

'Paper import monitoring system will help assess scope for local production'

Identifying profile of paper coming in will also help determine whether imports are being made at lower tariffs, say officials

AMITI SEN

New Delhi, July 11

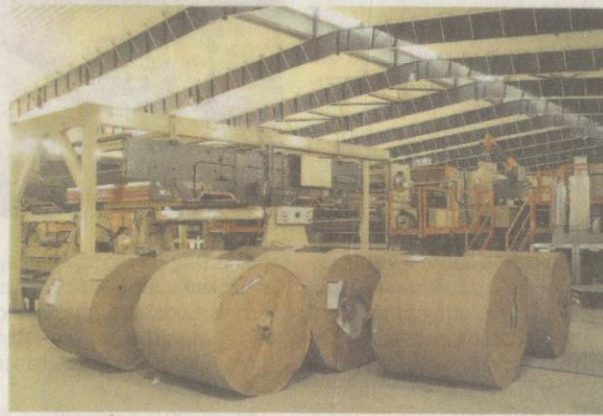
The government's decision to mandate compulsory registration for paper imports under 'Paper Import Monitoring System' from October 1 is not just to address dumping concerns of the domestic industry but also to know the profile of paper coming into the country in the 'others' category tariff lines.

"We want to know the profile of paper that is coming into our country in the 'others category'. Is it because someone is trying to avoid a HS code where duty could be high or is it just for the sake of convenience," an official tracking the matter told *BusinessLine*. "The idea

is to have an import system where those who are importing will file what kind of products they are getting so that it could also be judged whether our manufacturers have the capability to produce that kind of paper or not," he added.

On May 25, the Directorate General of Foreign Trade issued a notification amending the import policy of paper from 'free' to 'free subject to compulsory registration under Paper Import Monitoring System' to be implemented from October 1, 2022.

The amendment covers 201 tariff lines including items such as newsprint, handmade paper, wallpaper base, duplicating paper,



Amendment covers 201 tariff lines spanning a diverse range of papers including newsprint, handmade paper, wallpaper base, duplicating paper and coated paper

coated paper, uncoated paper, litho and offset paper, tissue paper, parchment paper, carbon paper, wall paper, envelopes, toilet paper, cartons, account books, labels and bobbins.

However, many paper items covered under moni-

oring system are also under the 'others' category which does not specify what the item exactly is, and the government is keen to shed more light on such products.

"By identifying the items under the 'others category',

the government also wants to see if Indian manufacturers could produce these items in line with the 'Make in India' drive," the official added.

Tackling dumping

Domestic paper industry has been complaining about paper products being dumped by way of under-invoicing, entry of prohibited goods by mis-declaration and re-routing of goods through third countries to take advantage of India's trade agreements with certain trading partners

"The government hopes that the problems of alleged dumping and re-routing can also be checked through the monitoring system as it tracks all transaction details including what item is coming in at what value," the official said.

nc

Cotton imports facing defaults, delays since March

TN mills body takes up issue with International Cotton Association

SUBRAMANI RA MANCOMBU

Chennai, July 11

Cotton imports by a few spinning mills in Tamil Nadu are likely to result in trade disputes with the buyers yet to get delivery of consignments over the past few months.

Some of the mills which had to receive these imported cargoes in March and April have not got any response from the sellers over the delay, according to the Tamil Nadu Spinning Mills Association (TASMA). "Some of our members had signed contracts with suppliers and shippers for delivery of cotton in March and April this year and they have reported that the deals have not been honoured. Though four months have lapsed in some cases, suppliers and shippers are not providing any satisfactory reply," said K Venkatachalam, Chief Advisor, TASMA.

Cargoes due to be delivered during May-June have also missed the deadline, he told *BusinessLine*. In view of the suppliers' and shippers' silence, TASMA has taken up the issue with the International Cotton Association (ICA).

Spinning mills in Tamil Nadu have entered into deals worth a total of ₹400 crore. "Our members have paid ₹60 crore as a 15 per cent advance has to be paid out of the total contract cost," he said.

Prices fluctuating

ICA was yet to respond to a mail seeking clarification on the issue when this report was published. "The consignments have not reached the buyers due to congestion at ports. There is also container shortage as cotton is shipped in containers," said a trade source, not wishing to identify Ven-



Some mills which were scheduled to receive imported cargoes in March have not got any response from the sellers

katachalam said the non-fulfilment of the contracts was a cause for concern as cotton prices were fluctuating sharply as also the value of currencies. Stating that prices, when the contracts were signed, were not valid anymore, he said the delay in getting the shipments was affecting mills' delivery of yarn to their buyers.

The TASMA advisor said mills would send a copy of their mail to ICA on the default by the suppliers and shippers and the contracts should be totally

renegotiated on mutually agreed terms.

The trade source said the current situation in which cotton prices have dropped sharply could result in "a lot of trade disputes" this year. "Since the deals have not been executed, buyers will demand renegotiations at current global prices," the source said.

Venkatachalam told the ICA that the renegotiation of contracts should include compensation to his association members for the inordinate

delays in delivering cotton.

'One-sided' contracts

"These contracts have to be respected in letter and spirit by both the parties signing the contracts," he said. The TASMA advisor said currently contracts for imports were "one-sided, favouring suppliers and shippers". Such deals are "devoid of any merits and expected ethics in business-related transactions", he said.

There were no clauses in the contract to tackle inordinate delays, he said, urging ICA to forward the contract format that TASMA could vet "suitably" and make modification to ensure a "win-win" situation for all.

Venkatachalam said some of the loopholes in the contracts were that when suppliers or shippers defaulted, they were liable to pay penalty with four per cent interest whereas in the case of buyers' default the interest was 18 per cent. "There are also problems of shortage

in weight and the consignments not meeting quality norms. When questions are raised on these, there are no responses," he said.

Sellers market

On why mills should sign "one-sided" contracts, he said buyers had no choice in a "seller's market". "The sellers will cancel the contract if buyers do not sign them immediately and send it back. No negotiation is allowed," he said.

Trade sources said some mills had resorted to panic purchases when domestic prices headed towards ₹1,00,000 a candy (356 kg). Currently, Shankar-6 ginned cotton, the benchmark for exports, is quoted at ₹86,500 a candy. Quality cotton costs higher.

In the terminal markets across the country, the net weighted average modal price of raw cotton (kapas) is ₹10,050 a quintal, down from the highs of ₹12,000 seen in May.

Soyameal exports down 70% in Oct-June

Offtake from national feed, food segments likely to improve

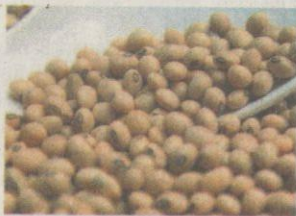
OUR BUREAU

Bengaluru, July 12

Soyameal exports during the October-June period of the oil year 2021-22 fell sharply by about 70 per cent to 5.63 lakh tonnes (lt) compared with 18.69 lt in the same period a year ago. This was on account of the Indian meal being outpriced in the international market and also due to reduced crushings resulting in lower availability for shipments.

Crushing down

Soyabean crushing during October-June was down 26 per cent at 60 lt compared with 81.5 lt a year ago as farmers held back



Though Indian soyameal prices have cooled down, they are still considered expensive in the world market

their produce expecting higher prices. A total of 62.94 lt of the estimated soyabean crop of 118.89 lt has been crushed during October-June. The stock with traders, crushing units and farmers is pegged at 48.17 lt, according to the latest data released by the Soyabean Processors Association of India (SOPA).

However, the domestic demand from the feed sector and

food segment has witnessed an increase over the same period last year. The offtake from the feed industry is likely to improve over the past couple of months on softening trend in bean prices. Total domestic offtake during October-June was up marginally at 41.50 lt compared with 41.25 lt in the same period a year ago.

Imports increase

Soyabean is one of the major ingredients used in livestock feed along with corn. Interestingly, during the October-June period, the imports of soyabean meal by the livestock feed sector rose to 4.53 lt against 0.15 lt in the same period last year.

DN Pathak, Executive Director, SOPA, attributed the weak export performance of the Indian soyabean meal to higher domestic prices. The Indian soyameal is expensive by at least

\$150 per tonne compared with other origins, Pathak said.

Though the Indian soyameal prices have cooled down to around ₹52,000 per tonne levels, it is still considered expensive in the world market. Soyabean prices have eased on global cues and a rise in the area under kharif after rains lashed key producing regions of central India. Pathak expects soyabean prices to come down further on the sowing gathering pace. The latest figures by SOPA have pegged the soyabean acreage in the current kharif season at 70 lakh hectares as on July 6.

The offtake from the food sector stood at 5.95 lt, an increase of about 31 per cent over 4.55 lakh tonnes a year ago. This increase in the meal for food consumption is driven by the increased demand for protein products from health-conscious consumers.

OPEC sees muted oil demand growth in 2023

REUTERS

London, July 12

OPEC expects global oil demand to rise in 2023 but at a slower pace than this year, the oil producer group said in a monthly report on Tuesday, citing economic growth and progress in containing Covid-19 in China.

The Organization of the Petroleum Exporting Countries (OPEC) said it expects demand to rise by 2.7 million barrels per day (bpd) in 2023. It left this year's growth forecast unchanged at 3.36 million bpd.

Oil use has rebounded from the pandemic-induced slump in 2020 and is set to exceed 2019 levels this year, despite the impact of the war in Ukraine, soaring prices and inflation and strict Chinese measures to curb Covidinfections. "In 2023, expectations for healthy global economic growth amidst improvements in geopolitical developments, combined with expected improvements in the containment of Covid-19 in

China, are expected to boost consumption of oil," OPEC said in the report.

OPEC's demand forecast for 2023, its first, is more optimistic than the International Energy Agency, another closely watched forecaster, as well as initial views from OPEC delegates calling for a steeper slowdown.

OPEC said its 2023 forecasts assume there will be no escalation of the war in Ukraine and that risks such as inflation do not take a heavy toll on global economic growth.

OPEC kept this year's global economic growth forecast at 3.5 per cent and forecast growth of 3.2 per cent in 2023, adding uncertainty was skewed to the downside and upside potential "quite limited".

Oil held on to an earlier decline after the report was released, trading below \$103 a barrel and well off the near-record high of \$139 it hit in March.

Business Line dt.13..7.22

Maize exports from India down to a trickle

Shipments dropped 25% in April-May on higher domestic prices

SUBRAMANI RA MANCOMBU

Chennai, July 12

Maize (corn) exports from India have dropped to a trickle as high domestic prices have made its shipments uncompetitive in the global market.

"Brazil is shipping to destinations, such as Vietnam, at a very competitive price of \$320 a tonne cost and freight. But, over here, domestic prices are ruling higher, making exports unfeasible," said M Madan Prakash, President, Agri Commodities Exporters Association (ACEA). Bihar rabi maize crop has begun arriving in the market, resulting in prices dropping a tad, he said.

Quality concerns

"Rain in the areas where maize was harvested has raised concerns over the crop quality," said Mukesh Singh, Director of Mumbai-based MuBala Agro. "We



The lower area under kharif maize is worrying the market

have not dealt with corn recently in view of high domestic prices," Prakash said.

According to the International Grains Council, feed-grade maize is currently quoted at \$293 and \$288 a tonne from Brazil and Argentina, respectively. On the Chicago Board of Trade, benchmark corn futures are currently quoted at \$7.77 a bushel (\$305.88 a tonne). In April, futures had touched a 11-year-high of \$8.1.

However, trade analysts say the prices are higher than normal as supplies from Russia and

Ukraine have been affected due to the war between them, while supplies from Brazil and Europe have been affected by dry weather. In addition, the lower area under kharif maize is worrying the market.

Kharif area down

As of July 8, the area under kharif was down at 31.84 lakh hectares (lh) against 41.63 lh in the same period a year ago. The area has declined in view of a deficient monsoon in June.

According to the Ministry of Agriculture's data, the weighted average modal price (the rate at which most trades take place) of maize is ₹1,933 a quintal. However, prices in Bihar, Maharashtra, Karnataka, and Andhra Pradesh are ruling around ₹2,600 a quintal. "Maize is offered at ₹2,500-2,600 a quintal. We can export only if prices drop to levels of ₹20-23 a kg. At one point in time, we had feared prices could zoom to ₹28-30 a kg, especially after the Ukraine war broke out," MuBala's Singh said.

The prices are against the min-

imum support price of ₹1,870 a quintal for the current marketing year ending September. For the next marketing year, the MSP has been fixed at ₹1,962. "Buyers are waiting for the prices to drop. To put off buying, they are citing quality as a reason. Once prices decline, they might begin to purchase again," said Singh.

8-year-high exports

A New Delhi-based trade analyst said, currently domestic prices are higher in view of demand from the poultry sector too. "With rice prices surging, poultry farmers are now back to using maize. Prices have, thus, increased," the analyst said.

In view of this, shipments of other cereals, including maize, have declined 25 per cent to 4.48 lakh tonnes (lt) in April-May this fiscal from 5.97 lt a year ago. The value, however, is higher at ₹1,167 crore compared with ₹1,098 in the year-ago period. Other cereals export increased to 38.55 lt last fiscal from 30.26 lt in 2020-21. The shipments were an eight-year high after 2014-15, when 35.10 lt were exported.

Higher pesticide residue may shrink Basmati rice exports

FSSAI proposes domestic standards for MRL; industry fears the worst

PRABHU DATTA MISHRA

New Delhi, July 13

Basmati rice varieties, including the world's longest grain developed by the Indian Agricultural Research Institute (IARI), are under threat in the export market after countries such as Qatar and Jordan set maximum residue limit (MRL) in the cereal in line with the norms fixed by the European Union (EU).

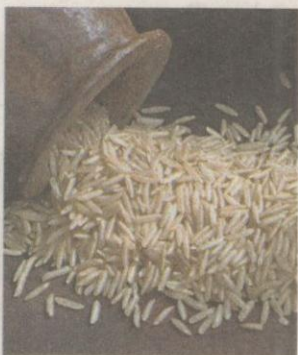
However, IARI's new disease resistant varieties and proposed domestic standards by food quality regulator FSSAI may help India to ship the safest aromatic rice to the world.

The basmati industry simultaneously fears that the proposed FSSAI standards on MRL — which are even stricter than Codex, that is normally followed worldwide — will bring basmati exports to a halt. The All India Rice Exporters Association (AIREA) has urged the Centre not to implement the proposed MRL with regard to rice.

Dipping exports

Basmati rice exports to European Union dropped 35 per cent to 2.2 lakh tonnes (lt) in 2021-22 from the previous year due to qualitative restrictions, while overall exports of the aromatic varieties to all countries dropped by 15 per cent to 39.5 lt. Though exports to the UAE and Lebanon increased in the last fiscal, it is still lower than the highs experienced previously. Three main varieties — Pusa Basmati (PB) 1121 (world's first-most elongated rice after cooking), PB 1509 and PB 1401 — enjoy a share of about 90 per cent in basmati exports, sources said.

For instance, exports to the UAE was about 2.6 lt last year compared with about 3 lt in 2018-19. Similarly, exports to Lebanon dropped by a quarter in



The All India Rice Exporters Association has urged the Centre not to implement FSSAI's proposed MRL

2020-21 and last year, it increased marginally to about 9,300 tonnes. Though the industry has expressed apprehension about Egypt, which has also started following EU's norms in MRL, it has been increasing every year for the last five years. The UAE, Lebanon, Jordan, Qatar and EU together had a share of 16 per cent in India's total Basmati export last year.

The FSSAI norms of MRLs were first notified in December 2018, after which it published a draft notification in August 2020, wherein MRLs of some pesticides have been made very stringent. There are 18 pesticides used in the paddy crop (including Basmati) for which FSSAI has proposed to change MRLs. Out of the same, Acephate and Chlorpyrifos are among nine pesticides on which concerns have been raised in the EU, sources said.

Once implemented...

The MRL of Carbendazim and Cypermethrin is at 2 (mg/kg) each, according to the 2018 notification of FSSAI, which has been proposed to be reduced to 0.05 and 0.01, respectively. "We are unable to comply with even 2018 norms of FSSAI. If the revised notification of 2020 is implemented, the norms of pesticide residues will become more stringent and will lead to a much higher drop in exports in

the future," said a representation from the industry to the government.

"If the 2020 notification is implemented, it will lead to a situation where not even a single grain of Basmati rice produced will be compliant with norms," an exporter said.

"Indian Basmati has been facing residue issues since 2012. The ad hoc approaches to the residue issues in the past has put exports in jeopardy," said S Chandrasekaran, a trade policy analyst. Suggesting that exporters should work with specific backward linkages system till individual farmer find the solution, Chandrasekaran said the government should release varieties after appropriate scrutiny in accordance to emerging SPS standards. He also said the draft FSSAI standards may be the driver to reach permanent solution to this problem.

Disease-resistant varieties

But, AK Singh, director of IARI and inventor of PB 1509, said: "It is not that the problem has come due to PB 1121 or PB 1509 (both of which are grown in 6 lakh hectares area, each). The earlier varieties were also not disease resistant. With time, when area under a particular variety grows, disease also appears, which is a natural phenomenon.

Singh said IARI has developed three improved varieties to take care of bacterial blight and blast diseases — PB 1509 to be replaced with PB 1847, PB 1401 with PB 1886 and PB 1121 with PB 1885. During the last kisan mela in March, IARI also distributed 20 quintal of these seeds to 2,000 farmers for multiplication (1 kg can produce 2 quintal seeds) in this kharif season, Singh said, and added that in 2-3 years, these would be able to meet some concerns, particularly about Tricyclazole. "Currently, we are working on developing some varieties to take care of Brown planthopper, another common pest in paddy," Singh said.

Indian instant coffee exports increase on inflationary concerns in the West

Shipments up 13% in Q1 of current fiscal; European countries buying more

VISHWANATH KULKARNI

Bengaluru, July 13

Inflationary concerns in the Western markets of Europe and the US have fuelled demand for low-priced Indian instant coffees. Shipments of instant coffees have registered a 13 per cent volume growth during the April-June quarter over the same period a year ago, with countries such as Germany, Italy, Belgium and the US scaling up their purchases of the brew from India.

In traditional destinations such as Italy, Germany and Belgium, where the roast and ground (R&G) is a preferred beverage, the demand for Indian instant coffees is on the rise. For



Robust demand (Instant coffee exports in tonnes to select markets, based on permits issued)		
Calendar	Q1FY23	Q1FY22
Russia	7,882.28	5,785.91
US	2,584.02	1,491.57
Poland	2,666.48	3,308.62
Malaysia	2,433.83	1,564.74
Italy	993.70	487.00
Germany	992.97	94.31
Belgium	537.81	273.03
Total	32,960.33	29,085.21

Source: Coffee Board

example in Italy, shipments of the instant variety have more than doubled in the April-June quarter this year to 993 tonnes compared with 487 tonnes during the same period a year ago. Similarly, shipments of instant coffee to Germany have seen a near 10-fold growth to 992.97 tonnes (94.31 tonnes), while those to Belgium have doubled to 537.81 tonnes (273 tonnes).

Looking to buy more

Instant coffees or value-added coffees are produced from the low-priced robusta cherry varieties. Manufacturers of instant coffee in India such as CCL Products and Tata Coffee among others, import the low-priced robusta beans from countries such as Vietnam to process them as value-added coffee and re-export to markets in Russia, Europe and

the US. Coffee Board CEO and Secretary K G Jagadeesha attributed the rise in Indian instant coffee shipments to the growing inflationary concerns in the Western world. "Also, our exports of value-added coffees to Russia are performing well and they are looking to import more from India as they have stopped importing from other countries," he said. Instant coffee shipments to Russia jumped 36 per cent during the first quarter to 7,882.28 tonnes compared with 5,785 tonnes in the year-ago period.

Ramesh Rajah, President, Coffee Exporters Association, said with rising inflationary concerns globally, people everywhere are now looking for lower-priced alternatives and better-value products. As coffee is a regular consumption product, the demand for instant coffees is on the rise.

Edible oil imports decline 6.37% in June

Total shipments in the first 8 months of the oil year up a tad

OUR BUREAU

Mangaluru, July 13

The import of edible oils declined by 6.37 per cent in June compared with May, whereas total imports in the first eight months of the current oil year to October increased marginally by 0.44 per cent.

Data made available by the Solvent Extractors' Association of India (SEA) showed that India imported 9.41 lakh tonnes (lt) of edible oil in June against 10.05 lt in May. However, edible oil imports increased to 84.90 lt during the first eight months of the oil year 2021-22 against 84.52 lt in the same period a year ago.

Palm oil

The import of palm oil (including crude palm oil and RBD palmolein) increased to 5.90 lt in June against 5.14 lt in May, re-



The total import of sunflower oil decreased to 13.48 lt during the first eight months of the oil year

cording a growth of 14.96 per cent. However, the total import of palm oil during the first eight months of the oil year decreased to 43.30 lt against 51.49 lt in the corresponding period a year ago, down by 15.89 per cent.

Import of RBD palmolein and crude palm oil (CPO) stood at 11 lt and 3.17 lt in the first eight months of the oil year against 29,376 tonnes and 5.01 lt, respectively, a year ago.

BV Mehta, Executive Director of SEA, said the import of RBD palmolein jumped mainly as high export levy on CPO (\$575 a

tonne) and lower duty on RBD palmolein (\$408 a tonne) favoured Indonesian exporters to discount RBD palmolein to push RBD palmolein export.

Indonesia and Malaysia are the major suppliers of palm oil to India. During the first eight months, Malaysia supplied 19.99 lt of CPO and 3.44 lt of RBD palmolein. Indonesia exported 6.43 lt of CPO and of 7.47 lt of RBD palmolein to India.

Indonesia exports plummet

Highlighting the recent developments in the palm oil sector and their impact in the market, Mehta said Indonesian palm oil exports plummeted to a 10-year low due to restriction imposed by the Indonesian government on April 28. This resulted in very high stock in that country.

Quoting market reports, he said the stock is over 8.5 million tonnes (mt) in Indonesia. That country was compelled to lift the ban on May 23 to reduce the overburdened stock. Export tax

and levy were also reduced to \$488 a tonne from \$575 a tonne, and are expected to reduce further to stimulate export.

This has increased export from Indonesia which has dampening effect on price in the world market.

The CIF price of palm oil decreased to \$1,519 a tonne in June against \$1,769 a tonne in May.

Soft oils

Meanwhile, the import of soybean oil decreased to 2.30 lt in June (3.73 lt in May), and sunflower oil witnessed a marginal increase to 1.19 lt in June (1.18 lt in May).

However, the total import of soybean oil increased to 28.10 lt during the first eight months of the oil year 2021-22 as against 18.50 lt in the corresponding period of 2020-21. The total import of sunflower oil decreased to 13.48 lt during the first eight months of the oil year 2021-22 against 14.52 lt in the corresponding period of 2020-21.

Exporters say ₹ trade settlement is a timely move

SHREYA NANDI

New Delhi, 11 July

Exporters cheered as the Reserve Bank of India (RBI) on Monday accepted their demand to set up a mechanism to settle international trade transactions in rupee, a move they said would enable trade, especially with sanctions-hit nations.

While the central bank's decision will apply to almost all trading partners of India, exporters said that one of the main triggers was to ease the disruption created by international trade since Russia's invasion of Ukraine from February 24. They also said the move was a step towards acceptance of rupee as an international currency.

Federation of Indian Export Organisations (FIEO) President A Sakthivel said the new provisions would help export-import (EXIM) trade with countries staring at a foreign exchange shortage. "This is a timely move, and comes at a time when many countries are facing huge forex shortages in Africa and South America. Allowing only EXIM transactions through a letter of credit will help our exporters and importers."

With western nations imposing sanctions on Russia after its invasion of Ukraine, exporters were staring at pay-

ments-related challenges. While they said most of the stuck payments had now been cleared, the mechanism drawn out by the central bank was the much needed step-by-step measure that had been made public for the first time. Besides, the decision is crucial considering India's rising dependence on Russian crude

oil. "This move is a recognition of the rupee as an international currency. We hope that the government will clarify on benefits on such exports in rupee, which is hitherto only granted for export payments received in foreign currency," he said.

Engineering and Export Promotion Council of India India Chairman Mahesh Desai said there was a need to see this move as the first step towards 100 per cent convertibility of the Indian currency. Besides, it would reduce the risk of forex fluctuation.

Rupee is currently partially convertible. Making the domestic currency fully convertible will enable easier conversion into another currency, apart from increasing liquidity in financial markets. "Ever since sanctions were imposed on Russia, trade has been virtually at a standstill with the country due to payment problems. As a result of the latest mechanism, we see the payment issues with Russia easing," Desai said.

**EXPORTERS SAY
THE RBI'S MOVE
IS A STEP
TOWARDS
ACCEPTANCE OF
RUPEE AS AN
INTERNATIONAL
CURRENCY**

Business Standard dt. 13.7.22

Share of \$, euro in trade payments by India up 30% since '90s: IMF data

SACHIN P MAMPATTA
Mumbai, 12 July

The share of developed market currencies in India's trade has only been going up in recent decades.

The share is up around 30 percentage points since the early 1990s, shows an analysis of data from the Washington-based International Monetary Fund.

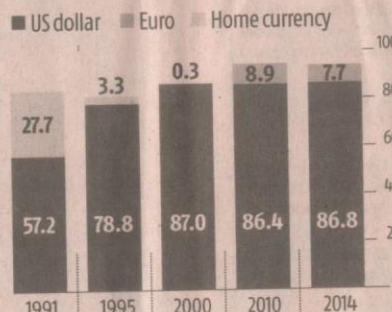
The Reserve Bank of India (RBI) announced a mechanism on Monday to pay for imports and exports in Indian rupees. This will likely help settle trade with countries like Russia and Sri Lanka and remove any risks of dealing in dollars. Russia has been facing sanctions following military action in Ukraine. Sri Lanka has been facing debt issues that have left it with hardly any dollars to meet its obligations.

Research suggests that a change in the value of the dollar can affect import or export prices between two trading partners, even if the exchange rate between the two remains constant.

"...the relevant predictor for bilateral trade prices and volumes is not the bilateral exchange rate but the dollar exchange rate, even where the US is on neither side of the trade transaction. A 1 per cent dollar appreciation against all other currencies in the world predicts a 0.6–0.8 per cent decline within a year in the volume of total trade between countries in the rest of the world, controlling for the global business cycle," according to the 2017 IMF working paper titled, 'Global Trade and the Dollar' from authors Emine Boz, Gita Gopinath and Mikkel Plagborg-Møller.

KING OF THE PACK

Dollar has been the main currency for India's exports (export invoice, share in %)



Dollar share in imports was less than 60% in 1991 (import invoice, share in %)



Note: The data is presented for years and currencies available. Three main categories have been used here for clearer representation, which includes home currency exports as well as US dollar and euro exports. Euro data includes legacy currencies; Source: IMF Working Paper 20/126, Boz et al. (2020), 'Patterns in Invoicing Currency in Global Trade'

The share of India's export invoices denominated in dollars was 57.2 per cent in 1991, shows the data from another IMF working paper with some common authors to the one cited above, titled 'Patterns in Invoicing Currency in Global Trade', which came out in 2020. The data shows exports have since shown a rising trend. The latest available data was for 2014. It was then at 86.8 per cent. The euro is another developed market currency that has gained prominence in Indian exports. It accounted for close to 8 per cent of exports according to the latest available data (see chart 1).

The share of developed market currencies in imports shows a similar trend. The dollar accounted for 59.7 per cent of imports in 1991. This was at 89.37

per cent in 2014. The share of the euro was at 7.16 per cent in 2014, though it had reached as high as 12.61 per cent in 2009 (see chart 2).

While trade can happen in rupees, there is a difference in the demand for different currencies globally. Anyone who accumulates US dollars finds a large demand for the currency. It was on one side of 88 per cent of all trades in foreign exchange market in April 2019, according to data from the Switzerland-based Bank for International Settlements.

Some part of the demand for a currency can be because it is needed for trade.

India's share of global exports has been under 2 per cent, according to the World Bank. The US accounts for 12.95 per cent of 2019 (pre-pandemic) exports.

Re Payment for Global Trade to Boost Rice & Tea Exports

Russia and Iran are major buyers of Indian tea and the latter is also a major buyer of basmati rice

Sutanuka Ghosal
@timesgroup.com

Kolkata: The Reserve Bank of India's move to put in place a mechanism to settle international trade in rupees will boost tea and basmati rice exports to Russia and Iran, where they had been facing problems over payment.

Russia and Iran are major buyers of Indian tea and the latter is also a major destination for Indian basmati rice exports. Both these countries are facing sanctions from the western world.

India annually exports around 45 million kg of teas to Russia. But due to the ongoing war between Russia and Ukraine and the sanctions from the US and Europe, tea exports have fallen by 10 per cent to the co-



Trade Boost

45 million kg
INDIA'S ANNUAL EXPORT OF TEA TO RUSSIA

10% FALL IN EXPORTS TO RUSSIA DUE TO ONGOING WAR

EVER SINCE THE US IMPOSED SANCTIONS ON IRAN, INDIA HAS NOT BEEN ABLE TO ENGAGE IN DOLLAR-DENOMINATED TRADE

The government's move will help to sort out the payment issue. It will not only increase tea exports to Russia and Iran but will also help India to increase its tea exports to the UAE, Kazakhstan and China

MOHIT AGARWAL,
Director, Asian Tea

untry in the period January-April as compared to the same period last year.

Talking to ET, Mohit Agarwal, director, Asian Tea, a leading tea exporting firm, said "The government's move will help to sort out the payment issue. It will not only increase tea exports to Russia and Iran but will also help India to increase its tea exports to the UAE, Kazakhstan and China, and will remove the currency risk from our balance sheets."

"Overseas buyers can now open vostro account with an Indian bank and they can make payments in INR to Indian exporters. The forex risk gets transferred to the overseas buyer as the rupee amount is fixed (since invoiced in INR)," explained Abhishek Goenka, founder and CEO, IFA Global.

In 2019, India exported 53 million kg of tea to Iran. Ever since the US imposed sanctions on Iran, India could not engage in dollar-denominated trade with the country. Hen-

ce, a rupee-rial trade mechanism was put in place in 2018.

Under this, oil refineries from India would deposit Indian rupees in the two designated banks – UCO Bank and IDBI Bank – for the import of crude oil from Iran and the fund was used to clear dues of exporters from Iran. However, since there have been no oil imports by India since May 2019 in view of the US-led sanctions, the accumulations in the rupee-rial accounts depleted drastically. This led to fall in exports of Indian tea to the nation and the pandemic further impacted exports.

While shipments to Russia and payments thereof have been hard hit due the sanctions, basmati and tea exports to Iran was happening. Exporters, who did not want to be named, said that the payments from Iran is being routed through UAE in dirhams, which was then converted into Indian rupee.

Vinod Kaul, executive director, All India Rice Exporters Association said the move will put an end to the worries of payments to Indian basmati rice exporters. "Iran is our biggest buyer. We hope that the banks put all the mechanisms in place quickly so expedite exports."

Jewellery Exports to UAE Shine Post-CEPA

Sutanuka.Ghosal@timesgroup.com

Kolkata: Gem and jewellery exports to the United Arab Emirates (UAE) have increased since the implementation of the Comprehensive Economic Partnership Agreement (CEPA) between the two countries from May 1.

Plain gold jewellery exports surged 72% year-on-year in May to ₹1,048.40 crore and 68.65% in June to ₹1,451.58 crore.

The UAE accounts for 80% of India's plain gold jewellery exports and 20% of studied jewellery exports. The government has set an overall merchandise exports target of \$45.7 billion for the gem and jewellery sector for 2022-23, up from \$40 billion last fiscal. Under the CEPA, the UAE will exempt 90% of Indian products from import duty. Bilateral trade between the two countries is expected to reach \$100 billion within five years. As the UAE is the main gateway to West Asia and Europe, the agreement will benefit the business community in both countries.

Total gem and jewellery exports to the UAE in the June quarter grew 10.09% to

Worth Its Weight In Gold

PLAIN GOLD JEWELLERY EXPORTS TO UAE

Surge 72% YoY in May to ₹1,048 cr

Rise 68.65% in June to ₹1,451 cr

TOTAL GEMS AND JEWELLERY EXPORTS TO UAE

Up 10.09% to ₹9,802 cr in June quarter, from ₹8,904 cr a year ago

OVERALL EXPORTS OF GEMS & JEWELLERY

Jump 21.41% YoY to ₹25,295 cr in June

Of this, gold jewellery growth was 35.25% to ₹5,641 cr

In June quarter, rise was 14.6% YoY to ₹7,7049 cr

₹9,802 crore, from ₹8,904 crore a year ago.

Apart from the UAE, demand for gems and jewellery remained strong in key markets such as the US (₹28,975 crore), Hong Kong (₹17,246 crore), Belgium (₹4,646 crore) and Israel (₹2,854 crore). "Plain gold jewellery exports have been the immediate beneficiary of the India-UAE CEPA. I urge all exporters to maximise their returns and make optimum use of the benefits available through this pact," said Colin Shah, cha-

irman, Gem & Jewellery Export Promotion Council (GJEPC).

In June, India's overall gross exports of gems and jewellery grew 21.41% year-on-year to ₹25,295.690 crore.

Overall gross exports of gems and jewellery grew 14.6% year-on-year in the April-June period to ₹7,7049.76 crore.

During this period, overall gross exports of cut and polished diamonds grew 5.72% year-on-year to ₹4,8347.19 crore.

UP agrees to import coal; state govt to bear cost

DEEPA JAINANI
Lucknow, July 12

IN A CLIMB-DOWN from its earlier stance, the Uttar Pradesh government on Tuesday decided to allow coal imports for blending with domestic coal for power plants in the state. The state cabinet approved the coal imports through by circulation, though it has tweaked the Centre's directive of 10% blending for the entire year and instead allowed 4% blending for just two months – August and September 2022.

The UP government has been resisting the Centre's directive to import coal, citing high costs.

Talking to *FE*, additional chief secretary, power, Awanish Kumar Awasthi said that the cabinet has approved import of a total of 5.46 lakh metric tonne of coal for the months of August and September through Coal India for both state generators as well as for IPPs. It has also decided that the additional cost of ₹895 crore involved in



IN SYNC WITH CENTRE'S DIRECTIVE

■ The UP government has been resisting the Centre's directive to import coal, citing high costs

■ The state approved the coal imports through by circulation, though it has tweaked the Centre's directive of 10% blending

the import would be borne by the state government. The state cabinet approved the proposal which was earlier cleared by the energy task force (ETF), headed by the chief secretary. According to Awasthi, the pressure to import coal was felt as the Centre had reduced the state's do-

mestic coal supply by almost 30%. "It was important to import coal so as to restore our domestic coal supply," he said.

The ETF had concurred that due to acute shortage of coal stock at all the state's thermal power plants and "unreliability" of power availability at ex-

changes, it is reasonable to import coal in order to offset the shortage in domestic supply.

According to sources in the power sector, the ETF has worked out that while state generating stations would require a total of 48 lakh metric tonne coal during these two months, IPPs would require 88.52 lakh metric tonne, taking the total coal requirement to 136.52 lakh metric tonne.

At 4% blending rate, the requirement for imported coal would be to the tune of 5.46 lakh metric tonne, entailing a cost of ₹895 crore.

According to sources, the state would follow the Centre's guidelines and submit indents to CIL for importing coal through the competitive bidding route.

It may be mentioned that the state government had earlier in May decided not to import coal for power generation, despite a Centre's directive that both state-sector and private gencons must import fuel for 10% blending and had cited the high cost of imported coal

as a major deterrent.

As per calculations at that time, a 10% blending was expected to cost an additional ₹11,000 crore, which would either have to be passed on to the consumers or had to be borne by the state exchequer.

Uttar Pradesh Power Corporation (UPPCL), the umbrella body of the power sector in the state, had in fact, issued a blanket order, directing all IPPs in the state – Reliance Power, Bajaj Hindusthan, Lanco, and Prayagraj (Tata Power) – to not import coal and had even asked them to cancel tenders.

It may be mentioned that the Union power ministry, had in December, asked all utilities in the country to import 4% of their coal requirement for blending. Later in April, it directed 10% of the gencons' total requirement for blending with domestic coal. The Centre followed up the directive with a warning that if the gencons do not import 10% of coal for blending by June 15 – they would be penalised and their domestic coal supply would be cut.

India plans curbs on imports of tea from Nepal

INDRONIL ROYCHOWDHURY
Kolkata, July 12

INDIA IS LIKELY to impose restrictions on tea trade with Nepal, as duty-free exports of low-quality tea from the neighbouring country being blended with Darjeeling tea is hampering the latter's brand globally.

The Union commerce ministry has already brought in regulations to check the influx of cheaper tea from Nepal, while the parliamentary standing committee on commerce has recommended a review of the Indo-Nepal treaty to incorporate stringent requirements for a "certificate of origin" on tea imports from Nepal.

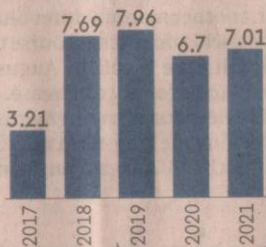
A large section of importers are passing on inferior Nepal tea as Darjeeling tea at much lower prices, causing huge financial loss to Darjeeling planters. Some local traders are also re-exporting the Nepal tea to global markets as Darjeeling tea. The premium authentic Darjeeling tea is also selling at a lower price in the global market as a result.

While the Tea Board of India says it has started acting on the commerce ministry's recommendations, small tea garden owners, mostly selling their product in auctions, say Nepal is still continuing to dump its tea in India.

The Revised Treaty of Trade between India and Nepal signed on

Inferior Nepal tea causing huge losses

Tea production in Darjeeling
(in million kg)



Tea imports from Nepal
(in million kg)



October 2009 is valid up to 2023. It lets each party exempt, on a reciprocal basis, mutually decided primary products from basic customs duties and quantitative restrictions.

Tea is among such products eligible for preferential treatment. But exports of Indian tea attract a 40% import duty in Nepal, while tea imports from Nepal attract zero duty. This leads to unhampered and easy influx of substandard Nepal tea being sold and re-exported as premium Darjeeling tea, which diluting the global brand image and affecting prices, the parliamentary panel said in its 171st report.

The panel has recommended setting up a robust administrative framework and import inspection regime, and establishing an NABL-accredited quality control lab in Darjeeling district

to check each consignment of imported tea. The panel recommended an inspection by the Directorate General of Trade Remedies regarding the dumping of tea, while looking into the possibilities of an anti-dumping duty.

A Tea Board official told FE the board has already formed a committee on the issue following a direction from the ministry of commerce and industry to draw and test samples at an NABL-accredited lab. This is to check if imported tea is FSSAI-compliant.

However, PK Bhattacharya, secretary general of the Tea Association of India (TAI), said only a few parameters were being checked.

The tea board has directed importers to inform it about the storage locations of imported tea within 24 hours so that the board may draw samples. "Importers will have to ensure that origin of imported tea is mentioned in all sale invoices or contracts and there is labelling and proper display of the origin of tea," the Tea Board official said.

SHIPMENTS SEEN AT \$10-12 BILLION IN FY23

Rice exports to surge on global crunch, good crop

Key competitors Thailand and Vietnam facing cost pressures

SANDIP DAS

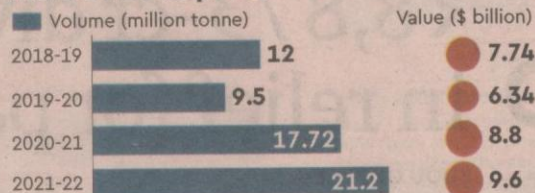
New Delhi, July 13

THE DECLINE in rice crop yields in Thailand and Vietnam and their increased costs of production may turn out to be bonanza for India's rice exports in the current fiscal year, trade sources said. India is exporting rice at around \$360 a tonne to key markets at present while Thailand and Vietnam are offering the grain at around \$ 420 a tonne.

The gap, according to the sources, is expected to widen in the coming months. Besides, prospects of a reasonably strong kharif crop could enable Indian exporters to fetch higher realisations. Even in volume terms, India's rice exports in the current year could match or slightly exceed last year's record level of 21 million tonne, according to V Krishna Rao, president, All India Rice Exporters Association.

The prospects of another record in rice shipments come at a time when the country has imposed strict curbs on export of wheat due to depleting domestic stocks.

India's rice exports



Source: Commerce ministry

Global rice trade
53 MT

India's share

40%

Share of Thailand, Vietnam & Pakistan

35%



Top five destinations for India's rice
(in terms of volume/MT)



Source: APEDA, (2021-22)

According to the United States Department of Agriculture (USDA) rice outlook report released in June, the global rice trade in 2022 calendar year are projected at a record 54.3 MT. "India's exports are projected to a record 22 MT and account for almost 41% of global shipments," said the report. The USDA also stated that India's projected rice exports are likely to exceed the combined shipments of the next three-largest exporters—Thailand, Vietnam, and Pakistan this year.

Trade sources said major rice producers such as Viet-

nam, China and Thailand have been raising the issue of high production and freight costs which would make their rice much costlier than what India offers. Exports in value terms this year could be \$10-12 billion, an all-time high.

India has been the world's largest rice exporter in the last decade — export earnings stood at \$ 8.8 billion in 2020-21 and \$9.6 billion in 2021-22. According to commerce ministry data, India's value of rice exports rose by 12% to \$ 2.6 billion in the first quarter of the current fiscal.

"We will sustain the mo-

mentum in rice exports in the current fiscal through shipment of quality rice," M Angamuthu, Chairman, Agricultural and Processed Food Products Export Development Authority (APEDA) said.

The Food Corporation of India (FCI) as of July 1, 2022, had rice stocks of more than 31.7 MT against the buffer norm of 13.54 MT. However, this stock excludes 15 MT of rice yet to be received from the millers by FCI.

An agriculture ministry official said widespread monsoon rains are expected to give a boost to rice production which is predominantly a kharif crop. The official said rice sowing, which was lagging behind by more than 22% last week compared to last year, has picked up pace and rice sowing will reach normal levels soon.

"India is in a position to cater to the world market in a big way and exports are expected to pick up pace after two months, currently earlier orders for shipments are being executed," Vijay Setia, former president of All India Rice Exporters Association and an exporter, said.

As per DGCIS data, India exported rice to over 150 countries in 2021-22. "It indicates the diversification of India's rice export over the years," a commerce ministry official said.

PURCHASES AT FAST PACE IN JUNE AS WELL

Imports from Russia jump 272% in April-May to \$5 bn

BANIKINKAR PATTANAYAK

New Delhi, July 14

INDIA'S IMPORTS FROM Russia surged 272% in the first two months of this fiscal from a year before to \$5.03 billion, as New Delhi stepped up purchases of oil, fertilisers and coal to tackle a growing domestic shortfall of the commodities.

Trade sources told *FE* that the pace of growth in imports from Russia remained elevated in June as well, albeit on a low base, as New Delhi continued to resist mounting Western pressure to cut trade ties with old ally Moscow following the latter's invasion of Ukraine.

However, India's exports to Russia plunged 46% on year to just \$245 million until May this fiscal, primarily due to logistics and payment issues in the aftermath of Western sanctions on Moscow. Consequently, India's trade deficit with Russia widened to



\$4.8 billion until May this fiscal from just \$902 million a year before.

Data sourced from the DGCIS showed, between April and May, India's imports of crude oil from Russia climbed 621% to \$3.2 billion, while those of petroleum products

jumped 879% to \$509 million (see chart). Similarly, imports of coal, coke and briquettes, etc surged 210% to \$520 million. Fertiliser purchases, too, spiked 808% to \$345 million.

Continued on Page 8

value is substantially driven by a low base and a spurt in global commodity prices in recent months.

The trade sources said, apart from oil and petroleum products, coal imports from Russia continued unabated as the government sought to prevent any crisis in electricity generation during the summer. Three-quarters of the electricity produced in India uses coal and the country imports just under a quarter of its annual consumption of the raw material.

India's reliance on Russia for fertiliser rose as crisis-ridden Ukraine, another supplier, isn't in a position to ship out the key farm input. The government has been seeking to keep local supplies steady during the ongoing Kharif sowing season.

As FE had reported earlier, the surge in imports from Moscow suggests New Delhi, a net importer of commodities, has remained steadfast in its commitment to chart its own path despite Western pressure to shun Russian oil,

especially when the advanced nations themselves are much bigger buyers of Russian fossil fuels.

Finance minister Nirmala Sitharaman recently defended the move, saying: "I will put my country's interest first and energy security first. If oil is available and at a discount, why shouldn't I buy it?" External affairs minister S Jaishankar, too, has decried the "campaign" against India on oil imports from Russia. India's total oil purchases from Russia in a month would probably be less than what Europe does in an afternoon, he said earlier.

However, given that shipping lines are reluctant to take bookings to and from Russia, especially for dry cargo, Indian exporters haven't been able to despatch much goods to Russia in the aftermath of the war. In the first two months of FY23, pharmaceutical exports to Russia dropped 34% to \$50 million, while supplies of organic chemicals declined 12.5% to \$35 million.

Imports from Russia jump 272% in Apr-May to \$5 billion

To be sure, the growth in import

JUNE EXPORTS UP 23.52% TO \$40.13 B

Trade deficit hits \$26 bn on rising imports

Q1 current account deficit seen at 3% of GDP

FE BUREAU
New Delhi, July 14

MERCHANDISE EXPORTS ROSE
23.5% in June from a year before even on an unfavourable base but a steep 57.6% jump in imports on the back of elevated global commodity prices drove up trade deficit to a new monthly record of \$26.2 billion.

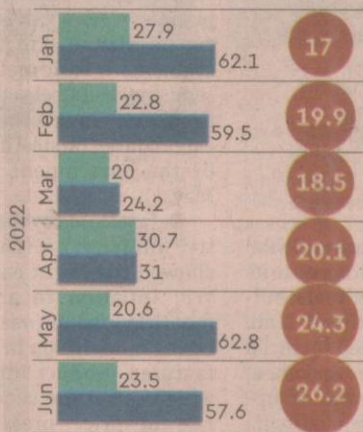
With this, trade deficit in the June quarter jumped to a record \$70.8 billion, way above that of \$31.4 billion in the same quarter last fiscal, according to the provisional data released by the commerce ministry on Thursday.

This will likely inflate the country's current account deficit for the first quarter of FY23 to more than 3% of GDP, compared with 1.5% in the previous quarter, according to some analysts.

Given the fears of recession in top markets (US and the EU), which have contributed immensely to India's stellar export performance in FY22, exter-

GOODS TRADE

Exports Imports Trade deficit
(% change, y-o-y) (\$ bn)



Source: DGCIS; ministry of commerce

nal demand for Indian merchandise may falter in the coming months. The global supply chains, despite some improvement in recent weeks, still remain tangled.

Continued on Page 2

Contd. from
Page 1.

Trade deficit hits \$26 bn on rising imports

Of course, with softening commodity prices, some pressure on the CAD front is expected to ease in the second half of this fiscal. Moreover, the dramatic rise in imports for a second straight month (even without oil and gems & jewellery, imports jumped as much as 38.3% in June) signals improving domestic demand that had remained subdued for months in the wake of the Covid outbreak.

Exports increased to \$40.1

billion in June, a record for the third month of any fiscal, and the growth is slightly higher than May's 20.6%. Core exports grew 8.7% in June, against 8.6% in the previous month but well below 19.9% in April.

But imports spiked to \$66.3 billion from \$42.1 billion a year before, driven by a 99% jump in purchases of oil and petroleum products, 261% in coal and 183% in gold.

A spurt in prices inflated petroleum and coal import bill substantially, while massive gold imports were partly driven by jewellers' bid to build inventory to cater for some pent-up demand. This is partly because many marriages were last year postponed to 2022 due to the pandemic, as pointed out in the finance ministry's economic report for June. Fitch Ratings has already warned of a doubling of India's CAD in FY23 to about 3.1% of GDP. Of course, senior government officials have assuaged concerns about financing the CAD.

Among high-value segments, the rise in exports in June was led by petroleum

products (119%), followed by electronics (61%) and garments (50%).

Aditi Nayar, chief economist at Icra, said while the elevated trade deficit for June poses some upside risks to the CAD for Q1FY23, "the correction in commodity prices has softened the outlook for the ongoing quarter, even though export growth may undergo a slowdown amidst a weaker outlook for the global economy. She projected a modest downside to our FY23 CAD forecast of \$105 billion or 3% of GDP."

A Sakthivel, president of the apex exporters' body FIEO, said the spike in imports is a matter of concern. However, the decent export growth "indicates the strength of the export sector amidst challenging ongoing geo-political and rising global uncertainties".

FROM THE FR

ADANI ENTERPRISES HAD EMERGED AS L1 BIDDER

Coal India cancels maiden short-term import tender

INDRONIL ROYCHOWDHURY
Kolkata, July 17

COAL INDIA (CIL) has cancelled its maiden tender for short-term imports of coal, in which Adani Enterprises had emerged as the L1 bidder. Adani had quoted ₹4,033 crore for the supply of 2.416 million tonne (mt) on a freight on road basis, but CIL ultimately didn't issue the contract's letter of award (LoA) to Adani.

However, it has already issued a LoA to Indonesian agency Bara Daya Energi Consortium for imports of 6 mt in the medium term and a contract has been given for importing 791,000 tonne during August-September, sources in the know said.

While CIL has confirmed that it has cancelled its maiden tender, it didn't want to cite any reason. Earlier, sources in CIL had said that although Adani has emerged as the L1 bidder, it would only make an official declaration informing the stock exchanges after making a proper financial evaluation.

Sources in the trade said the company found Adani's financial bid to be high, wherein CIL found a formidable price difference against their estimated tender value of ₹3,850 crore, for 2.416 mt of imports.

But Bara Daya Energi Consortium, the



■ Coal India has issued a letter of award to Indonesia's Bara Daya Energi Consortium for imports of 6 mt of coal in the medium term

■ Coal India had planned a short-term tender for the purpose of blending

■ Two medium-term tenders were planned to keep a certain quantity of coal on tap, so that the power sector doesn't face any dearth of coal during the monsoons

lowest bidder for 6 mt of imports, quoted ₹4,331 crore and ₹4,497 crore for the eastern and western coast tenders, respectively, against an estimated tender value of ₹10,000 crore.

For the 791,000 tonne of imports, which CIL has already ordered for the month of August and September, the genscos that would be the buyers are Adhunik Power, SAI Wardha, Rattan India, Avantha Power & Infrastructure, CESC, Lanco Amarkantak Power, Jindal India Thermal

Power, ACB India, KSK and DB Power.

CIL's board on June 2 had decided to proceed with issuance of international tenders to source overseas coal on two counts. First, for the purpose of blending, for which the short-term tender was planned on the basis of the number of indents made, and second, two medium-term tenders were planned to keep a certain quantity of coal on tap, so that the power sector doesn't face any dearth of coal during the monsoons.