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Currency crunch leaves Kerala fishing industry gasping for air



Both vendors and customers have been struggling to cope with the cash shortage

Kerala's fishing sector has been witnessing a diminishing trend in prices, especially in the retail market, since post-demonetisation measures kicked in over the last fortnight.

The sector, which offers direct and indirect jobs to nearly four lakh workers in the mechanised fishing segment, is awaiting the Centre's decision on a further extension of the November 24 deadline to accept the old notes at petrol stations.

"This will enable us to meet the fuelling needs of fishing boats that are venturing into the sea," Joseph Xavier Kalappurackal, General Secretary of the All Kerala Fishing Boat Operators Association, told *BusinessLine*. He added that the government's gesture in this regard had slightly minimised the impact of demonetisation.

On Thursday, the government extended the use of 500 notes for purchase of fuel. 1,000 notes can no longer be used.

Big business

At present, there are about 2,700 fishing boats operating on the Kerala coast and it requires 3 crore worth of diesel per day, with daily sales to the tune of 7 crore. A single boat consumes 1.25-1.5 lakh worth diesel for a 5-8 day venture into sea. The extension of the deadline will definitely be a great relief to the cash-starved sector, he said.

The impact of demonetisation has been felt in the local market, he said. The low purchasing capacity was reflected in fish prices and the majority of the local traders are facing difficulties in tendering exact changes to customers due to the shortage of lower denomination currencies.

Missing an opportunity

Moreover, the cash crunch has hindered the fishing sector from leveraging the opportunities arising out of a good landing of demersal fish species (living at the bottom of the sea) witnessed in the last few days. The sector has been witnessing 100 per cent growth in the last couple of days and the bumper catch included cuttle fish, squid, ribbon fish, black pomfret, etc, Kalappurackal said.

Seafood exporters are also facing the brunt of the currency shortage as their supplies from the harbour get affected. Norbert Karikkasser, President, Seafood Exporters Association of India — Kerala region, said that all transactions in the sector — right from primary supplies from the harbour to weekly payment of wages — is in cash.

The freezing of high-denomination currencies has hampered all operations in the sector at a time when the West Coast is witnessing a dwindling catch due to climatic conditions.

Meanwhile, in Mangaluru (Karnataka), the demonetisation did prevent Sanketh Bengre, owner of a fishing boat, from paying the fuel bill. However, he felt the

pinch of its impact while marketing the catch. Bengre said that the lack of cash flow brought down the number of customers.

Mathew Joseph, who buys fish at the local market, said that he could not buy the fish of his choice for some days.

Even his neighbourhood vendor, who supplied customers fish at their doorsteps, was bringing the fish of lesser quality, he said. Nitin Kumar, President of the Mangalore Trawl Boat Fishermen's Association, said that the price of first-grade mackerel was down by 20-25 a kg after the demonetisation, and the next grade was down by 8-10.

Card payment option

VK Shetty, Managing Director of Karnataka Fisheries Development Corporation (KFDC), told *BusinessLine* that the retail sales of fish were affected to some extent by demonetisation. KFDC has 17 retail outlets to sell fish in different parts of Karnataka.

Asked if the corporation offers the facility of cash-less transactions at its retail outlets, he said only the Mangaluru and Bengaluru retail outlets of KFDC have point-of-sale (PoS) terminals. Because of this, there was no problem with regard to sales in these two outlets. "We are now thinking of setting up PoS terminals in other retail outlets also," he said.

To a query on the impact of demonetisation on exports, Bengre said all fish can't be exported — only around 25-30 per cent. "There was no problem here as the transaction is done through cheques only," he said.

KFDC's Shetty said that diesel sales at the bunks of KFDC were not affected, as the bunks were allowed to accept old currency notes of 500 and 1,000 denominations. KFDC markets diesel at Mangaluru, Malpe, Gangolli, Tadadi and Karwar along coastal Karnataka.

Bengre said that the fishermen did not face problems while buying diesel at the bunks.

Expressing a similar view, Nitin Kumar noted that banks are allowed to accept 500 and 1,000 currency notes till November 24.

‘Over 5 lakh farmers have traded produce worth 3,841 cr via e-NAM’



Union Agriculture Minister Radha Mohan Singh addressing an Assocham meet, ‘Linking Farmers with Market’, in New Delhi, on Thursday

Over five lakh farmers had traded farm produce worth 3,841 crore through the electronic-National Agriculture Market (e-NAM) — the online portal for trading in agriculture commodities — up to last week, said Agriculture Minister Radha Mohan Singh.

The transactions took place at 250 wholesale markets connected to the online platform, where 54,000 traders made purchases. As many as 28,000 commission agents have registered themselves so far, the Minister said while inaugurating an Assocham conference on ‘Linking farmers with the market’ on Thursday.

“We had started it (in April) on a pilot project basis and have tried to remove all the anomalies related to both hardware and software and it is now moving very fast towards empowering farmers to allow them to sell their produce,” Singh said.

The Agriculture and Farmers Welfare Ministry is working towards setting up hubs to provide milk, eggs, fruits, vegetables, flowers, etc near metro cities as part of the online trading platform.

“We are going to make relevant provisions under the mandi laws. We have conducted three-four meetings to make Gurgaon a hub for flowers, while Sonapat and Panipat will be made hubs for vegetables and Karnal for indigenous cow’s milk. We are also in talks with Uttar Pradesh in this regard,” the minister added.

Singh said that laboratories are being set up in electronic wholesale markets to check the quality of farmers’ produce so that any trader or farmer can purchase or sell it across India.

“These facilities are already available within the states but now we are working towards making it feasible inter-state and the GST (goods and services tax) will play a significant role in this regard,” informed Singh.

He said that the government would also work towards improving the mandi laws and try to establish them in the private sector by improving marketing related laws.

“We have made amendments in marketing related laws in about 22 States and licenses are being issued to set up mandis in the private sector,” said the Agriculture Minister.

RBI relaxes cash withdrawal limit for wage payment in tea sector

After the smooth payment of first-fortnight salaries in cash to 12 lakh tea workers in Assam and a majority of the five lakh workers in Bengal through district collectors, the RBI has changed the methodology for the next tranche.

Under the new norm, the BI has relaxed its previous restriction on cash withdrawal for the tea gardens (meant for all companies). They can now withdraw cash and disburse wages as usual, except for one rider.

To restrict overdrawn of the cash requirement for wage payment, it is restricted to a pre-set formula of 2.5 labourers per hectare, each drawing an estimated fortnightly salary of 1,400 a fortnight.

Describing this as an “interim measure”, the RBI has advised bankers to open accounts for all plantation workers and set up ATMs and micro-ATMs on a war-footing to help tea estates make bank transfers for the next fortnightly payment, due in the middle of December.

In a separate order, the Assam government has asked tea producers and banks to ensure financial inclusion of plantation workers by December 5.

The tea industry, in the past, cited the lack of a banking network for its cash dealings. Tea labourers are paid wages fortnightly. The first fortnightly payment was due in the week after demonetization. The next payment is due this week.

“We have started dispensing cash to planters in West Bengal since November 23. Also, deployed are five mobile ATMs in the region,” Partha Pratim Sengupta, Chief General Manager of State Bank of India (SBI), Kolkata, told *BusinessLine*.

According to Sengupta, the formula for wage payment has drawn upon wage agreements and was discussed and approved at the State-level bankers meet last week.

Tea industry sources say the same model has been adopted for Assam, which was the first to activate State machinery to help the tea industry pay wages following demonetization.

Sources say tea estates in Assam will be comfortable with the new norms too. But the same may not be true for Bengal’s gardens, overstaffed due to union pressures.

Kochi tea auctions serve up bitter brew as prices crash

As “chai pe charcha” over the pros and cons of demonetisation gathers momentum in the country, its impact has been felt in the retail market, with prices of the common man’s drink nose-diving, at least in Kerala.

The cash crunch has taken its toll, with dwindling prices and declining retail sales of tea, considered the second most preferred beverage after water. The sales drop, it is pointed out, was almost 25 per cent both in packed and loose tea.

Unlike in Kerala, such declining trends are not seen in the Coimbatore and Coonoor auctions, where the majority of sales cater to exports and upcountry markets than retail.

AVT, Kerala’s leading player in retail tea sales, with more than 50 per cent market share, has already witnessed a drop of 30-40 per cent and the officials attribute it to lower footfalls in super markets as well as reduced wholesale trade in the post-monetisation era.

The tea retail sales in Kerala, according to KB Shajimon, Senior Manager, (Marketing), Harrisons Malayalam Ltd, is normally carried out on a cash-and-carry basis after purchasing the commodity from the Kochi auctions.

However, the withdrawal of high-denomination notes has virtually affected the cash flow. The November-December period is considered to be Kerala’s peak time for tea consumption, especially with the starting of the Sabarimala pilgrimage season.

The cash shortage also hindered tea arrivals to the Kochi auctions, and they are now hovering at around 8 lakh kg per week vis-a-vis 11 lakh kg in the previous year.

Due to low demand, the prices at the auctions were also down by 5-6 per kg in the dust category.

Of the 8 lakh kg offered at the auction, he said 80 per cent of the tea is sold in the retail market and the rest taken by upcountry buyers and exporters.

Shelji George, Manager, Tea, Kerala State Civil Supplies Corporation, the second largest player in retail sales, says there has been a drop of 25 per cent in all commodity sales and this was reflected in tea. The company, with a 10 per cent market share, expects the situation to improve once the currency shortage issue is resolved.

Says Mathew Abraham, Managing Director, Kanan Devan Hills Plantations Ltd: “With a 20 per cent market share out of the quantity offered in the auction, the drop in retail sales was around 10-12 per cent. This may prolong due to the uncertainty in the market. The drop in prices and sales is likely to affect the producing companies, which are already passing through critical phase due to various reasons.”

Ramesh Bhojarajan, Chairman, Coonoor Tea Traders Association, pointed out that there are several small and bazaar buyers in the Kochi auctions, who sell limited quantities in the market. They require cash for each transaction. Hence, the currency crunch has affected their operations and this was reflected in the drop in overall retail sales and prices.

Sugar caught in a bear grip



Sugar prices ruled steady with bearish mood on back of lower demand amid higher selling pressure from mills. On the Bombay Sugar Merchants’

Association, spot and *naka* rates were unchanged. Considering weak demand, producers offered the commodity at 5-10 a quintal discount. Arrivals at Vashi declined to 48-50 truck loads and local dispatches were about 44-45 loads. BSMA spot rates: S-grade 3,572-3,795 (3,572-3,795) and M-grade 3,650-3,960 (3,650-3,960). *Naka* delivery rates: S-grade 3,550-3,620 (3,550-3,620) and M-grade 3,610-3,720 (3,610-3,720).

As credit flow slows, farmers fear losses this rabi season



With bank staff engaged in demonetisation process, lending to farmers has been hit

After three successive drought years, farmers were expecting a good *rabi* season as many States received good rainfall. But their hopes may be dashed due to the challenges thrown up by demonetisation

With bank staff across the country busy with the demonetisation process, farmers, particularly the small and marginal, are worried about getting timely credit.

“If you don’t complete sowing by the month-end, you are going to have lesser yields. Going by the slow pace of work at banks, it is unlikely that farmers will get timely credit,” Sarampally Reddy, National Vice-President of All-India Kisan Sabha, said.



Since the demonetisation process overlaps the *khari*f harvest and *rabi* sowing season, farmers are at a loss as to how to get over this challenge.

In the absence of credit flows from public financial institutions, farmers will have to depend on private lenders, who charge up to 40 per cent interest.

A senior official of Andhra Bank and State Level Bankers’ Committee (SLBC) admits to the problem. “The preoccupation of bank staff with currency-related work post-demonetisation has hurt the *rabi* loan disbursement. Though some branches in Andhra Pradesh have completed documentation for those farmers who paid previous crop loans, disbursement could not be done as there is severe shortage of cash,” he said.

The problems in *rabi* loan disbursement was also taken up in the SLBC meeting of AP held last week. The State government has summoned SLBC member-

banks again this week for yet another round of talks to ensure credit flow. The situation is no different in other States.

“When we have been burdened with the mammoth task of demonetisation, other transactions will naturally get hit,” the official said.

Reddy cites the example of Telangana. “The plan was to disburse loans of 11,300 crore but not a single rupee was released yet. In the *kharif* season too, they announced a credit plan of 29,101 crore but disbursed only 6,000 crore. They are simply refusing to entertain queries on *rabi* loans,” he said.

Govt plans to set up training institute to enhance skills in rubber sector



Underscoring a major need for skilling in rubber and tyre sector, the Centre has shown its keenness to open a national institute to meet the training needs of the sector.

In a conclave with the top management of rubber and tyre industries organised by the Automotive Tyre manufacturers Association (ATMA), the Minister for Skill Development and Entrepreneurship, Rajiv Pratap Rudy, has invited the industry to collaborate with the Government in setting up the institute.

Rubber is an important sector of the economy and India did not have a principal institution to cater to the training needs of the sector, he said.

Highlighting the diverse needs of skill training in tyre industry, Rudy said around 15 crore tyres are being manufactured every year entailing the need for huge manpower to be trained. There are more than 10,000 dealers of tyres. Tyre alignment and maintenance is a must for safety. Therefore the training needs of the sector are crucial for safety on the roads.

According to Raghupati Singhania, past president ATMA, the value chain of the rubber and tyre sector is long and a rich one which includes about one million natural rubber growers and about two million people working in rubber and tyre industries. Besides, there are about 6,000 rubber and tyre-manufacturing units which manufacture 35,000 different rubber products besides tyres.

Vinod Simon, Chairman, Rubber Skill Development Council (RSDC), thanked the Ministry for all new initiatives aimed at increasing the skill base in the country.

RSDC is trying to develop a strong eco system for the sector such as developing National Occupational Standards (NOS), affiliating training providers, revising the curriculum and certification of trainees as well as trainers, he said.

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