Economy This Week
(10th Nov to 24th Nov 2019)

TABLE OF CONTENTS

1. Centre wants farmers to ditch APMC for e-NAM (TH 13/11/19)

- Central govt has proposed e-NAM (electronic National Agriculture Market) in 2016 and wants the states to shift to this from the existing APMC (Agriculture Produce Marketing Committee)
- e-NAM will create a unified national market for agricultural commodities
- As per the centre, APMCs have served their purpose in the past but now are posing many difficulties
- Though centre is promoting e-NAM, it is unclear whether the portal is ready to bear the entire burden of agricultural trade
- Of over 12 crore cultivators, only about 1.6 Cr have registered so far and of those registered only about half have been benefited from the platform
- Of the 2500 APMC mandis, 585 in 18 states have been connected so far and in case of interstate trade 21 APMCs in 8 states have been connected

---

2. Water transport - still missing the link (BS 15/11/19)

- There is a need to promote transportation though the waterways as it would lead to reduction in the costs. It would also make Indian exports more competitive in the international market
- Most of the freight transportation in India is being done through the roadways now followed by railways. A small fraction is done through the waterways
- Waterways provide various advantages over other modes of transportation
  - Cost of freight movement by road is ₹ 2.58 per ton-km, by rail is ₹ 1.41 per ton-km and by waterways is ₹ 1.06 per ton-km
  - Despite this road transportation accounts for over 60% of freight transportation, Coastal shipping and inland waterways account for just 7% (in China it is 24% and in the case of Germany 11%)
  - Over-reliance on road transportation means that the logistics cost accounts for 18% of the final cost of the product, whereas it is around 9 to 10% in developed countries
  - Waterways is also less polluting as compared to road transport
- Realising this, govt has taken many measures in recent years such as
  - Has launched Sagarmala project in 2015 (125 projects totalling about ₹ 31447 Cr have been completed)
  - Has passed Central Road Fund Act in 2017 under which 2.5% of the funds collected will be used for waterways development

    - Has eased cabotage rules as per which foreign flagged ships will be allowed to ply freight on local coastal routes
    - Has put in motion Jal Marg Vikas Project to enhance commercial navigation of vessels (expected to be completed by 2023)
- Way forward
    - Tax incentives must be provided in case the waterways is used as a mode of transportation
    - Industries adjacent to the national waterways must be incentivised two use waterways
    - Govt could impose heavier taxes for long-haul road transport so that the transporters are nudged to use the waterways

---

3. Top court extends 330 day limit on insolvency resolution (TH 16/11/19)

- The Supreme Court has extended the time limit for corporate resolution beyond the mandated 330 days
- The govt with an amendment to the insolvency code has extended the time limit for all the insolvency cases from 270 days to 330 days i.e. if the debts are not resolved in this time limit then the company has to be liquidated to pay for its creditors
- The SC has opined that some of the creditors may suffer the prospect of liquidation for no fault of theirs as the legal proceedings get dragged on, hence the time limit of 330 days is not mandatory
- The court has also held that time limit of 330 days violates the Article 14 and also article 19(1)(g) of the constitution
- As per the order the time limit of 330 days must be followed in ordinary cases and extension can be provided by NCLT if both parties are able to prove that there is very little time left in the resolution process and delay has is a result of tardy legal process

---

4. IIP shrinks to lowest level in 8 years (TH 12/11/19)

- Index of industrial Production (IIP) has contracted by 4.3% for the month of September, has fallen to the lowest level in the last 8 years
- The shrinking is driven by slowdowns in sectors such as capital goods, manufacturing, mining
- IIP had grown by 4.3% in September last year
- Capital goods sector shrunk by 20.7%, mining by 8.5%, manufacturing by 3.9%

---

5. Oilseed sector needs a boost

- Important points
    - Land under oilseed cultivation has remained stagnant at about 26 mn hectares
    - Production has stagnated at around 30 mn tonnes
    - India imports about 14 to 15 mn tn of vegetable oils
    - These imports account for over two thirds of total domestic consumption
    - India spends over $10 bn a year or about ₹ 70000 Cr per annum to import various types of vegetable oils
- The govt wants to provide a fillip to the domestic manufacturing and wants to reduce its dependence on the imports

- The import policy in this sector has led to huge dependence on imports and has affected the domestic producers of oilseeds or growers. Govt has tried to reduce the dependence by
    - Raising the MSP (Minimum Support Price) for oilseeds
    - Change the customs duties on vegetable oil imports
    - These reforms have failed to provide any relief to the domestic producers and also has led to speculative transactions (people betting on the changes in customs duties). In the present situation govt will not be able to double the income of these farmers/cultivators
- There is a need for a policy which would reduce the dependence on imports and also promote domestic production
    - Structural reforms such as technology infusion, crop rotation etc can be taken to increase the production (by increasing productivity and by increasing land under cultivation). These will only yield fruits in medium and long term
    - In short term there is a need to continue with the policy of importing but with certain changes
        - Around 10 to 20 percent of the imports are for speculative purposes, hence there is a need for curtailing these imports by imposing import ceilings
        - The imports have to be closely monitored
        - By imposing these restrictions, the market prices will start rising and this will provide the right impetus for the farmers to increase the production of oilseed
        - Agriculture ministry has to come out with a comprehensive policy to boost the domestic production