

# Retrospective and prospective plans of Export Promotion Council

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Coconut Development Board was declared as an Export Promotion Council to deal with all the products of coconut except coir and coir products with effect from 1<sup>st</sup> April 2009. Even though export related work was adopted by CDB rather late, due to sheer consistency, it has been able to bring the benefits of Foreign Trade Policy to all coconut products. Many new schemes commissioned after 2009 was extended to cover the coconut industry as well. With nearly 950 members, coconut export industry is set to reach a milestone of Rs 5,000 Cr by way of exports by 2017.

The various benefits that were provided to the sector in the form of benefits of the Policy and Procedure included, extending benefit of Vishesh Krishi Gram Udyog Yojana to coconut (08), coconut oil (15), coconut meal (23), coconut handicrafts (22), Focus product Scheme benefits to activated carbon (38), copra (12), tender coconut water (22), while Duty Drawback was available to all coconut products at 1% including 2% to coconut oil. All regular schemes like advance authorization, 3% Special EPCG Scheme and Agri Infra Incentive Scheme (10% benefit) were also available to the coconut industry.

**The details of other on-going schemes with effective amendments carried out in**

**2012-13 are given below:**

## **1. Export of Edible Oil in Chapter 15 of the ITC HS Code (PN 85/17-3-2008):**

Export of Edible oil figuring in Chapter 15 of the ITC HS Code has been prohibited until further notice.

**Relaxations:** Export of castor oil; Export of coconut oil through Kochi port only; Deemed export of edible oil (as input raw material) from Domestic Tariff area to 100% EoU for production of non edible oil to be exported; export of oil produced out of minor forest produce even if edible oil, Fish oil freely permitted without any statutory restriction.

**Result:** Export of edible oil with restrictions.

2. Export of branded edible oil up to 5 kg packaging to an extent of 20,000 MT through 13 EDI Ports (up to 30-9-2013) (24(RE-2012)/2009-14 dated 19<sup>th</sup> Oct 2012).

3. Centre permits import of Palm Oil under Open General licence (63(RE-2007)/2004-9 dated Dec 24, 2007). Kerala High Court prohibits import of Palm oil and unloading at Kochi port. Central Government bans import of Palm oil through any Sea port in Kerala. **Result:** Palm oil is banned for import through any port in Kerala.

4. Imports of Coconut oil (1513) and Copra (12) canalized and can be imported only through State Trading Corporation adhering to Para 2.11 of Foreign Trade Policy.

Imports of Coconut Oil is subject to re-export within 90 days of landing – as per Appendix 30 A of Handbook of Procedures, Vol. I on the basis of Standard Input-Output norms relating to coconut oil. Copra's import is based on temporary norms provided by the norms committee of DGFT. The norms obtained is valid for a year (Para 2.11 of Foreign Trade Policy).

5. Palm oil import was conditioned on the basis of Tariff values allotted to various Palm Oils- Crude, RBD, and Palm kernel oil. Import is on open general licence basis. Tariff values remained unchanged from 2005. From WTO bound duty of 300%, crude palm oil had a levy of 0% customs duty while RBD had a levy of 7.5% (Customs Levy).

## **The Changes in respect of Export and import Policy relating to Edible Oil (Coconut Oil) in FY 2012-13**

1. Coconut Oil exports has been permitted through all 13 EDI Sea Ports, 3 Land Customs stations in Bangladesh, Nepal and Bhutan without any quality and packaging restriction (DGFT PN 32(RE2012)/2009-14 dated 5 Feb 2013) **Result:** Coconut Oil (15) can be exported in full container load of 20 foot and 40 foot (30 cubic meters or 60 cubic meters), or in standard shipping carton 50x58x33 Cm, linear low density polyethylene or high density polythene bags, drums,

HDPE bulk packaging, flexi tank for oil.

2. Export of branded edible oils up to 5 Kgs with a maximum price tag of US \$1500/ tonne without quantitative limitations through 13 EDI Sea Ports. **Result:** This will help the coconut oil industry reeling under unstable prices.

3. Tariff value of palm oil was raised from US \$ 447/tonne to US \$ 802/MT (customs(Non Tariff) Circular 8/2013 dated 23 Jan 2013) Notification 20/2005 Cus (NT) dated 1-3-2005 was changed effective 66/2012 dated 31-7-2012 (Tariff value change). **Result:** The price of palm oil was aligned with the international price.

4. The existing customs levy of 0% for crude palm oil was raised to 2.5% on revised value aligning with the international price and RBD Customs levy was retained at 7.5%. **Result:** Price parity advantage

### Other benefits

1. ITC HS Code for coconut hookah was changed and is in receipt of Special Focus Products scheme eligible for 5% (96140000) **Result:** Change of ITC HS Code

2. Coconut shell based activated carbon has been brought under Focus Product Scheme (Appendix 37 D of Handbook of procedures, Vol I and is eligible for 2% duty free scrip (3802 10 00).

3. Agri infra incentive scrip (Para 3.13.2 of FTP) Any item figuring in Chapter 1 to 24 of the ITC HS Code is eligible for Agri infra incentive scrip equal to 10% of FOB value of agricultural exports (5% incentive scrip+5% VKGUY). (04) Coconut milk powder & other

products) (08) coconuts (fresh and/ or dried, desiccated, tender coconuts (12) copra (22) tender coconut water (23) coconut meal.

### Financial assistance to export sector through Banks

The pre-shipment and post shipment credit offered by banks has been streamlined and subvention in interest rates to the extent of 2% is available to exporters under the export credit programme. This benefit was available to the entire coconut industry during the 2012-13 fiscal. Value limit on duty free import of commercial samples is allowed up to Rs. 3 lakh per annum. Export Obligation under Advance Authorization Scheme enhanced from 24 months to 36 months without payment of composition fee and facilitation of trade through various Electronic Data interchange (EDI) initiatives namely, on-line filing, processing of various authorizations to reduce transaction costs and time was realised.

In order to make available capital at low costs to entrepreneurs External Credit Borrowings to individual enterprises were rationalized and simplified. Since coconut manufacturing sector was small and marginal, capacities were not increased as a result there was no deployment of capital. The units set up through Technology Mission on Coconut were not able to increase capacities in a big way. As a result production was utilized for domestic /home consumption, with little quantity available for making exports attractive in the new markets. Coconut sector was unable to utilize capital through SME Window in the Stock

exchange due to the smallness of the sector.

3% EPCG of Capital Goods for the agricultural sector was not utilized during the fiscal, as capacity expansion, replacing state of the art machinery with obsolete machinery did not take place. The frequent devaluation of the Rupee in contrast to the Dollar (Exchange price parity) has been weakening the invoice price quoted by Indian manufacturers in Dollars. The plummet of the Rupee was around 20-22% since 2008.

Though government launched a scheme for distribution of subsidized edible oils in 2008-09, the distribution of imported edible oil through State Government through PDS Distribution Scheme by providing a subsidy of Rs 15 per Kg up to 10 lakh MT, the benefit of distribution went to oil which was imported. Board had taken up the issue of distributing Coconut oil through PDS with a 25% subsidy to be borne by Central Government at least during the next fiscal, and if this materializes, there will be considerable absorption of coconut oil through market intervention.

Board feels that with India emerging as the largest producer of coconuts, with 16,943 million nuts per annum overtaking Indonesia and Philippines, there is a need to surge to manufacture value added products which has important export markets occupied by Asia Pacific coconut producing countries. Philippines Coconut Authority which is under the Department of Agriculture is looking at investing over P 1.7 billion to boost export of Coconut products from Philippines to 100 new countries. 39 coconut

## Export of Coconut value-added products during last 5 years (Rs in Lakhs)

Product	2008-09	2009-10	2010-11	2011-12	2012-13 (upto Jan 2013)
Raw Coconut	3,439.29	5,576.41	9,382.98	19,678.90	17399.00
Desiccated Coconut	458.88	464.16	952.69	2,435.28	1350.00
Coconut Oil	5,841.23	4,002.95	3,991.83	7,281.61	5,991.00
Coconut Meal	9.89	41.40	0.66	2.86	0.60
Coconut shell	183.91	304.00	73.74	267.15	230.17
Shell charcoal	2,449.39	2,429.53	3,019.59	7,497.21	553.00
Copra	5,598.63	9,147.36	9,493.52	11,552.22	7339.00
Activated Carbon	15,000.00	21,262.62	25,550.00	34,760.00	55000.00
<b>Total</b>	<b>32,980.50</b>	<b>43,228.43</b>	<b>52,565.01</b>	<b>83,475.33</b>	<b>92922.00</b>

products and byproducts were earning \$ 1.96 billion in 2011-12 against India's Rs 834.75 Cr during the same period.

Coconut handicraft industry was not able to make much headway in exporting coconut shell based products in a big way, even though Geographical Indication Registry has recognized shell carving as a Geographical Indication of Malabar. In order to take full benefit, Board suggests that exporters who export shell craft products need to indicate their ITC HS Code no (4402 90 10) which is eligible for 1% Duty Drawback and 5% Vishesh Krishi Gram Udyog Yojana concurrently.

### Prospective Plans

Present export of coconut value added product worth is valued at \$ 2.9 billion for coconut oil industry, \$ 2.2 billion (Coconut–fresh market), \$ 0.3 billion (desiccated coconut market), \$ 0.1 billion shell product market, 0.3 billion kernel product market and 0.3 billion husk market. In the case of coir industry, coir pith of the magnitude of 3 lakh MT valued Rs 300 Cr is the highest value producer while in 2002, it accounted for 10,000 MT of exports valued Rs 10 Cr.

In India, we have around 13,116 units manufacturing various

coconut products which are mainly in the small scale sector. Only 16 activated carbon manufacturing companies are outside the SME based on the pattern of investment. They do not have economies of scale nor capacity increasing abilities.

While India stands first in capacity production of coconuts (16500 million nuts), we are far away from the third world countries in creating capacities. But technological competence remain unutilized to produce plethora of value added food products from coconut. Under TMOC, CDB has developed many technologies in processing. The external market for coconut products is under utilized by India.

There is a need for huge investment flow, capital formation, to create large capacities in the coconut sector by public/private sector so that value added products can be used to earn wealth through exports. CPSs, CPFs and Producer Companies be initiated by coconut producers who will utilize the buffer 40% of the coconut produced in India to produce value added products other than copra and coconut oil.

Virgin coconut oil has become active in the European Union due

to its therapeutic qualities, skin and message capacities, used in functional food and cosmetic industry segments. India has only a feeble share of the virgin coconut oil market. Global trade in tender coconut is of the order of Rs 2250 Cr. The level of secondary food processing is very low in India considered to other coconut producing countries. In order to revive agricultural GDP, investment in agri infrastructure needs more Plan funds. Schemes which provide funds to set up manufacturing units need to be pooled so that big entities can be created.

India produces 900 MT worth desiccated coconut through around 80 units, while Indonesia (46,699 MT), Philippines (1,16,421 MT) and Sri Lanka (38,651 MT) have been able to command supply to various desiccated coconut markets through sustained production. Coconut, copra and shell powder are vital primary raw material inputs which needed to be used for value addition instead of exporting them without value addition, Coconut oil production in India does not commensurate with coconut production while Indonesia, second largest producer after India occupies 42% of the coconut oil global market. We have a foot hold only in activated carbon and we need to go overboard with capacity utilization. Unless we reset our capacity building, we may not be effective as an exporter country dealing in coconut products. The mantra should be product diversification, optimization of capacity build up, additional capacities for value added production and by-product utilization.