2017

INTRADE UPDATE

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March 2nd week Newsletter

Weekly E-Bulletin

Indian Institute of Export Management

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Indian Institute of Export Management

PALM OIL FUTURES LIKELY TO TEST SUPPORTS RISE

Malaysian palm oil futures climbed to their highest levels in two weeks on Monday, rising higher for a fifth straight day of gains on strong soyoil and forecasts of weaker output.CPO active month May futures pulled back higher from recent lows in line with our expectations. As mentioned before, there are certain important targets that markets will be inclined to test right now.The first one, at 2,770 MYR/tonne, has not been able to hold. This will be followed by critical support at 2,685-95. Once, it finds an intermediate bottom in the above range, ideally it could pull back towards resistances in the 2,900-25 zone again. We favored a corrective upward move to 2,925, which is presently underway.

Though, it looks like the short to medium-term has turned bearish, the bigger picture still favours bullishness ahead. Any dips to 2,800-10 are expected to hold supports now.The key is to closely watch if prices can make a recovery and sustain above 3,000 again, which could revive bullish hopes.The favoured view now expects prices to edge lower initially to 2,800-10 and then push higher again towards 2,950. There is an outside chance for this pullback to extend to 3,010, but it is still not clear if it can hold on to the gains and rise.

B/L-06/03/2017

GERMANY WANTS GREATER COLLABORATION WITH INDIA IN FARM TECHNOLOGY

Germany has a lot to offer India in terms of technology in agriculture, as well as skill creation, but "proper and predictable'' policy interventions are required for transferring technology."German companies have invested large amounts in India. In the last few years there have been a number of agreements in areas such as food safety standards, risk management and seed development. With a reliable regulatory framework there could be closer cooperation," said Arnd Nenstiel, Chairman, German Agribusiness Alliance, at a seminar on financing of agriculture on Monday.The German Agribusiness Alliance is an initiative of leading German trade associations and companies from the agriculture and food sectors that work with the German government to promote cooperation with transforming, emerging and developing economies.Speaking at the seminar, German Ambassador to India Martin Ney said that financing for modernisation and value addition was key to development of agriculture. "Change is possible if farmers can profit from what is being offered in terms of technology and skills," Ney said, adding that his country was working on intensifying collaboration with India.

B/L-07/03/2017

INDIA TEMPORARILY SUSPENDS IMPORT OF AGRI-COMMODITIES FROM VIETNAM

Kochi, March 7India has temporarily suspended the entry of coffee beans, bamboo, black pepper, cinnamon, cassia and dragon fruit from Vietnam with effect from March 7 due to "repeated interception of quarantine pests".The decision comes close on the heels of Vietnam announcing that it would suspend import of peanuts, cassia seed, cocoa beans, haricot beans and tamarind from India after 60 days, starting March 1.In a letter issued this week by the Agriculture Ministry to the Vietnamese Ministry of Agriculture and Rural Development, the Indian government said that "in view of the repeated interception of quarantine pests, the NPPO India is constrained to suspend the entry" of the commodities.NPPO, Vietnam has been requested not to issue phyto-sanitary certificates for these six commodities for export to India.

B/L-08/03/2017

MCX COTTON MAY TEST A KEY RESISTANCE POINT

Cotton prices are on a strong footing. The cotton futures contract traded on the Multi Commodity Exchange has surged 13.3 per cent so far this year and currently trades at around Rs. 21,560 per bale (of 170 kg).Strong demand from domestic millers as well as export demand has aided this rise.The rally in cotton prices is anticipated to sustain as demand fior the commodity is expected to remain high.Prior to the recent rally, the MCX cotton futures contract was on a strong downtrend and has been so since July 2016, when it tumbled about 24 per cent from a high of Rs. 23,990 per bale. The contract halted at a low of Rs. 18,250 in November.
B/L-09/03/2017

IMPORT BAN ON VIETNAM KEEPS PEPPER HOT

Kochi, March 8Suspension of pepper imports from Vietnam kept the markets hot on Wednesday with both spot and futures moving up. Sellers withdrew amid good demand from buyers, especially for high bulk density pepper, market sources told *BusinessLine* .On the terminal market only 12 tonnes were traded. High range material traded at Rs. 610, pepper from Wayanad at Rs. 600 and that from the plains at Rs. 585 a kg.Spot prices increased by Rs. 300 a quintal to close at Rs. 58,900 (ungarbled) and Rs. 61,900 (garbled) a quintal. The March contract on the IPSTA also went up by Rs. 1,000 a quintal to close at Rs. 63,000 a quintal.
B/L-10/03/2017

BAN ON VIETNAM COFFEE IMPORTS WILL HIT INDIA'S RE-EXPORTS

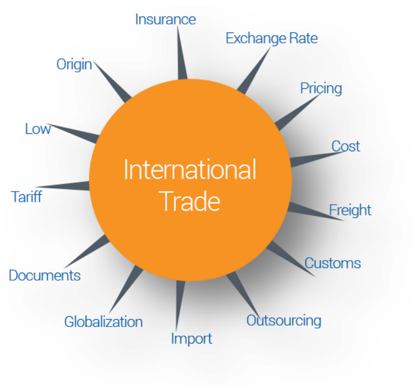
India's move to ban farm product imports from Vietnam on phytosanitary issues will hurt the exports of value-added instant coffees from the country, exporters said.Instant coffee makers in India such as Tata Coffee, CCL Products and Nestle India, among others, depend on Vietnam for cheaper robusta imports and re-export the same after value-addition here. Vietnam is a major producer of the robusta variety.The low-priced imported robustas are converted into soluble coffees such as instant and freeze-dried coffee and re-exported mainly to Russia and other European countries. Instant coffees, in terms of green bean equivalent, accounts for about a third of India's coffee exports."The ban on imports can potentially derail India's instant coffee industry and hurt the exports of soluble coffees," said Ramesh Rajah, President of the Coffee Exporters Association.The coffee industry has been caught off guard by the Union Agriculture Ministry's move to ban six farm products, including coffee and pepper, on concerns over phytosanitary issues, with effect from March 7. India's move comes close on the heels of Vietnam announcing its intent to suspend imports of Indian peanuts, cassia seeds, cocoa beans, harricot beans and tamarind over phytosanitary issues.

B/L-11/03/2017

LOWER STOCK, STRONG EXPORTS KEEP JEERA PRICES FIRM

Lower carryover stock coupled with higher export demand may push up jeera prices, as traders fear tight supply conditions in the coming months.The carryover stock has dipped to about 2 lakh bags (each of 55 kg) as against the normal 20-25 lakh bags, thereby reducing the availability even as the demand for exports and domestic consumption remains firm, trader sources said.Turkey and Syria, India's key competitors in the international market, are less likely to add supplies as the production in these countries is believed to hover at around 12,000 tonnes and 20,000 tonnes, respectively.This is seen as a major boost for Indian jeera exports, which are likely to hover around 1 lakh tonnes, up marginally from the previous year. Jeera production in the country is likely to be around 3.4-3.8 lakh tonnes, which is about 10-12 per cent lower than last year. Jeera output had risen as high as 4.45 lakh tonnes in 2013-14

B/L-11/03/2017



GOVT ENCOURAGES INDUSTRY TO CREATE VALUE CHAINS WITH CLMV COUNTRIES TO GET EXPORT BENEFITS FROM US, EU

The government has encouraged Indian manufacturers to create value chains with four South Asian countries to leverage the benefits doled out by the US and EU to the exporters of less developed countries. Cambodia, Laos, Myanmar and Vietnam or CLMV countries get benefits under Generalised System of Preferences (GSP) for developing countries under which imports are allowed at zero or less duty. "If Indian manufacturers setup businesses in Myanmar, they will get GSP benefits to export in the EU and US," commerce and industry minister said at the Fourth India-CLMV Business Conclave. This is especially important for the textile sector. **~FIEO**

Many LDCS import cotton yarn from India and use it as an input for textile products which they later export to the US and EU. By setting some part of textile manufacturing outside India, domestic manufacturers will be able to get the export benefits and also create a value chain since they would import the yarn from India. Moreover, developed countries have been threatening India to end preferential tariffs because of its rising share in world exports. The CLMV region grew an average rate of 7.1% in 2015 compared with the ASEAN's average of 4.8%. The CLMV are a part of ASEAN bloc with which India already has a free trade agreement and negotiating a broader Regional Comprehensive Economic Partnership agreement that spans across 16 countries. In the last ten years, India's total trade with the CLMV countries has grown more than sevenfold from \$1.4 billion in 2005 to \$10.3 billion in 2015.

~FIEO

INDIA, SOUTH EAST ASIAN NATIONS IMPROVING CONNECTIVITY: COMMERCE MINISTER

India and the South East Asian nations, including Myanmar and Cambodia, are enhancing land and sea connectivity to boost trade and are working on various projects such as Kaladan Multi-Modal Transit Transport, Commerce Minister said. Minister said huge potential exists in the Cambodia, Laos, Myanmar and Vietnam (CLMV) nations for Indian manufacturers. The Commerce and Industry Minister said India and CLMV countries are working on accelerating projects to improve port, road and air connectivity. India and Myanmar are cooperating to connect the Bay of Bengal ports (Visakhapatnam-Krishnapatnam) and the Sittwe port (in Myanmar), Commerce Minister said. Minister was speaking here for the 4th India-CLMV Business Conclave. "Sittwe is a major port in Myamnmar. If Sittwe is connected with our Bay of Bengal ports, Visakhapatnam, Krishnapatnam and also south Chennai or even further up to Haldia, Paradaip or Dhamra, a lot of trade which goes from India to these SEA countries can go and land in Sittwe and from there go to Myanmar or CLMV countries," Minister said. As regards the land connectivity, she informed that the work is being expedited for the Kaladan Multi-Modal Transit Transport project (KMTTP). It aims to improve connectivity between Indian ports on the eastern seaboard and Sittwe port in Myanmar. The Myanmar government has stated that it will expedite the work from its side, she said, adding that the Indian side of the work is progressing. This project, Minister said, would technically connect Kolkata through the north eastern states of India to the entire South East Asian nations. On improving the air connectivity, Commerce Minister said that a lot is happening between SEA and India in this area and from Gaya airport, there is a need to give more connections.

~FIEO

INDIA TO SPEED UP FTA WITH EURASIAN ECONOMIC UNION

India is speeding up the signing of a free trade agreement (FTA) with the Eurasian Economic Union, which include Belarus, Kazakhstan, Russia, Armenia and Kyrgyzstan. India's trade with these countries stands at about $10 billion. Joint Secretary (JS), Ministry of Commerce & Industry, said Prime Minister and leaders of the five countries are eager to sign the FTA, and it can happen in less than a year. JS was speaking to media on the sidelines of an event to announce the second edition of Cap India — the joint expo by Chemical Export Promotion Council, Plastics Export Promotion Council, Chemical and Allied Export Promotion Council of India and Shellac and Forest Products Export Promotion Council. The expo will be held on March 21 and 22. India stands to gain from the pact with Eurasia, as its imports from these countries are greater than its exports to them, it added. **~FIEO**

INDIA'S EXPORT RECOVERY NOT YET BROAD BASED: REPORT

Even as global economy looks to be on a rather bumpy ride, Indian exports, which are mainly dependent on the US, China and Europe have still not recovered, according to a research report by Nomura. "India's merchandise export growth turned decisively positive last September after nearly two years of contraction. Yet, there is a wide variance for these exports by destination," the report said. India's exports to the US, Eurozone and Japan however jumped by 1.2% according to the report. "Exports to G3 (US, Eurozone and Japan) rose by 1.2% y-o-y in January after rising by 1.9% in 2016. In contrast, exports to all other regions combined are still contracting, falling by 8.1% y-o-y in January after a 3.6% decline in 2016," Nomura report said. According to Nomura the recent rise in the export orders index of the manufacturing PMI to 50.7 in February from 49.8 in January suggests this turnaround in exports growth should continue over the near term. However, data on exports by destination suggest the demand recovery is not yet broad-based. This week the government said that India's GDP grew by about 7% in the third quarter ended December 2016. Recently however, a Nomura report has stated three reasons why this may have happened. The report also questioned India's GDP data. The repot asked whether India's GDP data is a fact or fiction. "The discrepancy between the official GDP statistics (robust) and ground-level data (weak) has been a concern ever since the start of the new GDP series. The gap has become even more glaring in the aftermath of demonetisation," the report said. **~FIEO**

BASMATI EXPORTS TO EU FACE FUNGICIDE BLOCKADE

India's basmati exports to the European Union (EU) could be significantly hit if the bloc implements a proposal to bring down the tolerance level for tricyclazole, a chemical used in India to treat rice. New Delhi is trying to convince the EU not to go ahead with the "unnecessary" safety precaution, as it argues that it has been scientifically proved that present levels do not pose a threat to consumers, a government official said. "The EU plans to bring down the MRL (Maximum Residue Limit) for tricyclazole to the default level of 0.01 ppm (parts per million), which could prove to be disastrous for Indian exports of basmati. But it is supposed to happen only in 2018, so we have time to convince them not to implement the change," the official said. India is in talks separately with European countries, such as Italy and Portugal, which do not support the EU initiative of raising the tolerance limit to put pressure on the bloc not to go ahead with its plan, the official added. The Commerce Ministry has taken up the issue with the India-EU joint working group on Sanitary & Phytosanitary and Technical Barriers to Trade and hopes to reach a settlement soon.

~FIEO

INDIA'S FOREX RESERVES REMAIN FLAT FOR THE LAST WEEK OF FEBRUARY: RBI

India's foreign exchange reserves rose marginally by $63.7 million to reach $362.8 billion as on February 24 said the Reserve Bank of India today. According to data released by the central bank, banks have also shown a mere 4.8% rise in credit for the year 2017 against last year, therefore the entire credit forwarded by the banking sector stood at Rs 3.4 lakh crore as against Rs 7.2 lakh crore last year. At the same time deposits have shown a growth of around 12.8% against 10.4% that was seen last year, standing at Rs 11.8 lakh crore against Rs 8.7 lakh crore last year. According to data from NSDL the amount of money put in by foreign investors in the Indian markets for the month of March stood at Rs 12967 crore till the first week of March.

~FIEO

RBI SETS UP PANEL TO REVIEW CYBER THREATS

The Reserve Bank announced setting up of the inter—disciplinary standing committee on cyber security to review the threats inherent in the existing and emerging technology. The 11—member committee will also study adoption of various security standards and protocols, interface with stakeholders and suggest appropriate policy interventions to strengthen cyber security and resilience, the central bank said. Going forward, the committee headed by Meena Hemchandra, Executive Director, RBI, can co—opt more experts and also operate through a framework of sub—committees to examine specific issues, it said. Based on the recommendations of the Expert Panel on Cyber Security and Information Technology Examination, the RBI had issued guidelines to banks in June last year mandating cyber security preparedness to tackle cyber risks. "While banks have taken several steps to strengthen their defences, the diverse and ingenious nature of cyber attacks necessitates an ongoing review of the cyber security landscape and emerging threats," the RBI said.

~FIEO

VIRTUAL CURRENCIES ARE PRONE TO RISKS, CAUTIONS RBI

The Reserve Bank of India has cautioned that virtual currencies (VCs), including bitcoins, pose potential financial, operational, legal, customer protection and security risks to users, holders and traders as no central bank or monetary authority has an oversight role on these currencies. Speaking at a fintech conference Deputy Governor, RBI, underscored that as VCs are stored in digital/electronic form, they are prone to, among others, losses arising out of hacking, loss of password, compromise of access credentials and malware attacks. "Payments by VCs are on a peer-to-peer basis. No established framework for recourse to customer problems, disputes, charge backs, etc., is feasible. There is no underlying or backing of any asset for VCs. Value seems to be a matter of speculation. "Legal status is definitely not there. While this is a purported objective of a VC, it puts a natural limit for its progression...And finally, the usage of VCs for illicit and illegal activities has been reported as uncomfortably large," explained Dy Governor, RBI. The Deputy Governor said his arguments against VCs stem from two key elements — confidence and anonymity. He elaborated that a ‘currency’ should be able to sustain these two elements for ever; its exalted status will be impaired once either of these elements gets affected. “The ‘confidence’ in bitcoins or for that matter any VC based on blockchain or any other technology is limited to its initial rounds and circles only. The initial rounds are always filled with adventurists and risk seekers. “The moment the masses get in, the riskavoiders get in, they will need greater ‘confidence’ for acceptance and that can come only if an ‘authority’ issues it,” said Dy Governor, RBI. As regards ‘anonymity’, the Deputy Governor observed that blockchain technology apologists say it can be made very difficult to track. But ‘difficult to track’ is not ‘anonymity’, he pointed out. Therefore, the idea that blockchain will eliminate ‘currency’ by ushering in ‘virtual currency’ would remain a pipe-dream, added Dy Goveror, RBI. “Countries are printing more and more currency. Perhaps the Nordic countries are the exceptions,” said the Deputy Governor, RBI. **~FIEO**

GDP DATA BELIES EXAGGERATED CLAIMS OF NOTE BAN IMPACT: FINANCE MINISTER Buoyed by higher-than-expected GDP growth, Finance Minister said a 7 per cent expansion in third quarter belies exaggerated claims of note ban impact on rural economy. Finance Minister who returned from his UK visit this morning, seemed to agree with RBI Governor’s assertion of a sharp V-shaped recovery as remonetisation picks up. The October-December quarter of 2016 was “substantially impacted by demonetisation (of higher denomination currency),” the finance minister said. “Demonetisation, admittedly, had led to the squeeze of currency because this was the period during which the replacement of high denomination currencies was taking place and many people were apprehensive to what its impact on overall growth would be,” Minister said. But, with a 7 per cent growth in GDP the worst fears for the economy have been put behind, Minister added. “Govt had consistently maintained that the revenue (tax collection) figures, which actually show the real level of growth, indicated that the growth was there, and some areas could be adversely impacted, particularly those which were cash dominated and also a part of the shadow economy and even constituted parts of the informal economy,” Finance Minister said. But demonetisation has helped integration of informal with the formal economy, Minister said, adding the money that was deposited in the banks is now being spent through a system which is being recorded. “And I think, the GDP data for Q3 really reflects that position,” it said. “First of all it belies exaggerated claims made by many that the rural sector was heavily in distress.” Agriculture growth, Minister said, this year is at a record high. “Obviously, high rate of agriculture growth has contributed to Q3 GDP. Also, manufacturing increase has contributed to the Q3 GDP and this was already reflected in the VAT data of the states and also the excise data of the Central revenue collection,” Finance Minister said. “With remonetisation at an advanced stage, today money is in the market, demand is also increasing, economic activity is picking up... Economic reforms undertaken by the government will help propel GDP growth in coming quarters,” Minister added. Minister further said during his recent visit to the UK Minister held detailed discussions with different groups of investors. “Now, the UK investors, whom India interacted, are extremely buoyant and positive about India. They see India as a bright spot in today’s global economy and are extremely appreciative of the fact that even in the present global situation, India is one of the few economies which has consistently in one direction been able to bring about reforms and maintain a reasonably higher rate of growth as far as economy is concerned,” Minister said. The finance minister said Finance Minister also had a series of meetings with members of the British government at highest level. “They are extremely keen, particularly post Brexit, to expand their relationship with India. They have attached very high importance to the relationship with India and they already are major investors in India and they want to expand this and also expand mutual investments in both countries. **~FIEO**

APRIL-JAN FISCAL DEFICIT EXCEEDS FULL YEAR TARGET

The Centre's fiscal and revenue deficits between April and January exceeded the Budget target for 2016-17. The fiscal deficit shot up to Rs5,64,192 crore, amounting to 105.7 per cent of the Budget estimate, between April 2016 and January 2017, according to data released by the Controller General of Accounts (CGA). It was within target at 95.8 per cent of the full year estimate in the same period a year ago. The data come just a month after the Budget, where Finance Minister had expressed confidence of meeting the fiscal deficit target of Rs5,34,274 crore or 3.9 per cent of the GDP in 2016-17. The data revealed that though net tax revenue was higher than last fiscal at Rs8,16,354 crore or 77.4 per cent of the full year target, total receipts were lower than last fiscal at Rs10,53,465, or 72.9 per cent of the Budget estimate. Of this, Plan spending was Rs4,43,354 crore and NonPlan expenditure at Rs11,74,303 crore. Usually, tax revenue gathers pace in the last few months of the fiscal and match up to the Centre's spending to keep the deficit in track. Analysts attributed the higher fiscal deficit to higher revenue expenditure. **~FIEO**

INDIA SETS THE STAGE FOR A CLASH WITH US, EU AT WTO

If timing is what matters in life as well as global trade negotiations, India could not have asked for a more inauspicious time than now for circulating the draft negotiating text for improving several provisions of the World Trade Organization's General Agreement on Trade in Services (GATS), according to services experts. Recently India submitted a 13-page draft legal text for negotiating what is called the "Trade Facilitation Agreement for Services" (TFS). New Delhi wants significant improvements in "relevant aspects of GATS Article III (transparency), Article IV (increasing the participation of developing countries), Article VI (domestic regulation), Article VII (Recognition), Article XIX (negotiations on specific commitments), and the Annex on Movement of Natural Persons supplying services under the agreement (Mode 4), with a view to addressing issues relevant for facilitating trade in services. India said there is an urgent “need to facilitate increasing participation of developing and especially least-developed country members in trade in services, including inter alia through assistance and support for capacity building with a view to strengthening their domestic services capacity, efficiency and competitiveness”. The draft text includes 10 articles in Section I covering three modes of supply of services. India, for example, is seeking substantial improvements in Mode 1 dealing with crossborder supply of services, Mode 2 concerning consumption abroad (medical tourism), and crucially Mode 4 dealing with short-term services providers or movement of natural persons. The Indian proposal has rightly omitted Mode 3 dealing with commercial presence, an area that has seen maximum liberalization/market access over the past 21 years since the WTO’s establishment in 1995. Indeed, it is an open secret that the global trade in services is dominated by “asymmetrical” access in which the industrialized countries secured maximum market access through commercial presence in Mode 3 while turning a deaf ear to improvements in Mode 4 of short-term movement of services providers. The WTO has acknowledged the “asymmetry.” The 14 articles set out in the Indian draft legal text that is going to be negotiated covers a range of transparency-related provisions, administration of measures such as singlewindow clearance, fees and charges, administration of economic needs test, crossborder insurance coverage for promoting medical tourism in Mode 2, and “provisions facilitating movement of natural persons (grant of temporary entry, multiple entry and social security contributions)” in Mode 4. It also includes provisions for better cooperation among competent authorities and institutional arrangements such as establishing “committee on trade facilitation in services” and “national committee on trade facilitation in services”. In Article 14, it says the TFS Agreement when it is negotiated and agreed “shall” require the developed countries to implement the provisions as and when enters into force. But developing country members “shall not be required to apply the provisions for a period of [X] years from their date of entry into force.” Further, the developing countries can ask for extension “before the end of this transitional period” for implementing the disciplines. Negotiations for the trade facilitation agreement in goods which came into force last week started in 1996 at the WTO’s first ministerial meeting in Singapore. The TFA for goods is driven by the industrialized countries led by the US and the EU which led the Colarado group that forced the agreement at the WTO's ninth ministerial meeting in Bali, Indonesia. In sharp contrast, the proposed TFS by India is primarily a developing country problem since the developing countries provide skilled personnel from construction to advanced IT services in hundreds of millions. Against this backdrop, the difficult issues in India's proposal include "cross border insurance coverage" in respect of health related services availed in another member" and " members shall endeavour to expedite the processing of immigration formalities in respect of service consumers who are seeking medical services or such other services that are urgent and/or essential". In Article 9 concerning "provisions facilitating movement of natural persons," India is asking WTO members to negotiate on "grant of temporary entry," including "develop[ing] a scheme for GATS visa applicable for categories of natural persons committed in their schedule of specific commitments", granting "multiple entry" to services suppliers, and exempting short-term services providers from social security contributions in the foreign country where the services is going to be provided. India also wants that where social security contributions are not exempted, then the member which has collected contribution "shall refund such contribution, or the unused portion thereof, to the short-term services provider at the time such short-term providers return to his/her home country. Two days after India circulated its proposal on TFS, the US, the country that imposes maximum barriers, which is now being led by President Donald Trump, has spoken its mind that it is going to opt for bilateral free trade agreements instead of multilateral deals. Recently Trump "reiterated US plan to negotiate only bilateral trade agreements, saying there will be no more "big quagmire deals that are a disaster" like the TransPacific Partnership", according to Washington Trade Daily. "US is going to do one-on-one, one-on-one," the president told the Conservative Political Action Committee's conference. "And if they misbehave, US terminates the deal. And then they'll come back, and US will make a better deal," Trump said. "US will fix broken and embarrassing trade deals that are no good...," the president said.

~FIEO

CHINA TEAPOT REFINERIES LOBBY FOR FUEL EXPORT BAN REMOVAL

Independent Chinese refineries, known as teapots, are lobbying with the government for the lifting of a fuel export ban that has cut a major source of income. The export quotas were suspended at the end of last year without an official warning or explanation. Teapots last year got their first fuel export quotas, which led to improved crude oil demand in China, positively affecting international prices. In fact, the teapots were considered by many to be among the factors that put a stop to the oil price slide that brought prices below $30 a barrel in February 2016. The leaders of the lobbying drive are two members of parliament and heads of two major teapots: Wang Youde of Hengyuan Petrochemical Co. and Li Xiangping, the chief of the largest teapot, Shandong Dongming Petrochemical Group.

Li told Reuters that the ban increased the pressure from domestic competition for independent refiners and weighed on profits. With the ban, international markets are once again solely in the hands of the four big state-owned oil companies, depriving the smaller players, some of them private, from a vital source of income and the prospects of international expansion.

Separately, Reuters reported that a Shanghai-based industrial conglomerate, CEFC China Energy, has reached out to several teapot operators with the intention to buy a refinery in the mainland. The move may not come at the best time given the export quota ban, but it seems CEFC still believes the acquisition of local independent refiners can serve its goal of establishing a global presence.

Last year, the company's chairman Ye Jianmin said CEFC will aim to become a second Sinopec by acquiring both local teapots and assets abroad but that was while the teapots still had their export quotas. Among the teapots that CEFC has been talking to now are Li's Shandong Dongming Petrochemical Group and three other refiners.

oilprice.com

SPINNING INDUSTRY SEEKS MORE SOPS TO BOOST YARN EXPORTS

Blame it on increased spindleage or faltering demand for cotton yarn — the alarm bells seem to be ringing with piling inventory of yarn on the one hand and production halt by the powerloom, handloom and made-up sectors for close to a fortnight now.

Industry sources say the domestic market for cotton yarn is more lucrative than exports.

And India's cotton yarn export numbers released by the Ministry of Commerce and Industry confirm this.

The data reveals that there was a 1.4 per cent negative growth in India's total exports during 2016 at $263.93 billion against $267.74 billionduring January-December 2015.

Export of cotton yarn, both in terms of volume and value dipped 11.6 per cent and 15.5 per cent respectively during January-December 2016 compared to the corresponding period of the previous year.

Drop in exports

Cotton yarn export dropped from 1,328 million kg (mkg) during 2015 to 1,175 mkg the following year and the value slipped to $3164 million from $3743 million.

But, during December 2016, cotton yarn export volume touched a high of 172.6 mkg against 114.9 mkg during the corresponding month of the earlier year, registering a 50.2 per cent growth. Unit value realisation, which during 2016 stood at $2.38/kilo of cotton yarn (compared to $2.82/kilo in 2015) further slipped to $2.11/kg in December 2016.

Thus, while the December 2016 cotton yarn export volume grew 50.2 per cent, in value terms, the growth was only 20.1 per cent.

"The drastic drop in the offtake of cotton yarn by China has hurt the Indian spinning industry the most in the textile value chain," say industry experts.

No ground for exclusion

Industry sources aver that the Centre should consider extending the Merchandise Exports from India Scheme (MEIS) and Integrated Environmental Solutions (IES) benefit for cotton yarn as well, as all other products in the textile value chain have been included in the list.

"We have been demanding extension of MEIS to far-off destinations as it would help offset high cost of transportation, but the government has not relented to our plea," an industry source told BusinessLine.

That's not all. Small textile exporting countries such as Vietnam and Bangladesh have been taking advantage in global trade due to trade barriers against Indian textiles in the US and European markets.

While the present situation seems distressing, India Ratings & Research (Ind-Ra) report could possibly give some hope for the Indian textile industry in FY 18. "The Centre's stimulus and implementation of Goods and Services Tax (GST) could push India's textile exports," the report notes.

A blessing in disguise

Ind-Ra believes that in FY18, India's share in the global textiles and apparel trade could see an increase given US' exit from the TPP (Trans Pacific Partnership) and the likelihood of tax rationalisation under GST. Further structural advantages in the form of dominance in cotton production, cost and quality competitiveness due to increasing integrated fibre to apparel/ made-ups capabilities, government's stimulus to exports, declining interest rates and stable currency regime are expected to favor India's export share.

Hindu Business Line

Useful links

http://www.indianspices.com/

Spices Board was constituted on 26th February 1987 under the Spices Board Act 1986 (No. 10 of 1986) with the merger of the erstwhile Cardamom Board (1968) and Spices Export Promotion Council (1960). Spices Board is one of the five Commodity Boards functioning under the Ministry of Commerce & Industry. It is an autonomous body responsible for the export promotion of the 52 scheduled spices and development of Cardamom (Small & Large).

Main Functions

- Research, Development and Regulation of domestic marketing of Small & Large Cardamom
- Post-harvest improvement of all spices
- Promotion of organic production, processing and certification of spices
- Development of spices in the North East
- Provision of quality evaluation services
- Export promotion of all spices through support for:-
  - Technology upgradation.
  - Quality upgradation
  - Brand promotion
  - Research & product development

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