

Efforts to calm inflation disappoint Indian farmers

REUTERS, Mumbai

India's efforts to calm inflation by allowing easier imports and restricting exports of key foodstuffs are disappointing farmers who are keen to exploit global high prices and say structural reforms are the way ahead.

The cost of food for families in Asia's third-largest economy has soared 17 percent over the past year, data showed on Thursday showed, boosted most recently by gains in onions and other everyday vegetables as harvests are hit by unseasonal rains.

Worldwide, food prices are touching record highs and worries about damage from poor weather have led to warnings that costs could rise still further, with shortages of key staples such as rice and sugar already biting.

World food prices hit a record high in January, the U.N. Food and Agriculture Organisation's Food Price Index showed on Thursday.

India's coalition government of Prime Minister Manmohan Singh, under pressure after a series of corruption scandals and with an eye on state elections this year, slapped an export ban on onions and removed import duty to ease the pain for consumers.

In the past few years, the government has also scrapped import taxes on sugar and lentils, and lowered duties on edible oils.

At the same time, to augment supplies in the local market, it has banned exports of non-basmati rice or common rice, wheat and lentils. Exports of sugar, cotton, aromatic rice and edible oils also face restrictions.

That is bad news for farmers in India, one of the world's biggest producers and consumers of food, who argue that the problem is not shortages of production but poor infrastructure and profit-taking.



REUTERS

A labourer sifts wheat crop in a field on the outskirts of Ahmedabad. India's efforts to calm inflation by allowing easier imports and restricting exports of key foodstuffs are disappointing farmers who are keen to exploit global high prices.

"The government is over-concerned about middle-class consumers. It is abruptly changing trade policy of farm commodities, which is hurting farmers," Raju Shetty, a farmers' leader and member of parliament from the regional Swabhimani Paksha party, told Reuters.

Retailers agree that high prices in the market need a different approach to tame them.

"An inefficient supply chain is stoking food price inflation. Consumers are paying higher prices, but farmers are not benefiting from it," said Shirish Deshpande, vice-chairman of the consumer forum Mumbai Grahak Panchayat.

"The government should do more to check excessive profiting by middle men," he said.

Onion prices, for example, can triple in

the distribution chain from field to table.

Farmers are also angry that the government failed to support them when harvests were bad and is now interfering to keep prices low for consumers.

"The government is not giving us compensation for crop damage. Then it should allow prices to rise so we can recover some of the losses caused by last season's crop loss," said Sakahari, a 65-year-old onion farmer from Nashik, the biggest onion producing belt in the country in Maharashtra.

The Indian Sugar Mills Association (ISMA) has called on the government to allow 500,000 tonnes of unrestricted exports, to take advantage of high international prices.

ISMA's move echoes demands by sugar millers like Shree Renuka Sugars,

Balrampur Chini, Bajaj Hindusthan and Triveni Engineering & Industries. They are struggling to pay farmers higher prices for cane due to lower sugar prices in the local market.

Sugar prices in India are hovering around \$595 per tonne compared to levels around \$845 for London futures.

Farmers in western Maharashtra state, the biggest producer of sugar, last October burned trucks and attacked sugar mills in protests demanding a higher price for their sugar cane.

Like sugar, farmers groups have also been demanding an increase in export quotas for cotton, which it set at 5.5 million bales for 2010/11 season that began on Oct. 1.

"Indian cotton is cheaper by around a quarter if we compare it with international prices. The government should allow exports of surplus output," said Vijay Jawandhia, a farmers' leader, who organised a protest rally in Nagpur, Maharashtra, in January.

Wheat and rice exporters are also seeking concessions on the exports front as government-owned granaries are spilling over.

On Jan. 1, India's wheat stocks stood at 21.5 million tonnes against a target of 8.2 million tonnes. The rice inventory was 25.6 million tonnes versus a target of 11.8 million tonnes.

The government, with an eye on a rising budget deficit, is anxious to ensure stocks of such basic foodstuffs after a drought in 2009 forced it onto the global market to buy sugar at high prices.

"The government should find out other ways to minimise the pinch of higher food prices. Banning exports and allowing duty-free imports is not a solution. It will not help in the longer term in raising local production," said a senior official at a multi-national grains trader.

iPhone orders halted after record sales

REUTERS, New York

Verizon Wireless ended online sales of Apple Inc's iPhone on Thursday evening, after beating its previous launch-day phone sales record in just two hours.

But Verizon shares fell almost 1 percent as analysts cautioned that the new phone would hurt profits at the No. 1 US mobile operator, whose shares had risen 13 percent since November in anticipation of the device.

Verizon said it ceased iPhone sales at 8:10 p.m. EST on Thursday after inventory it had set aside for existing customers ran out. It had starting taking pre-orders for the device at 3 a.m. that morning and broke its record for a first-day launch in two hours.

The company said by the way that after the initial spike in demand it had a steady stream of orders throughout the day. It was balanced throughout the country.

Verizon Wireless Chief Executive Dan Mead said in a statement that it was the company's most successful launch ever.

Verizon's launch of iPhone ended AT&T Inc's more than three years' of exclusive US rights to the phone.

Nomura analyst Mike McCormack said Verizon Wireless could sell more than 12 million iPhones this year, giving it a "meaningful share" of subscriber additions.

But McCormack said iPhone would weigh on Verizon's profit margin as it comes with hefty subsidy costs and that the margin pressure was unlikely to ease after the initial burst of sales of the device as some investors hope.

"While such a scenario is possible, we grow increasingly skeptical that such an outcome is likely, and note that it certainly never proved to be the case at AT&T," he said.

Verizon Wireless, a venture of Verizon Communications Inc and Vodafone Group Plc, plans to release the iPhone for general availability in its stores February 10.

Verizon shares were down 33 cents, or 0.9 percent, at \$36.07 on New York Stock Exchange, where AT&T shares were down 8 cents, or 0.3 percent, at \$27.91. Apple shares were up \$1.71, or 0.5 percent, at \$345.16.

India settles oil dispute with Iran

REUTERS, New Delhi

India has resolved a payments dispute with Iran over their multi-billion dollar oil business, an oil ministry source said, with New Delhi certifying each deal to try to ensure funds do not go to Iran's nuclear programme.

With imports of 400,000 barrels per day (bpd) -- 12 percent of daily needs -- at stake, India has softened its stance and allowed its largest lender State Bank of India (SBI) to deal with the US sanction-hit European-Iranian Trade Bank AG (EITB).

The Reserve Bank of India (RBI) said in December payments to Iran could no longer be settled using a clearing system run by regional central banks, winning praise from Washington which said the move would cut funds it claims go to Iran's nuclear projects.

The new mechanism is largely along lines suggested by Iran in January.

But instead of Indian companies opening an account with Tehran-owned EITB Bank in Hamburg, it will see the SBI organising the payments in euros.

The source said the Indian government will certify every transaction as a bona fide payment towards import of oil from Iran and vouch that the money is not being used by Tehran to boost its nuclear programme.

The US Treasury Department in September sanctioned EITB Bank for facilitating billions of dollars of transactions with Iranian banks that the United States and European Union have black-listed for aiding Iran's nuclear or missile programs.

"SBI has got (assurance) from the highest levels of the government to deal with EITB. There is a backlog of around \$2 billion in payments," the source said, adding SBI had been asked to start using the mechanism immediately.

Investors looking beyond Egypt

REUTERS, London

Financial market wobbles caused by turmoil in the Middle East have done little to stop investors positioning themselves for a further rally in stocks and other riskier assets as economic growth accelerates around the world.

In fact, rising oil and food prices -- the former exacerbated by the unrest in Egypt and Tunisia -- are reminding investors of growing inflation risks, which also reinforce the case to buy equities, commodities and other risky assets rather than bonds and money market instruments.

World stocks measured by MSCI erased early losses last week to hit 29-month highs. The benchmark index has risen 3.4 percent since the start of the year and is on track to post its biggest weekly gain in two months.

Rising energy and food prices have pushed up global inflation in recent months. Since global economic growth has simultaneously picked up, there is a growing risk that this price increase is not just a temporary phenomenon,

said Philipp Baertschi, chairman of the investment committee.

China not currency manipulator: US

AP, Washington

The Obama administration on Friday declined to cite China for manipulating its currency to gain trade advantages against the United States.

The Treasury Department noted that China last June said it would begin allowing its currency to rise against the dollar. The agency said the pace of revaluation has been too slow since and more rapid appreciation is needed.

Treasury's finding came in a report it must submit to Congress every six months determining whether other countries are manipulating their currencies. American manufacturers have been pushing for China to be cited. That could result in penalty tariffs being imposed on Chinese imports.

There was no immediate response from the Chinese government. Calls to the central bank and foreign ministry went unanswered Saturday morning.

In refusing to cite China, Treasury said Chinese President Hu Jintao had assured President Barack Obama during a visit to Washington last month that China would intensify its efforts to "further enhance exchange rate stability."

Treasury said that the pace of revaluation had accelerated in recent months and the movement was being aided by different rates of inflation in the two countries. The report said that the Chinese currency, the renminbi, had risen in value by 3.7 percent against the dollar since China announced in June that it would resume allowing the currency to appreciate.

But because inflation in China is much higher currently than it is in the United States, the Chinese currency has risen on an inflation-adjusted basis at an annual rate of about 10 percent, Treasury said in its new report.

But Treasury still said that China's currency movement "thus far is insufficient and that more rapid progress is needed. Treasury will continue to closely monitor the pace of appreciation."

Lawmakers on Capitol Hill have been critical of China's currency policies. Last September, the House passed legislation that would give the administration more power to impose economic sanctions on countries deemed to be manipulating their currencies to gain trade advantages.

The Senate did not take up the legislation. But lawmakers critical of China's trade practices have vowed to renew their efforts this year.

"It's plain as the nose on your face that China manipulates its currency," Sen. Charles Schumer, D-N.Y., said Friday in criticizing the administration's failure to cite China. "It's just as plain that the only way to address this problem is for Congress to act."

Sen. Sherrod Brown, D-Ohio, said the administration's inaction underscored the need for a tougher approach that would be embodied in bipartisan cur-



AFF

A bank advertising yuan deposits on a tram in Hong Kong.

rency legislation he is sponsoring with Sen. Olympia Snowe, R-Maine.

"American manufacturers and workers struggling to compete against unfairly subsidized imports can't afford to wait any longer for action," Brown said. "Congress must act this year to pass legislation addressing currency manipulation to level the playing field and help get our economy back on track."

Rep. Sander Levin, top Democrat on the Ways and Means Committee, also expressed disappointment in the administration's decision. He said he would reintroduce next week the currency bill that passed the House last September and expected it to attract strong bipartisan support.

American manufacturers contend that China's currency is undervalued by as much as 40 percent against the dollar. That makes Chinese goods cheaper for US consumers and American products more expensive in China.

Critics blame China's currency policies and other trade practices they see as unfair for the loss of millions of US manufacturing jobs.

The US deficit with China, the largest with any country, is on track to set an all-time annual high for 2010. Through November, the deficit with China was running at an annual rate of \$275.3 billion, which would exceed the previous record of \$268 billion set in 2008.

A child looks at a rice pot at the Divisoria market in Manila on Friday. A third of Philippine school children are stunted because poverty has forced them to eat too little food for years. The latest data showed that 33.1 percent of 100,000 students surveyed across the country suffered from chronic malnutrition.

