

# Bangalore leather goes rotten

SADANANDA MOHAPATRA

Bangalore—Bangalore raw leather suppliers are incurring losses because of the decision of leather product manufacturers to import raw leather from abroad. The Indian leather product export/manufacturing market is suffering because of rupee appreciation. In its October 20-Nov 4 issue, the Business Today magazine reported that in a fear of losing contracts Indian leather product makers decided to import raw leather from Australia and South America.

Chief Operating Officer of Stanley Leathers, K.C. Girish said, "Indian leather is not of good quality and, moreover, the foreign raw leather suppliers use leathers of antelope like huge animals. So we get large sheets of leather." He further added: "In terms of leather processing they are outstanding. And India, especially Bangalore market does not have an inventory of raw materials like in abroad."

Mr. Kumar, sales manager of Ovion Styles, leather garment maker company in Sampingaramanagara, said, "There are barely 10-15 tanneries here in Bangalore. They provide only leather of sheep, goat, which falls short for even making car seat cover. And for making footwear, bags Indian leather is

not up to mark."

Complaining about the crumbling industry in Bangalore he said, "In terms of finishing, the

because they might not come again. So they leave extra pieces of leather behind their shops to perish, they said. He opined that

usually they see an increase in demand (of raw leather) during winters. This winter, however, they are feeling the heat of rupee appreciation, since a reduction in demand has happened.

The dealer also informed that there used

to be more than 250 raw leather shops in Bangalore few years ago. But the market condition in Bangalore compelled them to shutter down their shops. And now there are some 30-odd shops in that area (Bansavdi) which may reduce because of this depression in demand.

"The advantage of buying raw leather from South American countries and Australia is that they have huge land, good environment condition to grow their animals properly", said Girish.

"Since their production is high and demand is not up to the mark, their leather is cheaper rather than Indian ones, even after adding transportation cost," he added



Indian cows' leather falls below world standard

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factories in Tamilnadu maintain some kind of standards. But in Bangalore we can't even think of that."

"We have been importing finished leather from Italy, Scotland since we have started our business," said Girish. "One of the advantages of importing finished leather is it's free of (custom) duties. However we use this for car seats. But makers of footwear, bags have to buy raw leather to get them in cheap."

Md Akbar, one of the raw leather sellers in Tannery Road, Bansavdi Area, said, "A reduction in demand for last 3-4 months is happening." He also said that they couldn't tell their suppliers to reduce their supply suddenly

# No signals for take-off

J JAGANNATH

Bangalore—A policy of the Ministry of Civil Aviation is eating into the bottom line of Indian engineering companies, which provide services for aviation. One of the policies of the ministry is such that Indian airlines have been using foreign-based engineering companies for their engineering needs because import of engineering services for aviation is now free of customs duty.

Though the same work can be carried out in India, it attracts a 10.25% service tax and 1.5% value added tax (VAT). "This surely is an archaic policy and, moreover, this policy was formulated before the advent of the low cost carriers (LCCs)," said Prabhakaran, HR

that Indian companies save money because of the proximity and hence, these taxes."



Yet to take-off

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Raghu, an accountant of Bhavani Industries, a supplier and producer of aero engines and aircraft components said that the policy is "self-defeating". "Now that foreign airlines are outsourcing engineering services to India we hope that this age old policy is reverted," he added.

Hemant, Assistant Production Manager of Shakambari Industries, a manufacturer and supplier of aircraft components, aerospace components, echoed the sentiments of Raghu.

He said, "Apart from tax on engineering services, now even a customs duty has been imposed on some spare parts (imported by) for Indian engineering companies."

K.G. Gopalkrishnan, proprietor of Agni Aviation, sums up the hope of these engineering companies for near future, "I hope Praful Patel acts on this issue soon." It is to see what comes out of this demands.

"This (tax on Indian engineering companies) is a self-defeating policy," says Raghu of Bhavani industries.

head of National Aerospace Laboratories (NAL). He further added; "The rationale behind this policy is that it came into being during the year 2000 when the LCC phenomenon was still non-existent.

The Ministry was of the opinion

# Ooty Tea gets more than a dash of Assam

NIKHIL K VARGHESE

Bangalore—INDCOSERVE, the tea manufacturing wing of the Tamilnadu government owned TANTEA has floated a tender for 700 tonne of North Indian teas, mainly from the Kolkata, Siliguri and Guwahati auctions.

INDCOSERVE was set up to purchase tea directly from the small tea growers from Coonoor, Ooty and Coimbatore; they also started their own

auction center as they felt the realization of their teas was very poor. Its product "OOTY TEA" is distributed through Public Distribution System (PDS) while its premium brand "OOTY GOLD" is marketed through franchises.

Jacob Mathew, Manager Uralikal Estate, TATA COFFEE, says that while launching the brand, INDCOSERVE started operating in the auctions as a buyer so that it had access to a range of teas from the South Indian (SI) auctions; as a result the product is blend of many teas.

"OOTY TEA" uses a major component of Teas from Assam (60%) and the balance are teas

from the (SI) auctions which also includes some of its own factories" says Mr Mathew.

Teas from the south are blended with teas from Assam as these teas have a better body and thick

liquoring characteristics which the

South Indian teas do not have, though the South

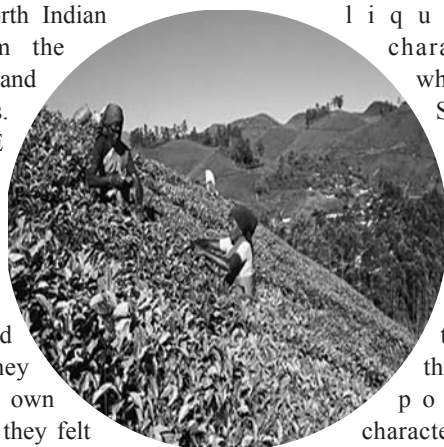
Indian teas have their own positive characteristics of

flavor and briskness said Mr Mathew while explaining the need to import tea from Assam.

INDCOSERVE has registered a turnover volume of over 285 tonne a month, the rising demand as well as the drop in production in the south may have prompted them to increase the supply from the north to ensure a continuous supply.

INDCOSERVE's main markets are Tamil Nadu, Andhra Pradesh and Kerala.

India's has a significant share in producing tea in the global market. The north-east states and in south Karnataka, Tamilnadu and Kerala produce tea.



## OPINION

### U.S subsidies mars third-world market

NIKHIL K VARGHESE

Bureau—The World Trade Organisation defines a subsidy as a financial contribution by a government or any public body, which confers a benefit. In the case of agriculture, this benefit is supposed to help farmers. Subsidies are often used to protect farmers from rising prices, falling demand and the general market forces that decide whether the farmer gets to eat his next meal or not.

Trade today is a very sensitive subject, the main grouse against the WTO, regarding agriculture, is the application of a common yardstick when dealing with developed and developing countries alike.

By using subsidies, governments shield their farmers from losses, this makes sense if a sizable amount of

people depend on agriculture however in the U.S and Europe the majority of farm land is owned by large conglomerates, now this means that huge multinationals enjoy the protection of the government against market forces. For eg, the majority (78%) of US cotton subsidies benefit the largest 10% of cotton producers. Loopholes in the subsidy rules allow industrial-sized farms to collect payments in excess of \$1 million, while domestic markets of developing economies are destroyed by low commodity prices caused by the dumping of agricultural products.

Between 2001 and 2003 Oxfam estimates that U.S dumping caused losses of almost 400 million dollars

for poor African cotton-producing countries, where more than 10 million people depend directly on the crop. A typical small-scale West African cotton producer makes less than \$400 a year on his crop. Two million cotton farmers in Mali were recently pressured to accept a further price drop of 25%—many of them will not now be able to cover their production costs.

Celine Charveriat, spokeswoman for Oxfam's Make Trade Fair campaign says that this case raises deep questions about the entire US subsidy system. "US subsidies have distorted global markets and promoted environmental damage", she said.

India is also affected by the unfair trade practices of the developed countries, since 1995 over 25000 cases of farmer suicides have been reported, this can be attributed to the withdrawal of Quantitative restrictions that caused a surge in imports. The direct cause of domestic market prices taking a beating.

A member of the WTO may impose trade barriers on an import only if they can prove the injury to the domestic industry, however in the case of the African cotton farmers, the U.S gave into to global pressure only in 2006, five whole years after the problem was brought to the international forum. The current negotiations at the WTO recorded the need to have to different scales for different economies whether the new rounds will make a difference is yet to be seen.



Long way to go, tough path

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