

Cashew Crisis

Kerala's cashew sector facing threat of shut down

Cashew industry, once the money spinning industry of southern state of Kerala, has gone from bad to worst. Utterly in shambles, the state is vehemently searching for strategies to keep the industry up and running.

Kerala, a decade ago, accounted for 85% of the country's cashew production. The strong presence of processing industries which was a source of employment to nearly 3 lakh cashew workers are facing the threat of closure. Out of the 865 cashew processing factories, more than 700 have already been closed, and nearly 2.5 lakh cashew-workers have been rendered jobless. The bad fortune of the state has also affected the country's cashew economy. Once a major exporter of cashew to the world by contributing 60% to the trade, India has now become a major importer, in the process losing out to smaller countries like Vietnam that are cashing in on the opportunity. The Indian production of cashew nut for the year 2016-17 was 7.79 lakh million tonnes which is not sufficient to run the processing factories available in various states, having a processing capacity of 17 lakh MT per annum. Hence, India has to depend on import of raw cashew nut from other countries. The cashew produced domestically costs more than the imported cashew. The situation is much worse in Kerala.

Kerala's cashew sector has been witnessing a rise in cost of production and processing. In 2014, the state government increased the wages by an unprecedented 35 per cent. This has increased the cost of production to Rs 3,200-3,400 per bag of 80 kg as against the other states with Rs 1,000 - Rs 1,800 per bag. This is almost five times as much as in Vietnam, where the cost is the equivalent of Rs 700 per bag. For an enterprise entirely dependent on manual labour, this wage hike sounded the death knell of the industry. The crisis deepened when in 2016, the Union government imposed an import

duty of 9.36% on raw cashewnuts. The time that followed saw the rise in the price of raw cashew nuts without any corresponding increment in the price of processed cashew nuts. Vietnam emerged as a significant producer of processed cashew which was cheaper. Their automated processing units churned out cheaper processed cashew in vast numbers. Although the center slashed the import duty to 2.5% this year, it was too late.

Kerala's cashew industry has now pinned their hopes on a revival package. But before considering the package, efforts must be directed towards creating a suitable environment in the state to absorb the goodies in the package. Despite the existence of automation and mechanization options, the state is highly reluctant to endorse them due to the fierce resistance from the politically strong trade unions. The state should think about bringing in automation in the processing sector otherwise, the sector will not be competent and will be reduced to a namesake sector incurring losses of gigantic proportion. Instead of reducing the industry to be dependent on regular sops, the sector should work towards bringing in sustenance and stability.

Besides, the state can think of reducing its dependence on imports and encourage extending cashew plantations. Sick plantations can be revived and replaced with high yielding varieties. Automation is a crucial factor that determines the profitability of the sector. Along with that a suitable package must be developed for rehabilitation of the displaced cashew workers in the event of automation. Exploring the possibility of enrolling the cashew workers under the National Rural Employment Guarantee Scheme would be a good start.

The state should strictly adhere to principles that have a potential to increase the profitability of the sector. That might include some stringent measure that may not appease certain sections. Profitability and productivity must be the guiding principles in shaping a revival package.

India US Subsidy Tango

The US complains about India's Support to Wheat and Rice at WTO

Amidst the government's plans to raise the Minimum Support Price for agricultural commodities to placate the farmers, the American government has alleged that India is offering massive subsidy supports to wheat and rice. The US government has notified the World Trade Organization (WTO) that Delhi under-reports its level of farm subsidies and submitted a counter notification in the World Trade Organization Committee on Agriculture (COA) on India's market price support for wheat and rice. This is the first ever COA notification under the WTO Agreement on Agriculture regarding another country's measures.

US contends that India's apparent MSP for wheat appears to have been over 60 per cent of the value of production in each of the past four years for which India has notified data, whereas for rice, it appears to have been over 70 per cent. According to current rules, food subsidies are limited at 10 per cent of the total value of foodgrain production for a country in a year. Policies which amount to domestic support — both under the product specific and non-product specific categories at less than 10% of the value of production for developing countries — are excluded from any reduction commitments at the WTO. The US has identified several areas of potential concern with India's notification of its market price support for rice and wheat. These include issues with the quantity of production used in market price support calculations, the exclusion of state-level bonuses from calculations of applied administered prices, exclusion from India's notifications of information on the total value of production of wheat and rice and issues with currency conversions.

But these allegations are misplaced and illogical. For instance, the WTO Agreement on Agriculture defines subsidies on the total value of agriculture production, while the US has challenged India on the basis of support given to individual

products, namely wheat and rice. Similarly, the agreement doesn't state the currency in which countries have to report their subsidy dole-out. The US wants India to report in rupee terms, while India submits dollar-denominated numbers to the WTO. The agreement also excludes any reference to state level support in calculating the subsidies. Moreover, the quantum of subsidy is computed after taking into consideration, prices from the reference period of 1986-88. India had already suggested an amendment to this and had proposed either amending the formula to calculate the subsidy cap or allowing such schemes outside the latter's purview. Following India's agreement with the US on the issue in 2013, the Bali Ministerial Conference of the WTO came up with the 'peace clause' that permitted uninterrupted implementation of India's food security programme until a permanent solution was found. This allows India to procure and stock foodgrain for distribution to the poor without being penalised by WTO members even if this breaches the subsidy cap. However, to use the peace clause, India has to give information to WTO about the size of its food subsidy bill till the year before. So in case a dispute arises India can very well invoke the Bali peace clause.

Indian subsidy programs had always been a matter of contention for the US. Their arguments drawing a parallel between US farmers and Indian farmers are illogical and unfair. US farmers by virtue of their larger areas are better placed, technologically and economically. The Indian farmers, by large, due to their dependence on climate and unscientific ways of cultivation hardly make a living out of agriculture. Subsidies are a boon to them and help them navigate through a highly volatile market. Moreover, the Market support prices help the government to raise a buffer stock that is most often directed through the public distribution system to ensure food and nutritional security to the underprivileged.

Sugar in the Red Zone

FSSAI draft suggests red coding high calorific foods

Finally, India has a policy that would give the consumers the power to distinguish between healthy and unhealthy food choices. The draft policy issued by the Food Safety and Standards Authority of India (FSSAI) mandates displaying a red colour coding on front-of-the-pack labels on packaged food products with high fat, sugar or salt levels. The labelling has also been extended to Genetically Modified Foods and the draft also states that the company must make a declaration on the label in case it's food product has 5 per cent or more of ingredients which are genetically engineered or genetically modified.

Taking cue from many European countries, the latest intervention in the labelling space is a welcome move as far as the customers are concerned. When many packaged foods in India rarely declare the ingredients, the label that divulges the nutrient status is a huge step. The proposed draft Food Safety and Standards (Labelling and Display) Regulations, 2018, makes it very clear that the packaged food companies declare nutritional information such as calories (energy), total fat, trans-fat, total sugar and salt per serve on the front of the pack. The food labels will also declare, per serve percentage contribution to RDA (recommended dietary allowance) on the front of the pack. In the case of High Fat, Sugar and Salt (HFSS) packaged food products, the percentages of dietary energy values will be highlighted in red colour on the labels. Food Authority has also plans to introduce colour coding system in addition to marking of foods as 'Red' within the specified thresholds from time to time. It has also proposed prohibiting advertising of HFSS food products to children in any form. The draft regulation also intends to prohibit exaggerated health-benefit claims on products such as packaged drinking or mineral water products and edible refined oils.

The proposals, however, has also invited

criticism from some quarters, especially country's sugar sector. The country's sugar millers already suffering from the impact of falling prices and piling inventory, considers this as an assault on them as they believe that the labelling would equate sugar to unhealthiness and reduce its consumption. Considering the fact that sugar is the cheapest source of energy for a large section of Indian populace, they say this move will have some far reaching consequences. The sugar industry has opposed the FSSAI's move, saying there is no scientific evidence that proves that consumption of sugar is harmful for health. Falling in the same line, commodity market experts also feel the policy of colour coding on packaged food items will harm the industry. They believe that if this (red) colour coding is implemented there would be an impact on consumption pattern of sugar. If the consumption pattern of sugar goes down especially at times of a good production year, the ensuing glut would considerably bring down the prices and hence remuneration of farmers.

However it is hard to believe that a mere colour coding would drastically reduce the sugar consumption of the world's largest sugar consuming nation. This is only directed towards the packaged food industry. There is a disturbing development in the packaged food segment where indiscriminate sweetening of food products are seeing a phenomenal rise. Most often they use non sugar sources to sweeten the products. These are not only calorific but are widely believed to have some deleterious effects on health. Although a significant proportion of sugar produced is consumed by the packed food segment, the rest of the consumption is in the safe zone. If the processed food segment fails to procure sugar for fear of being snubbed by the consumers the surplus can be directed towards export.

Labelling is definitely good for the producers and consumers. This is a chance to exercise ones' choice and hence be condoned.

Boosting Biofuel Production

The National Biofuels Policy set to boost ethanol production

India is all set to enter a new dimension once the country formalizes and implements the latest National Biofuels Policy 2018. The highlight of the policy is the expansion of the scope of raw materials to food substitutes and foodgrains as feedstock for production of ethanol meant for blending with petrol in a major departure from the earlier practice of using non-food feed stocks besides molasses for blending. The move will considerably help in increasing the biofuel production in the country.

Currently the ethanol production has not been able to meet the ethanol blending targets. The earlier national policy on biofuels had set a target of 20 per cent blending of biofuels over the next few years, both for biodiesel and bioethanol. However, India has achieved an average blending rate of close to just 4 per cent (ethanol blended petrol) by the end of 2017. India's constant inability to produce the requisite amount of ethanol needed to fulfill the blending target stems from the restrictions placed on the use of food based feed stocks. With the new policy in place, ethanol production is bound to increase.

The new policy also brings good news to the farmers. The policy allows the use of Sugarcane Juice, Sugar containing materials like Sugar Beet, Sweet Sorghum, Starch containing materials like Corn, Cassava, Damaged food grains like wheat, broken rice, Rotten Potatoes, unfit for human consumption for ethanol production. The Policy encourages setting up of supply chain mechanisms for biodiesel production from non-edible oilseeds, Used Cooking Oil and short gestation crops. Marginal lands can take up such crops and can generate extra income for farmers. This will protect the farmers from price falls at times of bumper harvest and to an extent can take care of the damaged and decayed agricultural produce that are unfit for human consumption and contribute to waste accumulation.

The effect on environment is another

advantage offered by this. The production of ethanol and their consequent blending with fuel will reduce our fossil fuel consumption and the associated carbon emissions. The total ethanol production for fuel blending in 2017-18 is expected to be 150 crore litres, leading to forex savings of Rs 4,000 crore. The use of 1 crore litre in fuel blending reduces CO₂ emission by 20,000 tonnes. Also, by utilizing the crop residues and other waste products for biofuel generation, toxic emissions resulting from decay and burning will be further cut down. Municipal solid waste is another area of concern. It is estimated that, annually 62 MMT of Municipal Solid Waste gets generated in India. There are technologies available which can convert waste/plastic, MSW to drop in fuels. One tonne of such waste has the potential to provide around 20% of drop in fuels which can be utilized in biofuel generation.

The policy also features a viability gap funding scheme of Rs 5,000 crore for 2G biorefineries, to be deployed over six years. The scheme will be in addition to other incentives and higher purchase prices available to 2G biofuels (ethanol, Municipal Solid Waste (MSW) to drop-in fuels) as compared to 1G biofuels (bioethanol and biodiesel). Oil marketing companies are in the process of setting up 12 2G bio refineries at an investment of around Rs 10,000 crore. These 2G ethanol refineries will improve infrastructure in rural areas and create thousands of jobs in plant operations and supply chain management, in addition to promoting village level entrepreneurship. One 100klpd 2G bio refinery can contribute 1200 jobs in Plant Operations, Village Level Entrepreneurs and Supply Chain Management.

Globally tremendous emphasis has been placed on biofuel production and consumption. However, the competing demands of land for food production has so far deterred India's presence in the ethanol production and utilization map. This policy however, has opened a new chapter in clean fuel production and consumption for India.