



## Shellac & Forest Products Export Promotion Council

1. Name of the Event : World Food Moscow, Russia.
2. Purpose of the event (with anticipated outcome) :
  - (i) To showcase Indian products suitable for the Russian & European market of food and ingredients including grocery products.
  - (ii) To initiate relationships with potential buyers from Russia, European Union and other neighboring countries
  - (iii) To cement relationships with current buyers from Russia, European Union and other neighboring countries
  - (iv) To receive leads and business
  - (v) To study the market dynamics of Russia, European Union and neighboring countries
  - (vi) To study the product development requirements of food and ingredient market to dovetail into the Manufacturing and Product development strategy of the industry
3. Country : Russia
4. Date of Event : September 24 -27, 2019
5. EC Approval (in brief) :
6. (a) Assistance Approved : Rs. 19,00,000/-  
(b) Release of 1<sup>st</sup> installment (in Rs.) : Rs. 9,50,000/-  
(c) 2<sup>nd</sup> instalment, if any (in Rs.) : Rs. NIL  
(d) Remaining amount pending for release (in Rs.) : Rs. 7,76,000/-

7. Brief description of the event :

World Food Moscow is a major exhibition serving the global food and drinks industry. Since its inception in 1991, it has grown to become the entry point for international manufacturers looking to enter the vibrant Russian market.

Every year, the event connects thousands of businesses from around the world with Russia's key food and drink buyers, including retail representatives from Russia's leading supermarket chains, wholesalers, HoReCa sector members, and food manufacturers.

Exhibitors are grouped into twelve main sectors, letting visitors easily find their products of interest and their manufacturers.

The event is the perfect platform to promote new food and drink products in Russia.



World Food Moscow 2019 received 19,655 visitors from Moscow, 7678 visitors from 82 Russian regions and 3379 visitors from 98 countries. As far as exhibitors go, there were 1764 exhibitors from 65 countries. Overall there were 12 sectors covering 12 food categories.

The lead organizer for Indian organizations was ITPO (India Trade Promotion Organization ).

#### 8. Details of the Indian Participants

(i) No of Participants : 10 firms all member exporters of SHEFEXIL i.e.

1. MR. HARISH KUMAR JAISANSARIA, PARTNER, M/s. NEELKANTH GUM & CHEMICALS, (IEC No.1305003896)
2. MR. YOGESH JAISANSARIA, M/s. NEELKANTH POLYMERS, (IEC No. 509022359)
3. MR. GIRISH SONI, DIRECTOR M/s. SHREE RAM GUM CHEMICALS PVT. LTD., (IEC No. 1307015832)
4. MR. VIJAY DAGA, M/s. SHREE RAM COLLOIDES PVT. LTD., (IEC No.1309000689)
5. MR. VINAY T AMESUR, PROPRIETOR, M/S. VACCO EXPORTS, (IEC No. 0393006115)
6. MR. HARISH KUMAR THAKURDAS AMESUR, M/s. FOODS INDIA, (IEC No. 0304064742)
7. MR. MAHESH SONI, MR. AAKASH SONI, MR. RAM SONI, DIRECTOR, M/s. NUTRIX INDIA PVT.LTD. (IEC No. 1309009961)
8. MR. UMESH BHATT, M/s. SHREE RAM INDIA GUMS PVT LTD(KNOWN AS CAREMOLI) (IEC No. 1308017782)
9. MR. RAJEEV HISSARIA, DIRECTOR, M/s. SUNITA HYDROCOLLOIDS PRIVATE LTD., (IEC No. 1307006442)
10. MR. PK HISSARIA, M/s. SUNCITY CHEM AND POLYMERS PVT LIMITED, (IEC No.1312002450)

(i) Brief profile of each participant : All were Exporters members of SHEFEXIL dealing in Guar Gum and Shellac and lac products.

(ii) Participants' feedback in brief : The fair was intended more for consumable food and beverages, rather than intermediate products like Guar gum and shellac. Shefexil products were classified under Grocery. The major classifications were : Meat & poultry, Frozen & convenience foods, Fish & seafood, Dairy products, Drinks, Halal, Fruits & vegetables, Tea & coffee, Grocery products, Canned foods, Oil fats & sauces, Confectionery and Organic & Health food.

However, there is substantial market potential in Russia, as visitors from other and neighboring countries also attend the fair. Several new contacts were made and new enquiries generated. There could be need for some product development in some cases to garner the market better.



9. Details of Buyers/visitors:

- (i) No of visitors / foreign buyers : 25
- (ii) Brief profile of visitors / buyers : Distributors, Consumers, Importers of food – Grocery vegetables & fruits, Frozen, Convenience food and ready meals, confectionary, canned food, Oil, fats and Sauces, Dairy products, Meat & Poultry, Drinks, Fish & Seafood, Fruits & vegetables, Tea & coffee and Organic & health food
- (iii) Visitors' feedback in brief : Evinced interest in the Indian products if they belong to the above categories.

10. Business generated :

- a. No of enquiries : 10
- b. No of MOU's negotiated / signed : N/A
- c. Orders booked / Leads generated - 10
- d. Total business generated : US\$ 20,000

11. Brief note on export potential of the country / product ( as per industry feedback ) :

**i. Issues with CIS countries:**

Re : Payment handling for Russian Business

The exporters, mostly from areas like Jodhpur, are being needlessly harassed over handling of the payment received from Russian customer by State Bank of India. These exporters have been exporting Guar Gum to Russia without any payment hassles till a month back when this problem has suddenly emerged through SBI.

The exporters' business was going on smoothly with regard to the part concerning receipt of payment in USD and exchanging it. During the last one month, the exporter has been facing a difficulty over exchanging the currency received towards payment of exports. Sir, the Banker, namely SBI, is delaying exchange of currency in the name of seeking some kind of approval from its headquarters in Mumbai.

We understand from the exporter that this approval is taking some three to five days or at times even longer, exposing the exporters to an unwarranted cash crunch situation. In the event of such harassment over dollar exchange, understandably the exporter is not able to use the money realized through hard work efficiently, and which is hindering the day to day running of the business.

Sir, the exporter have cited the concern as very serious, since they face this situation caused by the banker every time payment is received from the Russian buyers. We would therefore like to appeal to your office to help sort out the matter with SBI so that such delayed exchange payment hassles faced by exporters from SBI side could be averted in future.



The details of the receipts from Russia are attached herewith for your kind perusal. The exporters tell us that every time there is a need for exchanging USD remittances from their Russian customers, the concerned banker, State Bank of India, Bhagat Ki Kothi Branch, Jodhpur has asked them to give the “Russia” format each time the USD payments are received from Russia. And, it seems every time the banker has to take approval from SBI, Mumbai (Corporate Office). And the whole process, as mentioned earlier, takes 3-4 days or even longer for exchanging the funds.

Thus, needlessly exporters’ funds are held up, hampering operations of these Jodhpur-based agro-based export business of manufacturing.

ii. **Reasons for India’s low share:**

After observing the trade of CIS countries with India and other countries, we found the following reasons:

**1. Trade within CIS region is higher –**

CIS countries’ trade within region is higher. Russia, Kazakhstan and Ukraine are the top exporters in the region to other CIS countries. The trade within region is higher due to geographical proximity. Also, CIS countries have Free Trade Agreements (FTAs) with between themselves, this enables CIS countries to import from FTA member countries at concessional rate of duty as compared to India, as India does not have any FTA with any CIS country, as on date. This makes imports from India costlier than the imports from CIS member countries.

**2. Competition from developed countries like USA, France and China –**

India is facing very stiff competition from countries like USA, France and China. Top most importing country in the CIS region i.e. Russia is largely importing goods from USA, France and China. Other countries such as; Ukraine, Uzbekistan, Kazakhstan, Moldova, Armenia, Tajikistan and Turkmenistan also import from USA, France and China. As compared to India, China has geographical proximity to Russia which is the main importer in CIS region. This makes Chinese goods competitive in terms of logistical cost, as compared to India. France also gets zero/preferential duty market access in the CIS region as EU has FTAs with many CIS countries such as; Georgia, Ukraine and Moldova.

**3. Geographical condition of CIS countries –**

Many of the CIS countries such as Uzbekistan, Armenia, Turkmenistan, Kyrgyzstan, Tajikistan, Kazakhstan and Azerbaijan are land locked countries. This increases the logistical cost of the product, as cargo has to travel from different modes at the same time such as, Sea and Land. Also, cost of sending cargo by Air is higher than the cost of sending cargo by sea and road. In case of land route, many times cargo has to travel from other countries’ territory, this again is subject to compliance with other countries’ rules and regulation.

This all increases the logistical cost of exporting goods into CIS region and in turn makes Indian products un competitive in these markets.



### iii. Trade Barriers with CIS countries:

#### A. Non-Tariff Barriers -

India is facing various Non-Tariff Barriers such as Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT) in CIS countries. These barriers are as under:

1. Sanitary and Phytosanitary requirements for the importation of plant and animal related products. This increases the cost of documentation and also increases the lead time of exporting goods to CIS countries.
2. There is requirement of labeling as per laws of CIS countries on the packaged food products.
3. On agricultural products there is residue limit of pesticides set up by the CIS countries. If goods are found with excess limit of residue as mentioned in the laws of CIS countries, then such goods are not allowed entry in the CIS countries. Therefore, to reach up to the standards, post harvesting, it is important to do some treatment on the products such as washing, cleaning etc., which again increase the cost of the product.

#### iv. Support needed:

Following support is needed to increase our exports to CIS region.

#### 1. Inclusion of more SHEFEXIL products in the “Transport and Marketing Assistance” (TMA) scheme of Foreign Trade Policy (FTP):

∅ As mentioned above, there are geographical barriers which increase the logistical cost of exporting goods to CIS countries. Therefore, it is suggested to include more products in TMA scheme. TMA scheme provides assistance for the international component of freight and marketing of agricultural produce which is likely to mitigate disadvantage of higher cost of transportation of export of specified agricultural products due to trans-shipment and to promote brand recognition for Indian agricultural products in the specified overseas markets. At present following SHEFEXIL products are not included in TMA scheme (related notification is attached herewith for your ready reference):

**Table – 1**

Sr. No.	HS Code	Description
1	13012000	Gum Arabic
2	13019011	Asian gum
3	13019012	African gum
4	13019013	Asafoetida
5	13019014	Benjamin ras
6	13019015	Benjamin cowrie
7	13019016	Karaya gum(indian tragacanth) hastab
8	13019017	Tragacanth (adraganth)
9	13019018	Storax
10	13019019	Other natural gums
11	13019021	Copal



12	13019022	Dammar batu
13	13019029	Other resins
14	13019031	Myrrh
15	13019032	Oilbanum or frankincense
16	13019033	Mastic gum
17	13019034	Xanthium gum
18	13019039	Other gum resins
19	13021200	Saps & extracts of liquorice
20	13021300	Saps & extracts of hops
21	13021911	Extracts belladona
22	13021912	Extracts cascare sagra
23	13021913	Extracts nuxvomica
24	13021914	Ginseng extract including powder
25	13021915	Agarose
26	13021916	Extracts, neem
27	13021917	Gymnema extract,
28	13021918	Cambodge extract
29	13021919	Other extracts
30	13021930	Cnsl (cardanol) purified & distilled
31	13021990	Other sap/extracts,Derived from Vegetable Products
32	13022000	Pectic Subsncs Pectints & Pectats
33	13023100	Agar agar w/n modified
34	13023240	Kappa carrageenan
35	13023290	Othr mucilages thickenrs w/n modifd,derivd from locust beans or locust bean seed
36	13023900	Othr than mucilag & thickenrs whtr/notmodifd, derivd from vegtbl prdcts
37	14011000	Bamboos
38	14012000	Rattans
39	14019010	Canes
40	14019090	Othr vegtbl matrls othr thn canes exclbamboo & rtn
41	14042000	Cotton linters
42	14049010	Bidi wrapper leaves (tendu)
43	14049021	Soap nut powder
44	14049029	Other soap nuts
45	14049030	Hard seeds pips hulls & nuts usd for crvng
46	14049040	Betel leaves
47	14049050	Indian katha
48	14049060	Coconut shell , unworked
49	14049070	Rudraksha seed
50	14049090	Othr crude vegetable matrls, inedible, nes



Ø From the above list of products there are many products where there is a potential to grow our exports to CIS region. Details of these products along with trade data of CIS region and India are given in the below table.

**Table – 2 - Values in USD Million – Year 2018**

HS sub-heading (6 digit HS level)	Description	CIS - Import from World	CIs - Import from India	India's export to World
130190	Other than Gum Arabic: Natural gums, Resins, Gum Resins, Oleoresins, Other	25.620	20.22	69.003
130219	Vegetable saps and extracts: Other	42.471	1.938	283.916
130232	Mucilages and thickeners, whether or not modified, derived from locust beans, locust bean seeds or guar seeds:	38.963	31.612	704.572
140490	Other	6.567	0.530	31.306

Source: ITC Trade Map – <https://www.trademap.org>

Ø From the above table it is clear that, HS sub-headings 130190, 130219, 130232 and 140490 can be added in the TMA scheme to increase our exports of these products to CIS region.

## **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 Levies in addition to the extant Duty Drawback Scheme, through the Scheme for Rebate of State and Central Taxes & Levies (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 to CIS region.



### **iii. Issue of additional duties imposed by Russian Customs on Indian Guar Gum:**

Russian Customs Authorities are claiming that price quoted by Indian exporters of guar gum is low and they are imposing additional duties by way of VAT and other taxes which is inflating final import price of Indian guar gum in Russia.

Russian Customs Authorities are stating that, the declared price of the imported guar gum is very low as per their internal data base valuation of declared goods and treating the same as a case of under invoicing. Also, Russian Customs Authorities are claiming that, guar gum imported in Russia is totally different from the contracted guar gum or value added guar gum product in composition and hence, not pure, though having the same HS code.

Russian Customs corrects the price of guar gum till the highest price existing in their Customs data base, even though all necessary documents are provided to them. This is leading to the payment of taxes on high value of guar gum and not on actual value of shipment by Russian buyer.

Due to the above issue, Russian importers are not allowed to clear the consignment without payment of additional duties which is increasing dwell time and cost of import for Russian importers if they are importing guar gum from India.

We have already, communicated the above issue to the ministry vide our email dated 18.04.2018, copy of the email is attached herewith for your ready reference.

Also, recently, SHEFEXIL had participated in a trade fair named “World food Moscow 2019” held in Moscow, Russia, wherein while communicating with Russian buyers we came to know that Russian buyers are reluctant to buy guar gum from India due to imposition of additional duty by Russian Customs on Indian guar gum which is increasing cost of import for Russian buyers.

The above issue is very serious considering the objective of Indian Government to triple India’s exports from USD 331 billion to USD 1 trillion in next five years. India may lose guar gum market in Russia forever if the above issue is not given priority/importance.

Hence, it is earnestly requested to take up the matter with Russian delegation during the working group meeting.

- j.** Outcome analysis by Council / Trade Bodies (reflecting the achievement and trade benefits, failure etc.)
  - a. Guar Gum faces an uphill task to penetrate the Russian and CIS markets given the imposition of additional duties on Guar Gum ( mentioned above )
  - b. Market dynamics of Russia, CIS, European Union and neighboring countries studied, and potential of the market was assessed as being of high potential.
  - c. Need for product development to serve this growing market segment was felt by the Exporters.



#### **iv. Choice of a more appropriate exhibition in Russia for the future**

Agroprodmas, which is the appropriate exhibition in Russia Equipment, Technologies, Raw Materials and Ingredients for the Food Processing Industry would be a more appropriate event to participate in, in the future. This is better option as this fair is not only for end products for customers but also raw materials, intermediate products and ingredients.

- FACE-TO-FACE CONTACTS with leading international and Russian manufacturers and suppliers of equipment and ingredients
- THE BEST PLACE to show your new products and technologies to a wide international audience
- UNIQUE OPPORTUNITIES to attract new clients and network with partners
- THE BEST WAY to increase sales and open new markets
- NETWORKING with leading food technology experts
- OBJECTIVE ASSESSMENT of the Russian market of equipment and ingredients for the food processing industry
- NEW IDEAS for business development

The last edition of Agroprodmas had 24,000 visitors from Russia and 67 other countries, 860 plus exhibitors from 34 countries. ONLY HERE UNDER ONE ROOF there were Equipment, ingredients and end-to-end technological solutions for 30 sectors of the food and food processing industry.

- k.** Photos attached as evidence (SHEFEXIL Pavilion photo attached).