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## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, # 18

2004

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**Report Highlights:**

\*WTO consistent grain export subsidy unlikely\*, \*Handle with care - Have a public debate on GM crops\*, \*Swami's far-fetched dreams of autonomous regulator\*, \*India fifth among 30 emerging global retail markets\*, \*Retail industry sector may be split for FDI inflow\*.

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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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### **WTO CONSISTENT GRAIN EXPORT SUBSIDY UNLIKELY**

According to trade sources, large-scale direct procurement of grain for exports by private trade is unlikely as the government is not expected to announce to the WTO-compatible grain export subsidy before June. By that time, the Food Corporation of India and other government procurement agencies would have procured most of the marketable surplus. There are indications that private traders have kept a low profile in wheat procurement, as out of the total wheat arrivals of 14.5 million tons through April, the private trade purchased only 732,000 tons. This is despite the fact that major wheat surplus states of Punjab and Haryana exempted the private trade from all state levies, excluding the 2.5 percent commission to the *arthiyas* (commission agents), while government agencies continue to pay all the state levies and commission, totaling 11.5 percent. (Source: Financial Express, 05/10/04)

### **HANDLE WITH CARE – HAVE A PUBLIC DEBATE ON GM CROPS**

Commenting on the recommendations of the MS Swaminathan Panel on Agriculture Biotechnology for the formation of an autonomous single window facility for clearance of genetically engineered crops, a leading financial daily editorial said that it would lead to simplification of procedures and a transparent system for the approval or rejection of GM crops in India. The report criticized the present regulatory system as completely ad hoc and its case-by-case basis approval shrouded in mystery. Hence, the autonomous body would definitely be a superior arrangement to the existing system as it would leave such critical decision making power to an expert body than to a bunch of poorly informed bureaucrats, so said the editorial. (Source: Economic Times 5/10/04)

### **SWAMI'S FAR-FETCHED DREAMS OF AUTONOMOUS REGULATOR**

A key concept of an autonomous regulatory body for approving agricultural bioengineered products, as proposed in the recent Swaminathan Panel report, appears more ideal than feasible. The editorial continues, that vital issues relating to transgenic crop technology require in-depth analysis. The suggestion of a single window approval system doing the job does not appear to be logical. Though countries like Thailand and Australia appear to have such a system, the regulatory power is shared by a number of government entities. The article was also critical of vesting the India Council of Agricultural Research, which is part of the Ministry of Agriculture, with the final authority to approve a bioengineered product for commercial release. The author cited a conflict of interest, as the ICAR will also be a likely applicant for approval of its pipeline products.

### **INDIA FIFTH AMONG 30 EMERGING GLOBAL RETAIL MARKETS**

India now ranks fifth amongst 30 emerging retail markets in developing countries, and moving fast to emerge as world's major investor destination in the retail sector. The organized retail sector is estimated to grow from the current 2 percent to 20 percent of the total retail industry by the end of the decade. About 25 million square feet of organized

retail space will be coming up across the country by 2005. These are the findings of a survey conducted by one of the international property consultancies operating in India. The study claims that the organized retail sector is growing at 8.5 percent annually, estimated at rs. 195 billion ((\$4.3 billion) in 2002/03. Consumer spending has increased at an average annual growth of 11.5 percent. (Source: Tribune 5/7/04)

#### **RETAIL INDUSTRY SECTOR MAY BE SPLIT FOR FDI INFLOW**

The government is planning to carve out a new sector "organized retail business", where foreign direct investment (FDI) can be allowed. This will ensure that foreign companies do not drive the neighborhood stores out of business. The government will establish a threshold level for minimum investment and a scale of operation for potential investors in the organized retail business. Despite the ban on foreign investment in retailing, companies like Marks & Spencer, McDonald, and Subway are already present in India through the franchisee route. This has forced the government to look at the issue of FDI in the retail sector. Some ministries are pushing for allowing up to 26 percent FDI in certain retail activities, while insisting on complete management and control with an Indian partner. (Source: Business Standard 5/11/04)

*Post Comments:* The newly elected government is likely to reverse the policy moves of the previous government with regard to liberalizing FDI in retail sector.

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IN4045	Coffee & Products Annual	05/12/04
IN4046	Oilseeds & Products Annual	05/14/04
IN4047	Cotton & Products Annual	05/14/04
BG4004	Bangladesh – Cotton & Products Annual	05/14/04

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