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## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, #6

2004

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**Report Highlights:**

\*Profits still elude food industry\*, \*India hits back with stringent food laws\*, \*US seeks enhanced trade as India raises BPO issue\*, \*India unlikely to have spare wheat for exports\*, \*Bangladesh: Poultry Industry - No Bird Flu found yet, scare wrecks havoc\*.

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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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### **PROFITS STILL ELUDE FOOD INDUSTRY**

An updated McKinsey study reports that, even as the Indian food industry is undergoing a gradual shift towards increased processing and value addition, it is mired in low profitability. Although many companies have entered the food processing industry in the past few years, few have turned into larger businesses. Dairy and poultry companies show after tax profit margins of less than 5 percent. Outlining the key constraints to profitability of processed food companies, the report says these range from high taxes on processed items, high import duties on equipment, minimum support prices that prevent cost reduction in sourcing of inputs, and the nascent state of contract farming in the country. (Source: Business Standard 2/16/04)

### **INDIA HITS BACK WITH STRINGENT FOOD LAWS**

According to a recent article, the Indian government, reacting to the continued rejection of its food consignments by the European Union and the United States on grounds of sanitary and phytosanitary (SPS) measures, has begun the process of putting in place stringent laws to regulate imports of sub-standard products. The new Plant Quarantine (Regulation of Import into India) Order, 2003, became effective on January 1 this year. The domestic food industry is largely of the view that regulations in the country should be strengthened to facilitate upgrading and implementing of food safety standards. India should also develop expertise to challenge any SPS norms being used on flimsy grounds by the developed countries to check imports from the developing world. (Source: Financial Express, 02/16/04)

*Post Comment:* New Indian import procedures have disrupted US exports of dried fruits and nuts, particularly almonds which are valued at \$77 million annually. Disruptions to exports of other agricultural products to India may also occur. Contrary to the WTO SPS Agreement, the new measures were implemented without being properly notified to the WTO.

### **US SEEKS ENHANCED TRADE AS INDIA RAISES BPO ISSUE**

India has voiced its concerns over the backlash in the US on the issue of business process outsourcing (BPO) even as it reiterated its readiness to engage constructively with countries such as the US for bringing the failed WTO trade talks back on track. "It is strange that on the one hand people are talking about opening of markets, and on the other hand banning BPO. Our agriculture is fragile as it is not subsidized like in the US," Mr. Arun Jaitley, Indian Commerce Minister said after his meeting with the United States Trade Representative (USTR). In his meeting with USTR Zoellick, he also raised the issue of recent anti-dumping investigations by the US on Indian shrimps. He also flagged the issue of agriculture and its sensitivities for India, as a large part of the Indian population is dependent on it. (Source: Business Line, 02/17/04)

**INDIA UNLIKELY TO HAVE SPARE WHEAT FOR EXPORTS**

India may have little wheat to spare for foreign consumers, as domestic demand is expected to match the bumper 76 million tons wheat crop this year. Therefore, though the government has announced a new policy to export foodgrain, there is little likelihood of enough surplus available to justify an export subsidy. (Source: Economic Times, 02/18/04)

*Post Comments:* Please see 2004 India Grain & Feed Annual Report (IN4014).

**BANGLADESH: POULTRY INDUSTRY - NO BIRD FLU FOUND YET, SCARE WRECKS HAVOC**

Bangladesh is still free from bird flu, but a virtual consumer boycott of chicken has pushed the local poultry industry to the verge of collapse. In the last two weeks, chicken consumption in Bangladesh has come down to about one-third of the normal level resulting in a drastic price fall and huge losses to the broiler farmers and hatchery owners. (Source: The Daily Star, 02/15/04)

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REPORT #	SUBJECT	DATE SUBMITTED
IN4013	Weekly Highlights & Hot Bites, #5	02/13/04
IN4014	Grain & Feed Annual Report	02/20/04

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