Business Line dt 21.12.22

Thailand, Vietnam and Pakistan hike rice prices as global demand increases

Subramani Ra Mancombu

Chennai

Rice prices in the global market have increased by as much as $25 a tonne for the cereal originating from Thailand and $6-10 for shipments from Vietnam and Pakistan over the past three weeks. This is even as the market is witnessing several developments following increasing demand and projections of lower production.

Indonesia is scouting to buy 0.5 million tonnes (mt) of rice, while Bangladesh is looking to import a similar volume on a government-to-government basis. African nations, too, are under pressure to import rice after the shortage of the grain created unrest in some parts.

LANKA CUBS IMPORTS

Amidst these developments, Sri Lanka has curbed rice imports to help its farmers fetch better prices for their paddy. Its President Ranil Wickramasinghe told Parliament last week that the island nation is expecting a good crop in the current main *Maha* season and would want to ensure good prices to the growers.

"This is just the start. Once a clear picture is available on Indian kharif rice production and Food Corporation of India (FCI) procurement, the market will try and find a balance on the upside since global production is lower this year," said S Chandrasekaran, a trade analyst.

The Agriculture Market Information System of the UN's Food and Agriculture Organisation has forecast rice production this year at 512.8 mt against 525.6 mt last year.

INDIA SET TO CATCH UP

"Global prices are rising. Indian prices will soon see an uptrend as domestic rates are increasing," said VR Vidya Sagar, Director, Bulk Logix.

While main rice-exporting nations such as Thailand, Vietnam and Pakistan have hiked their prices, Indian prices have remained unchanged during the period (see Table). "But our prices will be hiked shortly," said Sagar.

The weighted average price of rice has currently increased to ₹3,502 a quintal, up ₹200

Indian rice prices are the most competitive in the global market. The competitiveness is also in spite of the Centre imposing curbs on the grain's shipments from September 9. The Government has banned exports of fully broken rice and imposed a 20 per cent export duty on non-basmati white rice exports.

"The problem in the rice market is that crops in even countries such as Pakistan, Cambodia and Myanmar which can chip in during such situations have been affected," a trader said.

Bullish trend

Countries	5% broken		25% broken		Parboiled	
	19-Dec	29-Nov	19-Dec	29-Nov	19-Dec	29-Nov
India	393-397	397	378-382	382	373-377	377
Thailand	465	440	455	433	474	453
Pakistan	448-52	437	422-426	417	453-457	452
Vietnam	453-457	442	428-32	422	-	-

Source: Thai Rice Exporters Association; *Price in $/tonne

Business Line dt. 21.12.22.

RBI speeds up Russian ₹ trade approval; exporters face issues

THE HOLD UP. Shippers say banks not issuing realisation certificates; RBI vows resolution

Amiti Sen
New Delhi

To give a boost to the rupee trade with sanction-hit Russia, the Reserve Bank of India (RBI) has extended its approval to 14 Indian banks, including UCO, YES, SBI, HDFC, Canara and IndusInd, to open special rupee vostro accounts in partnership with correspondent banks in Russia.

But exporters say the mechanism is yet to take-off smoothly as many Indian banks were hesitating to issue Bank Realisation Certificates (BRCs) to them, in the absence of which, they could not claim export incentives and benefits offered by the government. BRCs are confirmations that exporters have received payment for their exports from buyers.

"Exporters took up the issue with the RBI in a recent meeting that was also attended by officials from the Department of Financial Services. The RBI assured them that it will sort out the matter soon," an official tracking the matter told *businessline*.

THE OBJECTIVE. The Centre expects India's exports to Russia to rise once the rupee trade mechanism takes off as Russian buyers can use the route to make purchases

INSURANCE COVER

Insurance cover for consignments to Russia is also a cause of worry for exporters, especially with Russian banks increasingly coming under European sanctions.

However, the Export Credit Guarantee Corporation (ECGC), the country's primary export credit agency operating under the Ministry of Commerce, explained that while ECGC coverage was not available to Russian banks in the EU sanction s list, including VTB bank, cover would be available if the banks opened vostro accounts with Indian lenders for rupee settlement.

BOOSTING EXPORTS

"The RBI is doing its bit to encourage rupee trade by expediting the vostro arrangement between Indian banks and correspondent banks in Russia.

"But the government has to also ensure that the system works on the ground for exporters. Banks have to be urged to be not so risk averse that they do not carry out basic functions like issuing BRCs," a Kolkata-based exporter said.

India's imports from Russia zoomed 413 per cent in April-October 2022 to \$25.12 billion compared to the same period last fiscal. However, exports to Russia increased only 2.12 per cent to \$1.65 billion creating a glaring trade deficit.

The government expects India's exports to Russia to rise once the rupee trade mechanism takes off as Russian buyers can use the rupee payment for the oil bought by India to make their purchases.

Russian banks which will act as correspondent banks include Gazprom, VTB, Sberbank, Ros, MTS, Tinkoff, PJSC bank and Credit Bank.

Financial Express dt. 21.12.22.

Apparel Exporters Eye Japan, Canada & Oz

Traditional markets have been seeing recession and global headwinds, leading to shrinkage in demand

Sutanuka.Ghosal
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Kolkata: Apparel exporters of Tirupur and Noida have started tapping the markets of Japan, Canada and Australia amid fears that the deepening downturn in the US and European Union—their main buyers—will hit their trade, which recorded good growth last month.

"Japan at present buys 5% of their apparel requirements from India. But with Covid again spreading in China, it is looking at alternative countries to source readymade garments," said Lalit Thukral, president of Noida Apparel Export Cluster. "We had a meeting with leading Japanese buyers and it is expected that they may divert 15-20% of their purchase to India."

India's apparel exports in November grew by 11.7% from a year ago to $1,198.0 million. It was $10,359.4 million for the April-November period, a growth of 7.2% from the same period of 2021-22.

The last few months were a rough patch for Indian apparel exports as most of the traditional markets, including the UK, EU and the US, have been seeing recession and global headwinds, leading to shrinkage in demand in these nations and buyers there asking for 15% discount. Inflation and rising raw material and freight costs aggravated by the Russia-Ukraine war have added to the problem.

Exports of knitwear from Tirupur clocked negative growth in August, September and October at -14.6%, -24.4% and -34.1%, respectively, compared with the corresponding months of 2021, but then turned positive last month to record 10.6% growth compared with November 2021.

KM Subramanian, president of Tirupur Exporters Association (TEA), said he is positive about the future with factors like Economic Cooperation and Trade Agreement (ECTA) with Australia coming into effect from December 29 and the envisaged agreement with the UK likely in another two months.

Subramanian said TEA is also talking to buyers in Canada. "Talks are also underway with Japanese buyers. Japan is a very quality conscious market and we have to take cautious steps so that our products are well accepted there," he said.

Subramanian said that Australian buyers are interested in placing orders with India because of the China-Plus-One policy of the respective countries.

Shift In Strategy

Apparel exporters have started tapping the markets of Japan, Canada and Australia amid fears of deepening downturn in the US and EU

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LALIT THUKRAL, President, Noida Apparel Export Cluster

Business Line dt. 22.12.22

Floriculture exports wilt this Christmas season on 18% GST

FADING BLOOM. Increased air freight, withdrawal of input subsidy hit exporters

Vishwanath Kulkarni
Bengaluru

The Christmas/New Year season is seen bringing no cheer for the floriculture sector as a levy of 18 per cent GST, a hike in freight rates amid the withdrawal of freight subsidy has squeezed the margins, exporters said.

"The levy of 18 per cent GST in the recent months is the biggest drawback for a floriculture exporter," said Shrikanth Bolla, President, the Growers Flower Council of India. The Government has discontinued the 18 per cent GST exemption on air freight from October 1.

Bolla said the international freight rates are up by about 200 per cent from the Covid times and now there's a GST levy. Also, the input subsidy of 40 per cent offered by APEDA on air freight has been withdrawn. With no increase in the consumer price of flowers, farmers' margins have been taken away by higher freight and the GST, said Bolla, who is also the director of South India Floriculture Association (SIFA).

LOSING FRAGRANCE. Flower exports during April-October 2022-23 were down eight per cent at $55 million

VERY FEW SHIPMENTS

For the events-driven floriculture sector, Christmas/New Year is one of the seasons for exports, while the shipments are at a peak during the Valentine's Day.

"If the international buyers enhance the purchase price then the farmers might do some exports Otherwise the floriculture exports may be difficult. There are very few exports are happening now," Bolla said, adding that the prevailing global recession has not had much impact, while rise in transportation costs has hit margins.

Some exporters, who are able to get a better price, are shipping the flowers but volumes are not there, he said. As a result, the growers are looking at more of the domestic market. "The wedding season is on while clarity on the orders for Valentine's Day will be known by mid-January," he said.

EXPORTS DOWN

As per APEDA data, the exports of floriculture including dry flowers and cut flowers during April-October 2022-23 were down by 8 per cent at $55 million from $60 million a year ago. In rupee terms, exports are down by two per cent to ₹433 crore for the period. However, in volume terms, shipments were up 1 per cent at 13,426 tonnes (13,253 tonnes).

Further, the cut flower growers are faced with an increase in input costs amidst challenges such as freak weather patterns.

The UK, the US, the Netherlands and the UAE are among the major destinations for Indian floriculture exports.

Business Line dt. 22.12.22.

Anti-dumping duty imposed on stainless steel tube from China

Abhishek Law
KR Srivats
New Delhi

The Finance Ministry has imposed definitive anti-dumping duty on 'stainless steel seamless tubes and pipes' from China.

Valid for five years, the anti-dumping duty imposed ranges from $114 to $3,801 per tonne depending on the producer.

The latest move comes after the Directorate General of Trade Remedies (DGTR) in the Commerce Ministry in September this year recommended imposition of anti dumping duty on stainless steel seamless tubes and pipes from China.

DGTR INVESTIGATION

The DGTR had initiated the investigation after Chandan Steel Ltd, Tubacex Prakash India Pvt Ltd, and Welspun Specialty Solutions Ltd had sought anti-dumping probe on this product from China. The anti-dumping duty will benefit domestic players like Ratnamani Metals and Tubes and Venus Pipes, said industry experts.

The tubes and pipes are used for structural purposes and to transfer liquids and gases.

It is used in a range of industries including oil and gas; petrochemicals and refineries; power generators, including nuclear and thermal power.

Business Standard 22.12.22

Economists see export shocks from global recession

SHIVA RAJORA & ARUP ROYCHOUDHURY

India has been relatively insulated from the severe headwinds in the West. However, with a third of the global economy expected to slip into recession in calendar year 2023, the impact will strongly be felt on India's exports and trade economy, leading economists said in a panel discussion at the *Business Standard* BFSI Insight Summit in Mumbai on Wednesday.

The panel comprised Professor of Practice, IIM Kozhikode and former Reserve Bank of India executive director and former Monetary Policy Committee member Mridul Saggar, State Bank of India Chief Economic Advisor Soumya Kanti Ghosh, Citibank India Chief Economist Samiran Chakraborty, ICRA Chief Economist Aditi Nayar, and IndusInd Bank Chief Economist Gaurav Kapoor.

The topic of the panel discussion was No recession in sight: Is India decoupled from developed economies?

"We are quite coupled with the global economy. Our combined exports and imports stood at 44.9 per cent of GDP last year. This number is starkly higher than US or China. We are heavily integrated in terms of capital flows, trade, and financial channels. There is no way India can't be hit. However, even if our growth slows down, it could still grow around 6 per cent next year," Saggar said.

This view was echoed by his co-panelists. Citi's Chakraborty said he expects global growth in 2023 to be around 2 per cent, but if one removes China, it will be around 0.5 per cent. "The US and Europe are around 38 per cent of India's exports and both these places will have negative GDP growth. That way, impact on our exports will be more magnified than what simple global GDP growth numbers might suggest," he said. ICRA's Nayar said there was concern regarding the intensity of the export crash next year, but she was optimistic that the demand sentiment in the economy was more positive that what the RBI surveys said. Nayar said the demand in the economy was not just the pent-up demand, and if it sustains, the domestic economy can absorb the hits from lower exports.

While two panellists – Ghosh and Nayar – said they expected a pause in the monetary cycle by the MPC, Chakraborty, Saggar, and Kapoor said the MPC could still go for a 25-50-bp hike

"There is limited degree of decoupling that we have managed to achieve. Important policy changes like inflation targeting have led to lower rupee depreciation and also lower inflation compared to the world," said IndusInd's Kapoor.

In its October report, the IMF cut its forecast for global economic growth in calendar year 2023 by 0.2 percentage points to 2.7 per cent, with a 25 per cent probability that it could fall below 2 per cent.

Experts divided on hikes

While two of the eminent panelists — Ghosh and Nayar — said they expect a pause in the monetary cycle by the MPC, Chakraborty, Saggar, and Kapoor said the MPC could still hike by 25-50 basis points.

"Food prices have behaved significantly better than expected. The MPC notes say both the external members have voted against the withdrawal of accommodative stance and have gone for a neutral stance. If the data shows what it does now, the chances are very low that rates will be hiked in the February policy meeting," SBI's Ghosh said.

In its December policy review, the MPC raised the repo rate by 35 bps, taking the cumulative quantum of rate hikes in 2022 to 225 bps. Retail inflation was at 5.88 per cent in November, marking the first time in 2022 that the price gauge was within the RBI's 2-6 per cent tolerance zone. It has, however, remained above the RBI's 4 per cent inflation target for 38 consecutive months. "There is still scope for another 25-bp hike, given that the US Federal Reserve has said it will hike rates further," Kapoor said. Chakraborty, meanwhile, said it was important to breaking the persistence of core inflation, which has remained sticky.

Budget expectations

The panelists were asked for their expectations from the Union Budget, which Finance Minister Nirmala Sitharaman is expected to present on February 1. "I would like to see in the Budget in which revenues are being realistically estimated rather than conservatively estimated. Let us not prepare for a negative shock, let's start spending early so that the fiscal multiplier is better. Regarding capital expenditure, we need to see better spending from states to get a better fiscal multiplier out of that," Nayar said, pointing out that the tax revenue growth projections in the 2021 and 2022 Union Budgets were rather conservative, thus giving the Centre a comfortable cushion to meet its deficit targets.

Business Line dt. 23.12.22

Maruti in export tie-up with Kamarajar Port

Our Bureau
Chennai

Maruti Suzuki India Ltd plans to use the Kamarajar Port to export passenger vehicles. The vehicle manufacturer has entered into a five-year agreement with the port, which has set up a car-cum-general cargo berth.

Maruti Suzuki will tap the markets in Africa, West Asia, Latin America, ASEAN, Oceania & SAARC regions. Kamarajar port, about 24 km north of the Chennai is the fourth port after Mumbai,

Mundra and Pipavav for export of Maruti Suzuki cars, says a company release.

As a part of the partnership between Suzuki Motor Corporation and Toyota Motor Corporation, Maruti Suzuki's Grand Vitara is manufactured at Toyota Kirloskar Motor's Bidadi plant in Karnataka. The vehicles to be exported will be moved to the pre-delivery inspection centre at the Kamarajar port, and subsequently shipped, the release said.

Hisashi Takeuchi, Managing Director & CEO, Maruti Suzuki India Ltd said, "The start of exports from the Kamarajar port will help us reach out to a wider base of customers. This initiative will help decongest the Mumbai Port, Mundra Port and Pipavav Port used to export vehicles at present."

Sunil Paliwal, CMD, KPL, "We are glad to enter into an agreement with India's leading passenger vehicle manufacturer, Maruti Suzuki, to offer our port services for export of vehicles to regions across the globe. Maruti Suzuki has earned the distinction of being a major contributor to exports from India, and associating with the company will help us augment our operations as well. We hope to make this collaboration a success and contribute to India's economy."

Business Line dt. 23.12.22.

Urea output up, imports down in April-Nov

Prabhudatta Mishra
New Delhi

As the government aims to make India self-sufficient in urea production, the latest data show that the increase in production until November in the current fiscal helped the country in meeting surging demand, despite a cut in imports. However, better coordination with States can further improve the situation amid reported scarcity of the fertilizer during this rabi season, experts said.

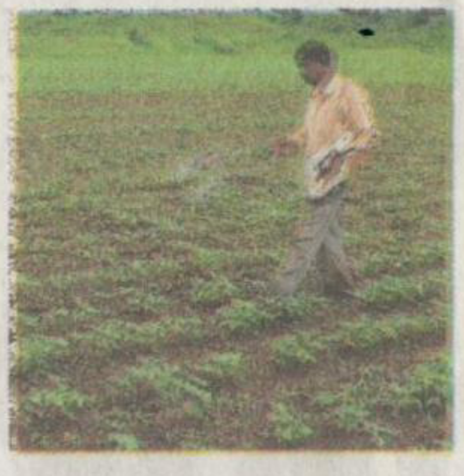
Out of annual demand of about 35 million tonnes (mt) of urea, the domestic production was stagnant at about 25 mt for the last many years, while the import was 8-10 mt depending on monsoon and other factors. According to official data, the import of urea during April-November dropped 4.7 per cent to 4.61 mt from 4.84 mt in the year-ago period. But, production of urea has jumped 14.4 per cent to 18.72 mt from 16.36 mt and sales, too, have surged 6.7 per cent to 23.2 mt from 21.76 mt.

"The availability in current fiscal from this year's production and import was a notch higher than sales. This may create problem for next kharif season unless there is some alternative arrangement made," said an industry representative. The problem of urea shortage may reappear next year unless the government more closely manages the movement.

SPURT IN SALES IN NOV

He further said while the sale of urea in October, the starting period of rabi sowing season, was about 2 mt, same as the year-ago period, there was a spurt in sales in November to 3.94 mt from 3.13 mt a year ago. Farmers purchased more than required urea after media reports pointed out shortages, he said.

Earlier this month, Union



Minister of Chemicals and Fertilizers Mansukh Mandaviya said India would become self-sufficient in urea by 2025. The minister said concrete steps have been taken to promote "Make in India" in the fertilizer sector by reviving five closed urea plants. The government has also launched 'One Nation One Fertilizer' scheme under 'Bharat' brand to cut excessive usage of a particular brand.

Among other fertilizers, sales of di-ammonium phosphate (DAP) have surged 18.3 per cent to 8.34 mt from 7.05 mt, muriate of potash (MoP) declined 42 per cent to 1.12 mt from 1.93 mt and complex (NPKS) dipped 18 per cent to 7.41 mt from 9.03 mt. On the other hand, import of all these fertilizers have increased during April-November.

Import of DAP increased by 45 per cent to 5.3 mt, complex fertilizers by 91 per cent to 1.9 mt and MoP by 10 per cent to 1.2 mt, data show. While entire MoP is imported, as high as 80 per cent of DAP gets imported while in complex, the domestic production has a 75 per cent share though raw materials of these fertilizers are imported.

With the help of public sector undertakings (PSUs), 3 urea plants at Gorakhpur, Sindri and Barauni have been revived while another unit in Talcher will likely be operational by 2024. Ramagundam plant has also been revived through a joint venture between National Fertilizers Limited and other PSUs.

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Covid explosion in China gives exporters the jitters

Importers of pharmaceuticals, auto components, and electronics may also feel the heat

SHREYA NANDI & SANJEEB MUKHERJEE
New Delhi, 21 December

There is a looming fear among exporters of further deceleration in shipments to China, amid a fresh spike in the number of Covid-19 cases in the neighbouring country.

Any massive or large-scale lockdown there may have a cascading impact on India's exports, as well as imports. The sectors at risk, as far as imports are concerned, according to trade bodies, include pharmaceuticals, automobile components, and electronic goods and parts.

The importance of China as India's top trading partner cannot be understated.

During the first seven months of the current financial year, China was India's second-largest trading partner, and the largest import partner. It is also important to note that China's share of global trade is huge and any further disruption can affect several countries dependent on China for supplies. However, as far as exports are concerned, the country was India's fourth-largest export market, against being the third-biggest market in the previous financial year, as multiple shocks hit the Chinese economy, including tepid demand due to the Zero Covid policy and the crisis in its real estate market.

Exports to China have been contracting since December 2021. During April-October, India exported $8.84 billion of merchandise to China, down 37 per cent YoY. Petroleum products, marine products, organic chemicals, and non-basmati rice are other significant export items to China. During the same period, India imported goods worth over $60 billion from China, up 17 per cent YoY. India mostly imports electronic goods, engineering goods, chemicals and related products, and textiles from China.

TRADE PICTURE
India's trade with China

■Export ■Import

2022	$bn	Growth(%)
Apr	1.45	-36.46
	7.94	21.93
May	1.61	-25.1
	7.52	5.37
Jun	1.57	-31.61
	8.84	26.59
Jul	1.26	-40.86
	10.24	45.51
Aug	0.91	-46.17
	9.41	44.99
Sep	1.00	-39.95
	8.45	2.87
Oct	1.00	-44.18
	7.85	-9.73
Total	8.84	-37.17
	60.272	17.98

Source: Department of Commerce

Ajay Sahai, director general and chief executive officer of the Federation of Indian Exports Organisation, said the rise in Covid cases in China and some other countries is a "dangerous sign for global trade". "Exports have been falling since the end of last year and a further rate of decline will be measured with respect to a lower base. However, companies are dependent on China for their raw materials and any disruption that lasts longer than two-three months can be a matter of concern," said Sahai, adding that based on their earlier experiences, firms have now started maintaining inventory.

Sujit Patra, secretary (exports) of the Indian Tea Association, said: "China is still a big tea (export) market for India, although outbound shipments have reduced to half as compared to what they were three years ago."

Rahul Chauhan, commodity analyst at iGrain India, said China is the biggest importer of almost all commodities like rice, cotton, grains (corn, barley & wheat), soybean, sugar, edible oils like palm oil and soy oil, and any disruption in markets there is bound to shake up the world trade.

Cumulatively, according to trade sources, between January and November 2022, China imported 80.53 million tonnes (mt) of soybean, 19.75 mt of cotton, 10 mt of sorghum, 8.8 mt of wheat, 5.8 mt of rice and paddy, and 5.4 mt of cotton from across the world to meet its demand. From India, China imports rice, cotton, groundnut, coriander, cumin and other spices, sesame seed, castor oil, etc.

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