

**Mr. Atul Chaturvedi's Speech at
GLOBOIL International 2018, Dubai
28th- 29th April, 2018**

Good morning friends.

A few months back Kailash Bhai informed me that they are planning a Globoil kind of event in Dubai . Obviously the importance of Dubai as a gateway to Middle East cannot be underestimated. I must say Kailash Bhai is a man who can spot an opportunity and goes the extra mile to realize his vision . Kailash Bhai's hospitality is legendary and those of you who have attended Globoil events in India would certainly vouch for the same. I am sure this event will become a regular feature in Dubai's calendar and grow from strength to strength.

Friends, the last few weeks have seen announcements by USA and China which have the potential of massively altering the trade flows and putting Supply Chains out of gear for many Companies. In a retaliatory move China has announced levying of 25% import tax on certain US origin goods, including soybeans, China annually buys more than 32 million tons of beans from US which will now have to be sourced from elsewhere if the new tax becomes a reality. Canada and Brazil would be big gainers .We should not be too surprised if Canada exports its own local Soya production to China and for their own consumption import from US where the values would be moving southwards. For Brazil also this is a heaven sent opportunity and if they play their cards well their economy could bounce back. Brazil has a crop in excess of 115 million tons and would be ideally placed to take advantage of this trade war.

Whatever happens in this trade war between two giants, the world trade would not be the same again and both these countries would be bruised. For Countries witnessing this fight from the sidelines the future could be mixed. For India this fight would be largely neutral and we do not expect any spectacular gains. For Middle East this trade spat should be largely beneficial as Chinese goods should become much more competitive.

All said and done these are exciting times for Traders as Volatility should be the order of the day.

Friends, the last few years has seen Countries becoming much more inward looking. First we had Brexit in UK and its reverberations are still being felt in Europe even though it has still not become a reality. European Parliament has passed a resolution banning Palm Oil Import For Biodiesel in Europe after a certain date. USA has imposed massive duties on Argentinian Biodiesel and effectively banned its import. Closer home Indian Government has imposed punitive duties on Pulses import into the country which has for all practical purposes banned Pulses import into India. To save Indian farmer we have merrily sacrificed Australian, Canadian, Burmese and African farmers. In case of Edible Oils also India has imposed massive duties to protect their farmers and the same is sending shivers in Malaysia, Indonesia.

The driving motto worldwide seems to be “Each one for himself and devil take the hindmost”. To me WTO seems dead and buried and we can be sure a new world order will emerge once the dust settles down.

[Oilseeds..](#)

The last few years World has been blessed with wonderful oilseed crops which has kept the lid on prices .Soya crops worldwide have been exceptional, leave aside India. Same goes with Sunflower which saw a massive upsurge in production in Ukraine and Russia. However, during the current year we are seeing blips everywhere.US farmers are likely to plant less Soya and Argentina has suffered one of the worst droughts which has seen their Soya crop plummeting below 38 million tons from 58 million ton last year. Brazil is an exception and is likely to harvest all-time record Soya crop of more than 115 million tons. In case of Sunflower Ukraine production is slated to be lower than last year.

Indian production continues to be laggard and currently we do not see any ray of hope .Indian dependence on imports is around 70% of the consumption and we will continue to keep importing additional approximately 0.7 million ton annually. We peg Indian imports during current year to be around 16 million tons.

To safeguard the interests of Oilseed farmers in India Edible oil duties have been raised across the board and this has resulted in local values moving northwards. It would be interesting to see whether our oilseed farmer is sufficiently enthused to plant higher acreage of Oilseeds during next Kharif.

Pulses....

The Pulses story in India has shown one thing that the Indian farmer responds promptly on price signals. Pulses traders would remember the prices of major Pulses had gone through the roof couple of years back. Whether the spike was on account of poor availability or manipulation is still being debated .However, the Indian farmer got so enthused with high prices that they diverted huge tracts of lands to Pulses .The net result of all this has been that Indian production has now touched almost 24 million tons and as a Nation we are now practically self-sufficient. This has been a mixed blessing as local prices have collapsed and the fruits of increased production are not available to poor farmers.

In order to defend MSP the Indian Govt has been buying various commodities to shore up local values. The Infrastructure for such a massive operation is still not in place and this is bound to result in humongous losses which will have to be forked by Indian tax payers. What has further complicated matters for the policy makers is the promise of doubling farmers income by 2022.We are not sure how things will eventually pan out but one thing is certain—Private Sector is gradually being elbowed out of trading in India. Interesting times.!

Sugar....

Sugar scenario in the world is no different. Massive crops in Brazil, Thailand, Pakistan and India have resulted in prices collapsing worldwide. Indian production has surprised everyone associated with Sugar. From 20million tons the production looks to have skyrocketed to almost 30 million tons throwing all calculations out of gear. With Indian Govt closely watching the developing bearish scenario and the threat of farmers dues getting out of hand we can be sure some concrete action would be taken to clear burdensome stocks and bring temporary relief to Indian industry. All announcements like export quota etc. have not borne any result as the loss in exporting is close to Rs .10000 or \$150 per ton. We feel sooner or later some kind of export subsidy would have to be announced as Sugar Industry dues to cane farmers are now touching almost 3.5 to 4 billion dollars.

Next year too the problem is going to get compounded as sugar pundits are predicting production of around 32 million tons. We would not be too surprised if India follows Brazilian model of producing more ethanol if costings permit. Mandatory blending of 10% could help suck some sugar out of the system. It would be interesting to see how things pan out.

Farm Distress and doubling farmers income...

Indian GDP has been growing at around 7% per annum and it is getting reflected in the improved condition of the Urban Indian. However, the fruits of Indian growth story seem to have bypassed the rural folk. Agri GDP growth has been below 2% and this is creating farm distress which has the potential of blowing up .I am sure everyone would have read about the farmer suicides which continue unabated.

The rural plight has woken up our Govt and they have launched a massive PM backed program for doubling farmers income by 2022.As part of this thrust we are seeing MSP being raised practically for all crops .All this is resulting in private trade being elbowed out of business and GOI has become the biggest buyer of all Agri Commodities.

With Elections scheduled in early 2019 this situation is going to get worse and we will have to brace for tougher times as far as trade is concerned. All these actions of the Govt have the potential of fueling food inflation and we are sure once that happens we can expect policies to swing to other extremes.

Higher duties and import bans have the potential of delinking Indian Commodity market with the rest of the world making life much more tough for the poor International traders.

Globalization is taking a backseat and getting replaced with Localization. We can be sure the rules of the game may be rewritten in coming years. Exciting times..

Thank you for the patient hearing.

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