

## Peppered with Imports

*Pepper prices are spiraling down owing to cheaper imports*

**A** bad year for the black gold stayed put as production and prices crashed across the nation. With cheaper imports from Vietnam, Indian farmers are having a tough time trying to retain profitability in pepper farming.

The ongoing harvest season and the deluge of cheaper pepper from Vietnam through Sri Lanka have pushed down black pepper prices in India by nearly 20% in a year. Indian pepper prices have plummeted in the past few months as large quantities of cheaper Vietnam pepper made way into the Indian market. The imports facilitated under the guise of being imported from Sri Lanka with certificate of origin suitably manipulated takes advantage of the lower import duty structure prevailing with Sri Lankan imports and circumventing the Rs 500 minimum import price fixed by India. Pepper imports from Sri Lanka attract just 8 per cent duty as against 70 per cent from other countries as India and Sri Lanka are signatories to SAFTA agreement. Under the India-Sri Lanka Free Trade Agreement (Isfta), Sri Lanka is allowed to export 2,500 tonnes of pepper to India per annum at zero duty. Around 4,000 tonnes of pepper exported by Vietnam to Sri Lanka has found its way to India with certificate of origin issued by the Sri Lankan authorities by paying no duty under ISFTA or 8 per cent concessional duty. The MIP was fixed last year to protect the interest of the local pepper growers after over 40% decline in prices though productions were normal. The well connected network of importers now evade monitoring by resorting to importing smaller quantities in different ports in South India and taking them in small lots by road to interior places. The volume of pepper import into the country has gone up in the current year.

Production, on the other hand, has suffered immensely. Significant producers like Kerala

and Karnataka, at the hands of inclement weather, have suffered production declines. The floods that affected Kerala has wiped off many productive and profitable pepper plantations. The ones that remained are in the grasp of diseases that are driving down production and profits. Losses suffered from perennial crops like pepper is a significant blow to the farmers as these crops have a prominent non productive phase. Replanting them requires the farmers to endure this non productive phase once again prematurely while bearing the losses from the damaged crop.

The situation demands a rework of the policies that are governing the trade agreements. The 8% duty was fixed when the Sri Lankan production was hardly 10,000 tonnes. Now it has gone up to around 28,000 tonnes. The current duty structure must be changed taking into consideration the current state of affairs of pepper plantations. India should step up its vigil to prevent the import of pepper from Vietnam through Sri Lanka. Authorities should initiate steps to test for a minimum of 6% piperine content in imports if it is for extraction purpose. The Vietnam pepper has only 4 to 5 % of piperine. The subject should be treated akin to smuggling as India is also losing its share of tariffs since the supply of Vietnam pepper is happening by evading duty as the duty for import from Vietnam is 51%.

Free Trade agreements have long been alleged to distort the domestic market. This is a classic case where this accusation has proven true. While the government is consistently trying to prove its loyalties towards the farmers and is desperately trying to raise their incomes, incidents/scenarios such as these should not slip their attention. Pepper may not be a staple crop and hence not important from poll perspective, but the commitment of the government towards farmers should not be subject to electoral sentiments, it should be driven purely on the basis of national interests..

## Palm Oil – In the Eye of a Storm

*A trade war is in the offing with EU restricting palm oil in biofuel programmes*

Palm oil production has long been derided for its unsustainable ways of cultivation. The conversations surrounding this reached a crescendo with EU coming down heavily on its environmental implications and imposed stricter limits on how the crop can be used in green fuels. The European Commission recently restricted the types of biofuels from palm oil that may be counted toward the EU's renewable-energy goals and introduced a certification system. With the environmental groups' persistent demands to reduce use of the crop in fuels, which was eventually endorsed by the European Parliament, the palm oil producing nations have been facing some difficult times. Palm oil prices have dropped 18 percent since the start of 2018.

Palm oil has become an indispensable component in today's world. However, its environmental impact on Indonesia and Malaysia, which together produce about 85% of the world's palm oil, has been prominent contributing to a big increase in deforestation in both countries. Today, Indonesia is the world's fifth biggest emitter of greenhouse gases, mainly due to land use change. With aggravating climate change and green house emissions, a stricter code on their production is bound to affect the economies of these nations. Palm oil exports make up between 5% and 7% of GDP in both countries. Palm oil has become intrinsically linked to development in Malaysia, both as a vehicle for economic growth and as a way for the state to get smallholder farmers out of poverty.

The EU's desire to lead the battle against global warming has toughened the goals to reduce greenhouse gases blamed for climate change. It aims to cut emissions by at least 40 per cent by 2030 compared with 1990 levels, boost the share of renewable energy to 32 per cent and increase energy efficiency by 32.5 per cent.

These objectives will cast a shadow on the prospects of palm oil producing companies. A decade

ago a glowing future for biofuels was predicted on the premise that these can be used in biofuel production. In 2010, the EU drafted its first renewable energy directive, setting clean energy rules and targets for member states, and providing an incentive for member states to switch to palm oil-based biodiesel for cars. In anticipation, palm oil producers stepped up production and created new plantations. These plantations have now reached maturity, but with scientists and legislators increasingly aware of the environmental impact of crops like palm oil, the expected biofuels boom has not materialised, leaving producers with a mounting oversupply problem. Not to mention the livelihood of the millions involved in the production. The EU Parliament's campaign to limit the use of the vegetable oil in renewable fuels called for an end to public support for high-emission biodiesel from palm oil, rapeseed and soy. Forty-six percent of total palm oil imports into the EU is used for biofuels, according to data from the EU assembly.

The move by EU has apparently not got down with the palm oil producing nations and a trade war has emerged with threats exchange between EU and Producer nations. The Council of Palm Oil Producing Countries, whose members Indonesia, Malaysia and Colombia produce about 90 per cent of global supply, announced they will jointly challenge the bill through bilateral consultations, as well as through the World Trade Organization. Diplomatic channels are also being used to convey the message that they are unhappy and would resort to cancelling of trade deals worth millions.

The trade war is going to be detrimental to both the parties. The trade aspirations for both the sides will be affected and a stricter regime will affect many small holders involved in palm oil cultivation. Rather than completely cutting off the palm oil producers, EU must associate with palm oil producers and evolve ways to make it sustainable and environment friendly.

## ‘Nitrogen – The New Carbon’

*Nitrogen has been called the New Carbon, owing to the N pollution*

**T**he United Nations Environment Assembly (UNEA) had recently adopted two resolutions piloted by India on single-use plastics and sustainable nitrogen management. Nitrogen was thus acknowledged on a bigger platform to posing a grave environmental concern on a global level.

The annual Frontiers report 2019 published by the United Nations (UN), has included a chapter on nitrogen pollution in its latest edition. The report, released by the United Nations Environmental Assembly (UNEA) in Nairobi on March 4, 2019, highlights that “growing demand on the livestock, agriculture, transport, industry and energy sector has led to a sharp growth of the levels of reactive nitrogen – ammonia, nitrate, nitric oxide (NO), nitrous oxide (N<sub>2</sub>O) – in our ecosystems. Forms of nitrogen like N<sub>2</sub>O can have far reaching impacts for humanity. N<sub>2</sub>O is 300 times more potent as a greenhouse gas than carbon dioxide (CO<sub>2</sub>). The Frontiers report claims that the total annual cost of nitrogen pollution to eco system and healthcare services in the world is around \$340 billion.

Nitrogen, an important element required by most of the living forms, have emerged as a pollutant owing to over use and abuse. Nitrogen played an important part in the green revolution. The rampant use of nitrogen fertilizers, sometimes over and above the limits than is required, have led to pollution of natural resources. The subsidy regime of the country also favoured use of urea, a very important source of Nitrogen, over the other fertilizers, leading to an imbalance in the use of N fertilizers.

India consumes 17 Mt (million tonnes) of nitrogen fertiliser annually as per the data of the Fertilisers Association of India. Only 33 per cent

of the nitrogen that is applied to rice and wheat through fertilisers is taken up by the plants in the form of nitrates (NO<sub>3</sub>). The remaining 67 per cent remains in the soil and seeps into the surrounding environment, causing a cascade of environmental and health impacts. The European assessment puts an even higher number on such wasted agricultural nitrogen resources at 80 per cent.

Interestingly, India has become a prominent voice in international platform raising the issue of N pollution. In fact, in 2017, a large team of Indian scientists under the leadership of Raghuram, had come out with The Indian Nitrogen Assessment (INA). With the Assessment’s publication, India had become the third country/entity after the United States and the European Union to have assessed the environmental impact of nitrogen on their respective regions comprehensively.

Although not acknowledged as a problem requiring imminent attention, many countries are investing in dealing with nitrogen pollution. Recently, the United Kingdom invested of £20 million (Rs 187.51 crore) for research on nitrogen pollution and its consequences for the South Asian region. The world with pooled resources need to work towards developing ways to combat this rising problem. As fertilizers used in agriculture is accounted as one of the foremost reasons of N pollution, R&D must be diverted to evolving products that are efficient and effective. Technologies that enhance nitrogen use efficiency should be promoted. Moreover, a balance fertilization of crops becomes all the more important. The world as a whole must integrate and give a much wider propaganda to the issue. Reaching out to the greater public, farmers, fertilizer companies and organization can give a wider audience to the issue which will help in taking forward the cause.

## Poll Propaganda

*Election promises center around farmers*

**T**he pre poll months are the months that tally the highs and lows of the economy. Every sector is brought into scrutiny and are torn apart to expose the ineffectiveness and weaknesses.

These are also the times when marginal sections of the society assume center stage and suddenly their welfare becomes a central national agenda. This year, agriculture segment and farmers will be the focal point around which the election strategies of every single party will be based on. Farmers and agriculture, will be a crucial segment that will conquer most of the attention of the political parties.

The past few years were particularly difficult for the farmers. Farmer distress and suicides were reported from every nook and corner of the country. Over production and excess supply of farm produce once again exposed our weak storage and infrastructure. The resultant fall in prices of many agricultural commodities and the inability of the farmers to secure break even returns had aroused considerable anger and resentment among the farming population. The protests which were initially sporadic became more widespread spreading over larger geographical areas.

The measures that were mooted to assuage the farmers have hardly been able to bring in any positive response so far. The Union Budget for 2018-19 saw MSP increments. The following months saw government fulfill its promise as it increased the MSPs for all notified Kharif, Rabi and other commercial crops, however, the larger demand of the farmers of hiking the MSP according to the recommendations of Swaminathan Committee was not fulfilled. Eventhough the prices were increased, their immediate effects were not visible as the access of MSP to farmers have not been satisfactory. The much touted eNAM also cannot be considered as a success as the majority of states still have to amend its existing restrictive APMC laws to utilize the functionalities and privileges under eNAM. Agri-export policy, the last major initiative announced during the year, aims to double agricultural exports

from present \$30 billion to \$60 billion by 2022. The policy aims to capitalize on the production surpluses and thus to channel them to global markets, thereby ensuring farm income increments.

Most of these policies have been developed to support the farmers and help them realize better income from the farms. Unfortunately these haven't started to yield palpable results. And the last picture that emerges from the agriculture scene is that of farmer distress and farmers' protest. Farmers unlike previous years have risen as a formidable power in Indian polity. So it has become the prerogative of every political party to win them and confirm their allegiance. While it is a good sign, it can be used to appease the farmers using quick fixes like loan waivers, which are detrimental to the well being of agriculture credit system. If we consider the recently concluded elections too, all the winning parties had promised loan waivers and they are delivering on this promise too.

Eight state governments have given farm loan waivers worth Rs. 1.9 trillion since April 2017. With Prime Minister Narendra Modi promising debt relief to farmers ahead of the Uttar Pradesh elections in February 2017, a series of poll promises sprang up across the nation. The latest round of farm loan waivers was announced after Congress formed governments defeating the incumbent BharatiyaJanata Party (BJP) in Chhattisgarh, Rajasthan and Madhya Pradesh. Rs. 59,000 crore of waivers have been promised to farmers in these three states.

This election the political parties' agenda will be centered around short term policies for agriculture. Long term developmental strategies will take a back seat. Farmers' wrath will be placated by quick fixes, the effects of which will wear off with the next cropping season. The political parties should not view farmers as mere votebanks and should refrain from using them. Instead they should be treated as real citizens addressing their concerns with long term strategies.