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## Export Analysis for the quarter January – March 2019

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Prepared by



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**I. Table 1: Summary of export performance of SHEFEXIL products for the quarter Jan-Mar 2019:**

|                                   |                                   |                   |
|-----------------------------------|-----------------------------------|-------------------|
| <b>-Mar 2018 (USD Billion)</b>    | <b>-Mar 2019 (USD Billion)</b>    | <b>Growth (%)</b> |
| <u>0.538</u>                      | <u>0.623</u>                      | <u>15.80</u>      |
| <b>017-Mar 2018 (USD Billion)</b> | <b>018-Mar 2019 (USD Billion)</b> | <b>Growth (%)</b> |
| <u>1.905</u>                      | <u>2.140</u>                      | <u>12.33</u>      |

**II. Analysis of export performance of each Panel of SHEFEXIL:**

Overall export performance of SHEFEXIL's Panels for the quarter Jan-Mar 2019 is analyzed as under:

**Table 2: Export performance of SHEFEXIL products for the quarter JAN-MAR 2019:**

| PANEL                                         | JAN-MAR 2018       | JAN-MAR 2019       | Growth       |
|-----------------------------------------------|--------------------|--------------------|--------------|
|                                               | Value US\$ Million | Value US\$ Million | %            |
| <b>Vegetable Saps &amp; Extracts</b>          | 218.03             | 317.81             | 45.76        |
| <b>Guar Gum</b>                               | 189.15             | 181.69             | -3.94        |
| <b>Plant and Plant Portion</b>                | 89.87              | 80.84              | -10.05       |
| <b>Fixed Vegetable Oil, Cake &amp; Others</b> | 20.41              | 18.01              | -11.76       |
| <b>Shellac &amp; Lac Based Products</b>       | 10.34              | 9.48               | -8.31        |
| <b>Other Vegetable Materials</b>              | 10.54              | 15.42              | 46.30        |
| <b>Total</b>                                  | <b>538.34</b>      | <b>623.25</b>      | <b>15.77</b> |

[Source: DGCI&S - <http://commerce-app.gov.in/eidb/default.asp>]

**Observations:**

- 1. Vegetable Saps & Extracts (VSE):** As compared to the quarter of Jan-Mar 2018, export of VSE panel increased by 45.76% during the quarter Jan-Mar 2019.
- 2. Guar Gum (GG):** Export of Guar Gum panel decreased by 3.94% during quarter Jan-Mar 2019 as compared to the quarter Jan-Mar 2018.
- 3. Plant and Plant Portion (PPP):** During the quarter Jan-Mar 2019, export of PPP panel has decreased by 10.05% as compared to the same quarter of last year.

4. **Fixed Vegetable Oil, Cake & Others (FVOC):** Export of FVOC panel has decreased by 11.76% during the quarter Jan-Mar 2019 as compared to the quarter Jan-Mar 2018.
5. **Shellac & Lac Based Products (SLBP):** During the quarter Jan-Mar 2019, export of SLBP panel decreased by 8.31% as compared to the same quarter of last year.
6. **Other Vegetable Materials (OVM):** There is an increase in the export of OVM panel by 46.30% during the quarter Jan-Mar 2019 as compared to the same quarter of last year.

**III. Table 3: Top Exported products of SHEFEXIL during the quarter Jan-Mar 2019:**

| Rank | Products Name                                                                     | Panel                       |
|------|-----------------------------------------------------------------------------------|-----------------------------|
| 1    | Guar gum treated & pulverized                                                     | Guar Gum                    |
| 2    | Other essential oil of mint                                                       | Vegetable Saps & Extracts   |
| 3    | Other extracts                                                                    | Vegetable Saps & Extracts   |
| 4    | Psyllium husk (Isobgul husk)                                                      | Plant & Plant Portion       |
| 5    | Menthol crystal                                                                   | Vegetable Saps and Extracts |
| 6    | Guar gum refined split                                                            | Guar Gum                    |
| 7    | Guar meal                                                                         | Guar Gum                    |
| 8    | Essential oil of peppermint (Menthapiperita)                                      | Vegetable Saps and Extracts |
| 9    | Other mucilages thickeners derived from locust beans or seed                      | Vegetable Saps and Extracts |
| 10   | Other parts of plants used in perfumery/ pharmaceutical/insecticidal purpose etc. | Plant & Plant Portion       |

**IV. Table 4: Top 10 export destinations of SHEFEXIL products during the quarter Jan-Mar 2019:**

| No. | Port Market | Mar 2018 (Value in USD Million) | Mar 2019 (Value in USD Million) | Growth  |
|-----|-------------|---------------------------------|---------------------------------|---------|
| 1   | U S A       | 207.95                          | 170.81                          | -17.86  |
| 2   | IRAN        | 6.96                            | 102.42                          | 1371.89 |
| 3   | CHINA P R P | 36.22                           | 60.65                           | 67.43   |
| 4   | HONG KONG   | 23.03                           | 36.98                           | 60.58   |
| 5   | GERMANY     | 34.09                           | 30.88                           | -9.41   |

|    |            |       |       |        |
|----|------------|-------|-------|--------|
| 6  | NETHERLAND | 11.31 | 15.81 | 39.81  |
| 7  | RUSSIA     | 14.61 | 15.43 | 5.56   |
| 8  | JAPAN      | 16.32 | 13.22 | -19.01 |
| 9  | ITALY      | 11.54 | 12.91 | 11.86  |
| 10 | NORWAY     | 11.11 | 12.64 | 13.75  |

[Source:DGCI&S - <http://commerce-app.gov.in/eidb/default.asp>]

#### **Observations:**

1. USA is the top most importer of SHEFEXIL products from India. However, USA's import from India has decreased by 17.86% during the quarter Jan-Mar 2019 as compared to the same quarter of last year.
2. Iran's import of SHEFEXIL products has increased drastically by 1371.89% during Jan-Mar 2019 as compared to Jan-Mar 2018.
3. In case of Germany and Japan, export of SHEFEXIL products has declined by 9.41% and 19.01% respectively during the quarter Jan-Mar 2019 as compared to the quarter Jan-Mar 2018.
4. Other countries where our exports have increased during the quarter Jan-Mar 2019 as compared to the same quarter of last year includes; China, Hong Kong, Netherland, Russia, Italy and Norway.

#### **V. Table 5: Region wise export analysis of SHEFEXIL panels for the quarter Jan-Mar 2019:**

| Region         | Panel        | Mar 2018 (Value US \$ Million) | Mar 2019 (Value US \$ Million) | Growth        |
|----------------|--------------|--------------------------------|--------------------------------|---------------|
| America        | VSE          | 79.88                          | 69.97                          | -12.40        |
|                | GG           | 102.07                         | 69.41                          | -32.00        |
|                | PPP          | 28.50                          | 30.68                          | 7.65          |
|                | FVOC         | 6.41                           | 6.21                           | -3.10         |
|                | SLBP         | 1.77                           | 2.22                           | 25.47         |
|                | OVM          | 0.88                           | 0.70                           | -20.27        |
|                | <b>Total</b> | <b>219.50</b>                  | <b>179.19</b>                  | <b>-18.36</b> |
| European Union | VSE          | 40.76                          | 40.92                          | 0.40          |
|                | GG           | 24.42                          | 29.00                          | 18.76         |
|                | PPP          | 28.57                          | 19.37                          | -32.19        |
|                | FVOC         | 4.33                           | 3.79                           | -12.56        |
|                | SLBP         | 2.27                           | 1.86                           | -17.94        |
|                | OVM          | 0.86                           | 1.08                           | 6.20          |
|                | <b>Total</b> | <b>101.20</b>                  | <b>96.02</b>                   | <b>-5.12</b>  |
| East Asia      | VSE          | 55.25                          | 68.65                          | 4.26          |
|                | GG           | 18.90                          | 39.37                          | 108.27        |
|                | PPP          | 6.15                           | 7.16                           | 6.38          |
|                | FVOC         | 3.20                           | 1.48                           | -53.74        |

|                                                 |              |              |               |              |
|-------------------------------------------------|--------------|--------------|---------------|--------------|
|                                                 | SLBP         | 0.51         | 1.05          | 03.14        |
|                                                 | OVM          | 3.47         | 7.03          | 02.89        |
|                                                 | <b>Total</b> | <b>87.48</b> | <b>124.72</b> | <b>2.56</b>  |
| East Asia                                       | VSE          | 14.64        | 110.74        | 56.56        |
|                                                 | GG           | 5.98         | 3.99          | 33.38        |
|                                                 | PPP          | 5.09         | 4.56          | 10.31        |
|                                                 | FVOC         | 2.65         | 3.31          | 4.82         |
|                                                 | SLBP         | 0.57         | 0.50          | 12.23        |
|                                                 | OVM          | 0.83         | 1.69          | 02.63        |
|                                                 | <b>Total</b> | <b>29.77</b> | <b>124.79</b> | <b>19.18</b> |
| Association of South East Asian Nations (ASEAN) | VSE          | 11.30        | 12.17         | 7.68         |
|                                                 | GG           | 3.30         | 3.97          | 0.30         |
|                                                 | PPP          | 12.31        | 8.75          | 28.93        |
|                                                 | FVOC         | 1.90         | 1.67          | 12.11        |
|                                                 | SLBP         | 0.19         | 0.17          | 10.03        |
|                                                 | OVM          | 0.53         | 0.35          | 32.85        |
|                                                 | <b>Total</b> | <b>29.53</b> | <b>27.08</b>  | <b>8.29</b>  |
| America                                         | VSE          | 5.28         | 3.53          | 33.15        |
|                                                 | GG           | 6.29         | 7.01          | 1.45         |
|                                                 | PPP          | 1.51         | 1.32          | 12.60        |
|                                                 | FVOC         | 0.21         | 0.20          | 6.05         |
|                                                 | SLBP         | 0.12         | 0.29          | 37.84        |
|                                                 | OVM          | 0.00         | 0.02          | 35.56        |
|                                                 | <b>Total</b> | <b>13.41</b> | <b>12.36</b>  | <b>-7.82</b> |
| Commonwealth of Independent States (CIS)        | VSE          | 1.24         | 2.01          | 2.04         |
|                                                 | GG           | 13.35        | 13.69         | 2.54         |
|                                                 | PPP          | 0.35         | 0.38          | 9.52         |
|                                                 | FVOC         | 0.18         | 0.09          | 51.65        |
|                                                 | SLBP         | 0.00         | 0.00          | 0.00         |
|                                                 | OVM          | 0.02         | 0.09          | 40.08        |
|                                                 | <b>Total</b> | <b>15.14</b> | <b>16.26</b>  | <b>7.38</b>  |
| Asia                                            | VSE          | 3.23         | 2.26          | 29.90        |
|                                                 | GG           | 0.78         | 0.14          | 32.17        |
|                                                 | PPP          | 6.11         | 7.22          | 8.14         |
|                                                 | FVOC         | 1.02         | 0.84          | 17.38        |
|                                                 | SLBP         | 3.21         | 2.92          | 9.02         |
|                                                 | OVM          | 3.70         | 3.36          | 9.35         |
|                                                 | <b>Total</b> | <b>18.04</b> | <b>16.74</b>  | <b>7.20</b>  |
|                                                 | VSE          | 3.49         | 4.33          | 3.96         |
|                                                 | GG           | 1.46         | 1.02          | 29.98        |

|  |              |              |              |             |
|--|--------------|--------------|--------------|-------------|
|  | <b>PPP</b>   | 0.72         | 0.91         | 5.98        |
|  | <b>FVOC</b>  | 0.34         | 0.26         | 21.50       |
|  | <b>SLBP</b>  | 0.29         | 0.17         | 11.88       |
|  | <b>OVM</b>   | 0.23         | 0.50         | 15.73       |
|  | <b>Total</b> | <b>6.52</b>  | <b>7.18</b>  | <b>0.12</b> |
|  | <b>VSE</b>   | 2.77         | 2.94         | 5.99        |
|  | <b>GG</b>    | 12.60        | 14.11        | 2.01        |
|  | <b>PPP</b>   | 0.44         | 0.37         | 14.53       |
|  | <b>FVOC</b>  | 0.00         | 0.03         | 53.09       |
|  | <b>SLBP</b>  | 1.40         | 0.30         | 78.34       |
|  | <b>OVM</b>   | 0.01         | 0.52         | 36.71       |
|  | <b>Total</b> | <b>17.22</b> | <b>18.27</b> | <b>5.09</b> |

[Source:DGCI&S - <http://commerce-app.gov.in/eidb/default.asp>]

#### **Observations:**

- ❑ **North America** – During the quarter Jan-Mar 2019, export of all the panels have decreased in North America region except for panels PPP and SLBP which recorded positive growth of 7.64% and 25.46% respectively as compared to the quarter of Jan-Mar 2018.
- ❑ **European Union** – Export of panels VSE, GG and OVM have increased in the EU region and export of panels PPP, FVOC and SLBP have decreased in the EU region during the quarter Jan-Mar 2019 as compared to the quarter of Jan-Mar 2018.
- ❑ **North East Asia**–Export of all the panels have shown positive growth except for panel FVOC which recorded negative growth of 53.73%. Export of Guar Gum panel have increased significantly (108.27%) in North East Asia region during the quarter Jan-Mar 2019 as compared to quarter of Jan-Mar 2018.
- ❑ **West and East Asia** - During the quarter Jan-Mar 2019, export of all the panels have decreased in West & East Asia region except for panels VSE and FVOC which recorded positive growth of 656% and 24.82% respectively as compared to the quarter of Jan-Mar 2018.
- ❑ **ASEAN** –All the panels have shown negative growth in the exports in the ASEAN region except for panels VSE and GG which recorded positive growth of 7.68% and 20.29% respectively during the quarter of Jan-Mar 2019 as compared to the same quarter of last year.
- ❑ **Latin America** – Export in the Latin America region has increased for panels GG, SLBP and OVM and decreased for panels VSE, PPP and FVOC during the quarter of Jan-Mar 2019 as compared with quarter of Jan-March 2018.

- ❑ **CIS** – In CIS region export of all the panels have increased except for panel FVOC during the quarter of Jan-Mar 2019 as compared with the same quarter of last year. No exports were made in CIS region under the panel SLBP.
- ❑ **South Asia** – Export of all the panels have shown negative growth in South Asia region except for panel PPP which recorded positive growth of 18.13% during the quarter of Jan-Mar 2019 as compared with quarter of Jan-Mar 2018.
- ❑ **Africa** - Export in the Africa region has increased for panels VSE, PPP and OVM and decreased for panels GG, FVOC and SLBP during the quarter of Jan-Mar 2019 as compared with quarter of Jan-March 2018.

#### **VI. Reasons for increase/decrease in the export of SHEFEXIL product panels during the quarter Jan-Mar 2019:**

1. There is an increase in the export of following panels of SHEFEXIL:



#### **Reasons for Increase in the export are as under:**

##### **❑ Increase in the export of Menthol crystal:**

Menthol Crystal has wide range of applications in cosmetics, medicine, food etc. and thus has huge demand in international markets such as EU, USA, Russia etc. therefore, our exports of menthol crystal has increased.

##### **❑ Increase in the export of Gymnema Extract:**

Under panel, Vegetable Saps & Extracts, export of product “Gymnema Extract” has increased. The export has increased mainly to Japan. In Japan, “Gymnema Extract” is used for the treatment of obesity to prevent diabetes. In Japan, numbers of diabetes patients are increasing and thus demand for “Gymnema Extract” has increased.

##### **❑ Rupee depreciation against USD:**

Rupee has depreciated against USD during Jan-Mar 2019 as compared to Jan-Mar 2018. As per RBI, the average rate of Rupee against USD during Jan-Mar 2018 was 64.30 and during Jan-Mar 2019 it is 70.49. Import intensity is very low in SHEFEXIL products and this currency depreciation has provided boost to Indian exports of SHEFEXIL products.

##### **❑ Increase in export of Mint oil:**

Our export of mint oil has increased in countries such as Hong Kong and Singapore during Jan-Mar 2019. Mint oil has wide range of uses, mint oil and its constituents are commercially used in food, pharmaceutical and cosmetics industries. Mint oil is used as raw material in toothpaste, toothpowder, confectionary, mouth fresheners, cough drops, perfumes, chewing gums & candies. Due to huge demand for Mint oil in international markets our exports have increased.

**2.** Following SHEFEXIL product panels have shown negative growth in the exports:



**Reasons for decrease in exports are as under:**

**❑ Decrease in the export of Psyllium husk (Isobgul husk):**

Under panel Plant & Plant Portion, Isobgul is the major exported commodity. This product is mainly grown in Gujarat & Rajasthan. Isobgul crop production has decreased in Kutch and North Gujarat due to less rain fall in the region and low prices of the commodity. Isobgul crop requires 6 to 7 cycles of watering and prices of Isobgul were lower in 2017-18, since farmers are not getting good price they have moved away from growing Isobgul and shifted to other crops. This has resulted into lower production of Isobgul crop and thus our exports of Isobgul husk have decreased.

**❑ Decline in the exports of Guar Gum to USA:**

Guar Gum is the top most exported commodity of SHEFEXIL. USA is the top most buyer of Guar Gum from India, however, Guar Gum exports to USA has decreased by 31.27% during the quarter Jan-Mar 2019 as compared to quarter Jan-Mar 2018.

In USA, shale gas extraction is increasing since many years. Guar Gum is used as thickening agent for extraction of oil & shale gas. It is used for hydraulic fracturing, a technique to extract oil and natural gas trapped in shale rock. However, now American oil drilling industry is using cheaper fracturing material such as Slick Water instead of Guar Gum. Therefore, there is a great amount of decrease in the demand of Guar Gum from USA and it has resulted into less import of Guar Gum by USA from India.



## **VII. Suggestions for increasing our exports:**

To increase our exports the following suggestions can be made:

### **1. Extending Merchandise Exports from India Scheme (MEIS) benefit to Guar gum treated and pulverized:**

USA is the top most importer of Guar gum treated and pulverized from India. However, since last financial year our export of Guar gum treated and pulverized to USA is continuously decreasing. At present Guar gum treated and pulverized (HS code 1302 32 30) is not eligible for MEIS benefit under Foreign Trade Policy 2015-20.

In earlier Foreign Trade Policy 2009-14, incentive was given for guar gum treated and pulverized under Vishesh Krishi and Gram Udyog Yojna (VKGUY), whereas, in current policy there is no benefit given under MEIS for guar gum treated and pulverized. Therefore, extending MEIS benefit (@7%) to Guar gum treated and pulverized (HS code 13023230) will increase our exports to USA and to rest of the world.

### **2. Refund of embedded taxes:**

Exporter has to pay various domestic duties/taxes which remains embedded in the cost of final product as there is no refund mechanism available for such taxes/duties. This increases cost of export product and the product becomes uncompetitive in international market. The domestic taxes include; Central Excise and VAT on petroleum products, electricity duty, mandi tax, toll charges etc. As per the study conducted by SHEFEXIL, the average % of Embedded taxes in the FOB value of exports of SHEFEXIL products is around 4.5%.

The exporters should be given refund of such taxes in the form of remission of State and Central Levis in addition to the extant Duty Drawback Scheme, through the Scheme for Rebate of State and Central Taxes & Levis (RoSCTL) on export of SHEFEXIL products (Recently, for textile such kind of refund is granted through the scheme RoSCTL). Refund of such taxes and duties will make our export products competitive in international market and hence, will increase our exports. A detailed study in this regard is already submitted to Ministry of Commerce and DGFT by SHEFEXIL.

### **3. Conclude the Free Trade Agreements (FTAs)/Agreements as early as possible:**

Indian products are facing tariff disadvantages in many countries of the World, this is due to FTAs signed by many countries with each other (except India). Tariff disadvantages increases the cost of the product and make our product uncompetitive in international market. Therefore India should conclude the following trade agreements as early as possible:

1. India-EU Broad Based Trade and Investment Agreement.
2. India-Australia Comprehensive Economic Cooperation Agreement
3. India-Indonesia Comprehensive Economic Cooperation Agreement

4. India-New Zealand Free Trade Agreement
5. India-Canada Comprehensive Economic Partnership Agreement
6. Regional Comprehensive Economic Partnership Agreement

**4. Apart from above suggestions following suggestions can be made:**

- ☐ Increasing awareness on Indian Herbs.
- ☐ Arranging events for Brand creation.
- ☐ Investing in Product Development and Brand creation.

### Summary

- Total export of SHEFEXIL products during the quarter Jan-Mar 2019 valued at USD 623.25 Million registering growth of 15.77% when compared with the same quarter of last year.
- Export of all the panels have decreased during the quarter of Jan-Mar 2019 as compared with the same quarter of 2018 except for panels VSE and OVM which recorded positive growth of 45.76% and 46.30% respectively.
- Top export products of SHEFEXIL during the quarter of Jan-Mar 2019 are; Guar gum treated & pulverized, essential oil of mint, extracts, Psyllium husk (Isobgul husk), Menthol crystal, Guar gum refined split, Guar meal, Essential oil of peppermint etc.
- Top 10 export markets of SHEFEXIL products are; USA, Iran, China, Hong Kong, Germany, Netherland, Russia, Japan, Italy and Norway.
- Overall exports of SHEFEXIL products have increased in the regions such as; North East Asia, West & East Asia and Africa. Whereas, export has declined in the regions such as; North America, EU, ASEAN, Latin America and South Asia.
- Exports have increased in the panels viz. Vegetable Saps & Extracts and Other Vegetable Materials. The reason for increase in the exports are as under:
  - i. Increase in the export of Menthol crystal due to huge demand in international markets such as EU, USA, Russia etc.
  - ii. Increase in the export of Gymnema extract to Japan due to increasing demand.
  - iii. Rupee depreciation against USD.
  - iv. Increase in export of Mint oil to Hong Kong and Singapore due to surge in demand.
- Exports have decreased in the panels such as; Guar gum, Plant & Plant Portion, Fixed Vegetable Oil Cake & Others and Shellac & Lac Based products. The reasons for decline in the exports are as under:
  - i. Low production of Isobgul crop.
  - ii. Decreasing demand of Guar gum in USA.
- Following suggestions can be made for increasing our exports:
  - i. Extending MEIS benefit to Guar gum treated and pulverized.

- ii. Granting benefit under Scheme for Rebate of State and Central Taxes & Levies (RoSCTL) for SHEFEXIL products.
- iii. Concluding Free Trade Agreements as early as possible which are currently under negotiation.
- iv. Increasing awareness on Indian Herbs.
- v. Arranging events for Brand creation.
- vi. Investing in Product Development and Brand creation.

**Submitted on 26.04.2019**

**Disclaimer:** This report is prepared on the basis of Export Trade Data as provided by SHEFEXIL to HIPL. HIPL is not responsible for any changes/modifications/amendments made at a later date in the data, the reader or the user should always refer updated information provided on the respective websites for all practical purposes. It represents our perception of the matter, in the outcome of which we do not have any interest pecuniary or otherwise. Our report and the opinion expressed there in is not binding on SHEFEXIL and acceptance of it including any subsequent and resultant planning or action will be at their sole discretion and risk, without recourse. The report is confidential, being solely for the use to which it is issued. It must not be copied, disclosed, or circulated, to any person other than to whom it is issued.

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