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Agricultural Situation

Weekly Highlights & Hot Bites, #10

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Report Highlights:

***GEAC again rejects CSB imports*, *India signs preferential trade pact with Afghanistan*, *Bioengineered crop and food policy reviewed*, *Greenpeace, government enmeshed in Bt cotton issue*, *Oil prices surge on levy of excise duty*, *Edible oil imports dip further in February*, *Freeze msp of wheat and rice - economic survey*, *Investment in agriculture up*, *Iran interested in Indian rice*.**

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1], IN

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

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GEAC AGAIN REJECTS CSB IMPORTS

Meeting for the first time under the chairmanship of Ms. Sushama Choudhary, the Genetic Engineering Approval Committee (GEAC) on March 6 reportedly saw no need to revise an earlier decision denying permission for CARE-India and Catholic Relief Services (CRS) to import genetically modified corn-soya blend (CSB). CSB had been a staple food being distributed amongst the poor of India by these relief organizations. The GEAC stated that, since CARE-India and CRS were "not willing to certify that the said consignment [of CSB] would not contain any traces of Starlink corn or any other GM traces hazardous to human health," they were unable to permit such imports (Source: Financial Express 03/07/03)

Note: To date, there has been no official word from the GEAC to CARE or CRS.

INDIA SIGNS PREFERENTIAL TRADE PACT WITH AFGHANISTAN

India and Afghanistan inked a preferential trade agreement (PTA) to boost two way trade on Thursday, March 6, 2003, during Afghanistan President Hamid Karzai's visit to India. The PTA covers import of dry fruits (including almonds) and other commodities into India. (Source: Financial Express 03/07/03)

Post Comments: Details of the commodities covered under the PTA are not yet public. Post is trying to obtain a copy of the PTA from the relevant authorities. Local trade sources have voiced concerns that the PTA may affect imports of US almonds. Import prospects of dry fruits like Californian raisins and pistachios may also be adversely affected by the Indo-Afghan PTA.

BIOENGINEERED CROP AND FOOD POLICY REVIEWED

An inter-ministerial meeting was held on February 26, 2003, to review the adequacy of existing Government of India (GOI) regulations with respect to bioengineered crops and foods, and risk assessment, and management. The group deliberated on:

- * the relative responsibility and inter-sectoral coordination between the various ministries, departments and agencies involved in the evaluation of GMOs and issues related to labeling
- * a mechanism for certification of bioengineered products both for export and import, and the marketing of transgenic seeds
- * a mechanism to enhance public consultation and consumer awareness.

* the introduction of more transparency in the evaluation of biosafety assessments, and the monitoring of bioengineered organisms.

The inter-ministerial group also discussed the need for capacity building and strengthening of the institutions and agencies for undertaking detection of GM ingredients in the consignments and mechanisms for testing. (Source: Business Standard 03/04/03)

GREENPEACE, GOVERNMENT ENMESHED IN BT COTTON ISSUE

According to Greenpeace, which is holding farmer-awareness workshops in association with a youth organization in the Warangal district of Andhra Pradesh state, the state Ag. Minister declared that Bt cotton farmers in the state did not experience positive results. Per a press release issued on March 5th, 2003, Green Peace stated that the agricultural officers in Warangal have also confirmed that Bt cotton had been a near complete failure. Earlier this year, the same activists questioned the official assessment made by the Minister for Environment and Forests that farmers had positive experiences with Bt cotton. (Source: Economic Times 03/06/03)

OIL PRICES SURGE ON LEVY OF EXCISE DUTY

Prices of edible oils shot up on local markets following the imposition of excise duty on edible oils by the government in the recently announced budget. Besides the levy of the excise duty on packaged and branded edible oils and vanaspati, the traders attribute the recent price increase to the fresh enquiries from the millers and retailers. Compared to the previous day, the peanut and rapeseed oil prices on March 5th, 2003, went up by a whopping \$ 21 per ton quoted at \$1179 and \$874 per ton, respectively. Meanwhile, upset with imposition of the excise duty, senior industry representatives at a meeting held recently decided to oppose it tooth and nail. Industry sources also mentioned that attempts are being made by them to reduce the burden of the excise duty on consumers. (Source: Business Standard 03/05/03, Business Line 03/05/03)

EDIBLE OIL IMPORTS DIP FURTHER IN FEBRUARY

According to a vegetable oil industry portal, arrivals during February had declined to a low of 206,000 tons against an estimated 288,000 tons imported during last month. Per the break up of shipments provided by the portal, crude palm and products constituted a share of 79 percent of the total followed by crude degummed soybean oil and crude rapeseed oil shipments constituting 17 percent and 3 percent, respectively. Soybean oil imports have begun to shrink due to the high import tariff value. Pipeline stocks of total imports are also said to be low, at less than 200,000 tons. Lower domestic production, higher international prices and low import volumes in recent months have kept the domestic vegetable oil market firm. Firm prices according the trade sources have led to sluggish offtake in the domestic market (Source: Business Line, 03/05/03)

FREEZE MSP OF WHEAT AND RICE - ECONOMIC SURVEY

The Pre-Budget Economic Survey prepared by the Ministry of Finance has suggested freezing the

minimum support price (MSP) of wheat and rice at the current level, until it becomes equal to the C-2 cost of production (which includes all production expenses in cash and kind incurred by the farmer on his own land + rent paid for leased land + imputed value of family labor + interest on value of owned capital assets, excluding land + rental value of owned land). The weighted average of the C-2 costs for eight major wheat growing states currently is rs. 4,830 (\$100) per metric ton, against the support price of rs. 6,200 (\$131.3) per ton for the 2002 crop. The Economic Survey observes "The policy of providing price support by raising the MSP continuously, though making the terms of trade for agriculture favorable, has not only distorted domestic market prices but also eroded our export competitiveness." The Survey recommends strong corrective steps aligning the minimum support price with the cost of production. The full Economic Survey report is available at: <http://indiabudget.nic.in/es2002-03/esmain.htm>. (Source: Business Line, 03/28/03)

INVESTMENT IN AGRICULTURE UP

Government estimates show that Indian FY 2001/02 was a turning point in public investment in agriculture when it increased to rs. 47.95 billion (\$1 billion) from rs. 39.19 billion in 2000/01. Nevertheless, investment in agriculture as a percentage of GDP was a mere 1.3 percent in 2001/02, unchanged from the previous year. Commercial banks' lending to the agriculture sector increased by almost rs.100 billion in 2001/02 to rs. 412.17 billion, but as a percentage of their total lending remained unchanged at 50 percent. (Source: Economic Times, 02/28/03)

IRAN INTERESTED IN INDIAN RICE

Prime Minister Vajpayee, while inaugurating the 45th foundation day of the Central Warehousing Corporation, mentioned that Iran is interested in importing rice from India, and the Iranian President, Mr. Mohammed Khatami, had made inquiries about this during his recent visit to India. The Prime Minister stated that India has surplus stocks and was exporting foodgrains to 50 countries. The storage of the mounting foodgrain stocks is becoming a stupendous task and the government has decided to expand storage capacity, he added. (Source: Business Line, 03/04/03)

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