quantity approved for exports will be shipped by the mills.

"We are getting divergent views about the quantum of sugar production this year by industry association and in the next couple weeks we will firm our estimate on output," Sanjeev Chopra, department of food and public distribution, on Thursday said.

He said that based on estimated domestic consumption and allocation for ethanol manufacturing programme, the government will consider the second tranche of sugar exports.

According to Indian Sugar Mills Association (ISMA), about 5 MT contracts for exports of sugar have already been entered into so far. Sources told FE that the government may allow an additional 3-4 MT of shipments for the current season.

"Next month we will have a meeting with the cane commissioner and we will re-assess the production estimate of sugar for the current then will take a call on allowing additional quantities of sugar for exports," Subodh Kumar Singh, additional secretary, department of food and public distribution said.

The country's sugar production was initially projected to rise to a record 36.5 MT in the current year, now it is being revised to 34.3 MT because of excessive rainfall and cloudy weather conditions which prevailed in September and October last year impacting the yield. According to ISMA, the country's sugar output for the 2022-23 season (October-September) is estimated to be around 41 MT which includes around 4.5 MT to be diverted towards making ethanol. The domestic consumption would be around 27.5 MT.

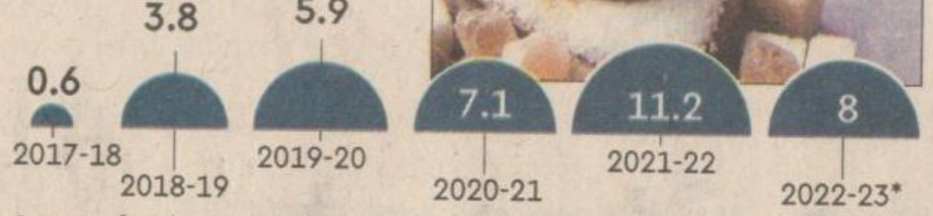
In the 2020-21 season, sugar exports rose to 7.1 MT and in the last season exports was reported at 11.2 MT. In sugar seasons 2017-18, 2018-19 and 2019-20, only about 0.6 MT, 3.8 MT and 5.9 MT of sugar was exported.

The government followed the maximum admissible export quota (MAEQ) in 2020-21 and the open general license system in 2021-22.

In June, the government put restrictions on the quantity for exports without restriction. This was done to avoid any shortage in sweetener supplies in the domestic market.

India exports sugar mostly to countries including Indonesia, Bangladesh, Malaysia, Sudan, Somalia and United Arab Emirates.

SHIPMENTS
(million tonne)



Source: food ministry, *industry projection, season (Oct-Sept)