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Hurricane Harvey may not have major impact on cotton trade



This year, too, India will remain world's top producer

Hurricane Harvey triggered a short-term rally in cotton prices following fears of extensive damage in the largest cotton-growing region of the US. As an immediate fallout of the bullish sentiment, cotton prices firmed up in recent trades in India and internationally.

However, analysts maintained that the devastation caused by the hurricane may not hurt the world cotton trade, as robust production is expected for 2017-18 globally.

Indian cotton in the spot market hovered around ₹42,300 per candy (of 356 kg), while internationally, ICE Futures for December contract hit 73 cents on Tuesday. On August 17, ICE December futures had quoted 67.19 cents.

Cotton trade experts maintained that the hurricane, which wreaked havoc in the cotton belt of Texas, may pose a threat to the fibre quality and hit production.

The International Cotton Advisory Committee (ICAC), giving out the latest global stock position, stated that cotton production in the US is forecast to increase by 20 per cent to 4.5 million tonnes. "However, the full impact of the recent hurricane in Texas, where around 45 per cent of US production occurs, is still under assessment," it said projecting 2017-18 world cotton output at 25.1 million tonnes.

India will remain the world's largest cotton producer in 2017-18, with a 4 per cent increase in output at 6 million tonnes. In China, too, production is expected to rise by 7 per cent to 5.2 million tonnes. Pakistan's cotton production is projected to increase by 17 per cent to 2 million tonnes, ICAC stated.

On the Indian cotton scenario, Nayan Mirani, a cotton expert, stated that the US climatic eventualities will have a temporary impact on the cotton market.

"The hurricane impact will not be much as the US expects large crop this year. Also, other countries, including India, expect a good harvest thanks to good rains. As of now there is no major pick-up in demand, hence we don't see any sharp reflection of climatic adversities on the cotton prices," said Mirani, adding that the prices will remain range-bound as India expects new cotton crop to start arriving from October.

Arun Dalal, a sector expert and market analyst, said cotton was experiencing short-term rally as a fallout of Harvey. "But the long-term outlook seems bearish from the current level as we expect robust crop on good monsoon. As the arrivals would begin in October, we expect prices to stabilise around ₹ 38,000 per candy in the spot market," said Dalal.

(This article was published on September 5, 2017)

Policy for agricultural exports soon: Suresh Prabhu



Suresh Prabhu PTI

The Commerce and Industry Ministry will soon bring in a policy framework for facilitating access to global markets for the Indian agriculture produce, Union Minister Suresh Prabhu said today.

Prabhu, who took charge as Commerce and Industry Minister yesterday, said that his ministry will work on developing global supply chain for the agriculture sector.

Addressing an agricultural summit here, the minister said that multilaterally there is also need to work on removing trade restrictions with an aim to boost India's agri exports.

"If they (farmers) produce something, they (should) get an access to global market and get better prices for that, and for that we will put in place a good policy framework very soon," Prabhu said. "We have right to have access to global markets for our farm produce by removing all trade restrictive practices," the minister added.

The Narendra Modi-led government aims to double farmers' income by 2022. Crop diversification, focus on allied sectors and food processing and tapping global markets are among the steps the government is taking to meet the target.

In 2016–17, export of agri products such as cereals, processed fruit and vegetables, processed foods, and animal products was around USD 16.27 billion, according to the data by Apeda.

Prabhu said the ministry will work on developing global supply chain for the agricultural sector. "We will start working on that. This is on our agenda ... My ministry will make sure that we will achieve this goal to ensure that India's agriculture is also able to feed global economy," he said.

"As a minister it's my job to ensure that we develop this global supply chain and ensure farmers get better prices," he said.

He also said that the ministry will work on developing agri-parks in India.

(This article was published on September 5, 2017)

'Cotton position comfortable'

Industry sources foresee a comfortable cotton position during the 2017-18 cotton season.

The Southern India Mills Association (SIMA) is estimating the crop at 370 to 380-lakh bales of 170 kg each. "While the crop position is comfortable, mills are not working at their optimal capacity as there is a huge accumulation of yarn. In fact, many of the spinning mills in the south have resorted to a "go slow" tactics.

A good number of mills are facing heavy cash crunch. This is worrisome" said K Selvaraju, the Secretary General of SIMA.



Yarn production

He however maintained that the yarn production had stagnated at around 4,000-million kg level since 2014-15, despite the increase of over 3 million spindles in the last three years. “Declining demand for the yarn has driven quite a number of small weaving units out of business,” he added. Meanwhile, the Ministry of Agriculture has confirmed that the area under cotton in 2017-18 season has jumped to 119.88-lakh hectares from 101.72-lakh hectares in the earlier season. Trade sources say the crop has continued to draw significant rainfall in areas that were deficient, and this in turn could improve the crop position.



“Arrivals, though, could be delayed due to rains,” the source said. Cotton arrivals peak by the end of September in north compared to the central and south cotton zone.”

(This article was published on September 5, 2017)

Darjeeling tea industry staring at ₹400 crore loss

The Darjeeling tea industry is bracing for tougher days ahead. The indefinite shutdown in the Darjeeling hills, which has crossed 80 days, is costing the tea industry dearly, with the industry staring at a collective revenue loss of ₹400 crore. While on one hand the cash flows are under pressure, the need for paying bonus once operations resume, could exert further pressure on the companies, denting their bottomline, industry experts said.

But according to A N Singh, managing director and CEO, Goodricke Group, the greater fear for the industry stems from the fact that blenders and packeteers have started making inquiries for an alternative for ‘Darjeeling’.

“In the last so many years I have never seen so much of Nepal tea floating around. Infact there are some overseas inquiries coming in asking us if we could supply Nepal tea. If that tea makes inroads then we might potentially lose our overseas market,” Singh told *BusinessLine*.

Nearly 50 per cent of the total 8-million kg (mkg) of Darjeeling tea produced across 87 estates each year is exported. The industry has already lost nearly 70 per cent of its production, a majority of it being from the most prized second flush tea. The second flush crop – extending between May to July – fetches maximum price for its unique colour and flavour.

Bonus Payout

According to the Payment of Bonus Act, 1965, an employer is bound to pay the employee a minimum 8.33 per cent of the annual wages as bonus every accounting year irrespective of whether the company has any allocable surplus cash. The maximum permissible bonus is 20 per cent.

According to Binod Mohan, chairman, Darjeeling Tea Association, the industry had paid 20 per cent of the gross annual wages as bonus last year. However, this year, due to the prevailing situation, the effort would be to come to a “mutually acceptable level”. The bonus is decided based on negotiation with workers’ trade unions.

“We cannot say anything until the gardens reopen. But it is an extremely challenging situation. We are requesting the government to announce a relief package otherwise many small estates might not be able to recover from this situation,” Mohan said.

(This article was published on September 5, 2017)

Hyderabad varsity develops Sambha Mahsuri variety

A new variety of the widely cultivated Sambha Mahsuri has been developed by a consortium of Indian, Canadian and Chinese scientists.

The ‘transgenic variety’, which has a gene from a weedy plant suitably manipulated, has demonstrated positive traits such as growing taller and bigger using water efficiently, says P B Kirti, one of the lead researchers from the University of Hyderabad (UoH).

The scientists used techniques of gene manipulation on the gene AtTOR (Target of Rapamycin), which has been taken from the weedy plant *Arabidopsis thaliana*, a common flowering plant, and injected it into the Sambha Mahsuri variety. The protein coded by this gene has the properties to give the transgenic variety the range of features described along with more efficient photosynthesis.

The water saved can be used to irrigate other crops. Further, the gene might show robust and external appearance in other crops, which can provide economic benefits to farmers. However, the results obtained are under experimental conditions at this stage. They need to be confirmed under normal field conditions of cultivation. Thereafter the results should pass the regulatory rigour, Kirti told Business Line.

Research team

The researchers from UoH, PJTSAU, University of Agricultural Sciences, Bengaluru, National Research Council of Canada and the Agricultural Sciences in Beijing worked for over a year to arrive at the new variety.

The scientists published their work in the Scientific Reports section of the *Nature* journal. The utility of this promising variety will be better in areas prone to drought because of its advantages over the normal rice varieties demonstrated in laboratory conditions. The economic benefits to farmers could also be in the form of savings in electricity for irrigating the crop, which requires lots of standing water, he said.

Rice is a staple food for more than half of the world population. Environmental factors such as drought and high salinity are the major yield constraints for its high productivity. In recent years, the yields have been depleting, especially in India due to soil salinity and zinc deficiency, among other factors.

In this context, the recent advancements in genetic engineering has provided new opportunities to enhance yield potential and tolerance to drought and other stresses by manipulating some of the regulatory genes involved in complex physiological and biochemical processes, such as osmotic adjustment under water deficit environment, the researchers stated.

Business Standard

Govt to fix 300,000 tonne import quota for sugar mills in southern India

Concession rate of 25% to be applicable on imports



India will soon permit import of 300,000 tonnes of raw sugar at a concessional rate of 25 per cent import duty against normal 40 per cent duty. Import is most likely to be permitted to sugar-starved mills in the southern states, where prices are Rs 2-2.50 higher than in Maharashtra.

Ramvilas Paswan, Union Consumer Affairs, Food and Public Distribution minister tweeted on Monday night that India will soon take a decision on sugar imports. He, however, did not share details of the quantum of imports to be allowed or the duty rates that would be imposed on them. However, sources close to the development said that the government will allow sugar imports up to a certain limit.

"South Indian mills will get the permission to import 3 lakh tonnes of sugar to be refined and sold by mid-October," said a source. He added that a new crop sugar would enter the market by October-end and import supplies would not be able to help the mills in terms of managing the supply balance.

The government allowed import of raw sugar to mills and refineries three months back and a quota of 500,000 tonnes was fixed, along with a zero import duty to help address the crisis.

While the industry is still waiting for a government notification, sources close to the development said the mills are expected to be allocated quota as last time, owing to the region's insufficient refining capacities.

As of now, sugar from Maharashtra is sold in Tamil Nadu as prices are over 5 per cent higher in the former state. According to some industry experts, the import quota is not so high and smaller mills would be able to fire boilers just for a few days before they come to a halt again as boilers need to be fired three weeks before the usual crushing time in the region that begins from November-end and is over by December. As a result of this, not all mills might opt for the quota. Another issue that has raised concerns among industry players is that refining raw sugar is less viable for smaller firms because it leads to higher wastage, as compared to making sugar from juice. Last month, mills in south India had requested the government to permit them to import sugar. However, instead of allowing imports, the government had imposed a stock limit for mills last week. Sugar prices in the region, however, continued to be high, thereby, compelling the government to reconsider its position.

An indenting agent said: "The arrival of raw sugar across ports in southern India may not take much time as sugar imported by Bangladesh may be diverted to Indian ports. Moreover, raw sugar lying in customs bonded warehouses, which are typically outside domestic tariff area, will also enter south Indian mills."

UP to clock record sugar output of 9.7 mn tonnes in upcoming season: Icra

The state is expected to produce 11.5% more sugar



Uttar Pradesh is reportedly heading for a new record of sugar production for the 2017-18 crushing season, which begins next month.

A recent study from rating agency Icria estimated the state's sugar production to stand at 9.7 million tonnes (mt) in the upcoming season this year. Meanwhile, data compiled by the All India Sugar Trade Association pegged the state's sugar output at 8.7 mt during 2016-17. This indicates mills in UP would produce 11.5 per cent more sugar in the coming season or nearly four times the state's own consumption.

"Domestic production for the full season during 2018 is likely to increase by 18-20 per cent to 24-24.5 mt, driven principally by a recovery in cane availability in Maharashtra and North Karnataka, besides support from monsoons. Sugar production in Uttar Pradesh is expected to increase to a new high of around 9.7 mt. However, production in South Karnataka and Tamil Nadu is likely to remain impacted by consecutive seasons of poor rain," stated the study compiled by Icria.

Farmers in UP adopted the high-yielding Co0238 cane a few years ago.

"Sowing under this high yielding variety of cane is significantly higher this year. So, despite a marginal increase in acreage, cane output is set to increase in the upcoming crushing season during 2017-18. So, sugar production in Uttar Pradesh would definitely set a new record in the coming year. At this point, however, it is difficult to assess a particular figure (of sugar output)," said Abinash Verma, Director General, Indian Sugar Mills Association.

Large mills in UP have decided to advance cane crushing by up to two weeks to check early-variety cane diversion to jaggery units (*kolhus*) and *khandsari* factories. In the absence of active sugar mills, farmers, especially in western UP, harvest early varieties of cane and supply them to jaggery and *khandsari* units.

"Now, farmers have realised that sugar mills' financial problems have eased, resulting in timely payment. With higher cane output estimated this year, mills might see an extended crushing season by one month. Hence, sugar output in Uttar Pradesh is heading for a new record," said B J Maheshwari, Director, Dwarikesh Sugar Industries.

Meanwhile, cane sowing reported a marginal increase to 2.33 million hectares this year, from 2.3 million hectares last year. With an increase in cane availability in UP, Maharashtra and Karnataka, the country's overall sugar output is estimated to rest at a little over 25 mt for the 2017-18 season, compared to 20.3 mt in the year-ago period.

SUGAR PRODUCTION

(in million tonnes)

Sugar season	Uttar Pradesh	All India	% Contribution of UP
2013-14	6.6	24.6	26.9 
2014-15	7.1	28.5	25.1 
2015-16	6.8	25.1	27.3 
2016-17 E	8.7	20.0	43.4 
2017-18 F	9.7	25.3	38.3 

E: Estimated, as of April 24, 2017; F: Forecast
Compiled by BS Research Bureau

Source: All India Sugar Trade Association, ICRA

Darjeeling's tea gardens brace for hefty hit from bonus payouts

Firms liable to pay up to 20% of annual wages as bonus every accounting year



A political resolution to the current wave of protest for Gorkhaland statehood could be around the corner with the West Bengal government and major Hill parties initiating a dialogue, but it is unlikely to end the woes of the 87-odd tea gardens in Darjeeling.

The gardens, whose cash flows have been severely hit owing to total crop loss of the second flush, could see labourers press for high annual bonuses as soon as the operations resume. According to industry sources, plantation workers have not been able to earn for over 70 days now because of the Gorkhaland agitation, and this could prompt them to demand hefty bonuses to compensate for their interim loss.

Around 100,000 permanent workers in Darjeeling tea gardens are paid daily wages, which are disbursed on a weekly basis. In case a labourer doesn't go to work, he or she doesn't get any wages, according to wage rules.

The Payment of Bonus Act, 1965, stipulates that irrespective of the allocable surplus cash by any company, a minimum 8.33 per cent of the annual wages has to be paid as bonus to the workers every accounting year. The maximum permissible bonus is 20 per cent.

S S Bagaria, chairman and managing director of the Bagaria Group and former chairman of the Darjeeling Tea Association (DTA), said a minimum 8.33 per cent bonus would result in an outgo of Rs 20-25 crore. "As the gardens' cash flow and top line have been severely hit owing to the prime crop loss, I doubt how many gardens will be in a position to even pay the minimum bonus," he told *Business Standard*.

It is estimated that the Darjeeling tea industry has already taken a hit of Rs 220 crore, or 45 per cent of the annual earnings, on account of the ongoing shutdown.

A second garden owner suggested that although the bigger companies, with gardens also in Assam or the Dooars region in West Bengal, might be able to route funds to the Darjeeling estate to pay the bonuses, single estate owners or companies entirely dependent on the Darjeeling-Kurseong region would be hit hard.

"Even if we are able to reopen the plantations in late September or mid-October, at least some preparation for the next year's second flush production can be made. But for this year, nearly the entire crop is lost," he said, adding that the rain flush or the third flush cannot be harvested, which leaves the gardens at the mercy of the fourth or the autumn flush. Prices of Darjeeling tea from the autumn flush are the lowest.

Nevertheless, legal provisions mandate that the plantations will have to pay the bonus.

The DTA has already approached the West Bengal government's labour ministry apprising about the bonus issue, and sought a speedier resolution of the shutdown problem. "We have told the labour minister about the financial health of the companies as well as the industry. But till the gardens reopen, the percentage of bonus to be paid will not be clear," said Kaushik Basu, secretary general, DTA.

In West Bengal, apart from industry representatives and workers' trade unions, the state

government is also a party to fixing the wages as well as the bonuses. Last year, a 20 per cent bonus over the gross annual wages was paid.

After the Gorkhaland movement spiralled in mid-June, with Gorkha political parties calling for an indefinite shutdown, a majority of tea workers joined the movement, resulting in a closure of gardens.

Garden owners claimed that no notice of strike was served to the management by trade unions, except the initial two-day strike in early June.

Despite a faction of the agitators calling off the shutdown till September 12, the tea garden owners, fearing political retaliation, are reluctant to reopen the gardens till the Hill's largest political party, the Gorkha Janmukti Morcha, agrees to it. Its general secretary, Roshan Giri, has indicated that based on a "positive outcome from the talks with the West Bengal government", the ongoing shutdown may be called off.

AN OVERVIEW OF DARJEELING ESTATES

87

Total gardens

100,000

Total workforce

₹220 crore

Total monetary loss
so far

₹20–25 crore

Estimated outgo for
minimum bonus