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## India

### Agricultural Situation

### Weekly Highlights and Hot Bites, #34

2004

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**Report Highlights:**

\*India's new foreign trade policy - agricultural highlights\*, \*Plan for integrated food law turns stale\*, \*Cotton mills seek ICA arbitration for imports\*, \*Government's failure to revise oil import tariff evokes speculation\*, \*New GM crops policy\*, \*Protocol to implement the early harvest scheme under India-Thailand FTA framework agreement signed\*, \*Food law under preparation\*.

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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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### INDIA'S NEW FOREIGN TRADE POLICY – AGRICULTURAL HIGHLIGHTS

Commerce Minister Kamal Nath unveiled India's **Foreign Trade Policy 2004 –2009** on August 31. There is a special focus initiative for agricultural exports, which includes:

- A new scheme called **Vishesh Krishi Upaj Yojana** to boost exports of fruits, vegetables, flowers, minor forest produce and their value added products. Under this scheme, exports of these products will qualify for duty free credit entitlement equivalent to five percent of FOB value of exports, which is freely transferable and can be used to import a variety of inputs and capital goods (specifics to be notified later).
- **"Served from India Scheme"**, under which Star hotels approved by the Department of Tourism will be entitled for a nontransferable duty credit equivalent of 5 percent of foreign exchange earned by them in the previous financial year (20 percent in case of stand alone hotels), which may be used to import food items and alcoholic beverages, as well as capital goods, etc.
- Imports of seeds, bulbs, tubers, and planting material are liberalized to help modernize and improve breeds and yields. Exports of plant portions, derivatives, and extracts are also liberalized to promote export of medicinal plants and herbal products.

(Source: Foreign Trade Policy, 2004- 2009, Director General of Foreign Trade, Ministry of Commerce. For details please see: <http://164.100.9.245/exim/2000/policy/contents.htm> and <http://164.100.9.245/exim/2000/procedures/bcontent.html>)

*Post Comment:* The Foreign Trade Policy, 2004–2009 is mainly focused on expanding Indian exports, both agricultural and non-agricultural. Nevertheless, there apparently is a small window of opportunity for increased market access for agricultural and processed food products into India at zero duty under the **Vishesh Krishi Upaj Yojana** and **Served from India Scheme**. Further details regarding products and procedures are pending announcement by the government.

### PLAN FOR INTEGRATED FOOD LAW TURNS STALE

More than three months after the United Progressive Alliance (UPA) took the reins of government, the Integrated Food Law, conceived as a radical omnibus legislation that would provide a single window to guide units in marketing, processing, handling, transportation, and sale of foods, is yet to make headway. The relevant Group of Ministers (GoM) is yet to hold a meeting despite repeated announcements from the Minister for Food Processing. The GoM was set up in April 2002 to steamroll the multiplicity of food laws under various Ministries into a single, easily implementable legislation. The proposed Integrated Food Processing legislation covers enforcement of quality standards and lays down ground rules for keeping the food-processing sector informed about government policy changes and responses on strategic issues such as genetically modified foods and irradiation of foods. It

also suggests a single reference point for standards, regulations, and enforcement agencies. (Source: Economic Times, 08/31/04)

### **COTTON MILLS SEEK ICA ARBITRATION FOR IMPORTS**

The Indian Cotton Mills Federation requested the government, as a provision in the National Foreign Trade Policy, to stipulate arbitration by Indian Council of Arbitration (ICA) as a mandatory condition to import cotton. Mills importing cotton are reportedly facing problems as overseas traders refuse to incorporate detailed specifications in contracts and insist on arbitration by the Liverpool Cotton Association (LCA). The local importers allege that LCA, a body of traders, is heavily biased towards cotton suppliers. Moreover, the arbitration fee under LCA is very high for nonmembers. While most cotton traders are members of LCA, Indian cotton millers who import less than 10 percent of their requirement find it extremely expensive to become a member of LCA. (Source: Business Line, 8/30/04)

### **GOVERNMENT'S FAILURE TO REVISE OIL IMPORT TARIFF EVOKES SPECULATION**

The landed costs for various edible oils have declined with the recent fall in international prices. Consequently, landed costs are 10-25 percent less than current reference prices. The import duty is applied to the reference price. The current reference prices and landed costs (the latter according to trade sources) for some edible oils, follow:

| Edible Oil        | Landed Cost as on<br>August 10, 2004 (\$/ton) | Current Reference Price<br>(\$/ton) | % difference |
|-------------------|---|-------------------------------------|--------------|
| Crude Palm Oil    | 407   | 504                                 | 23.8         |
| RBD Palm Oil      | 437   | 543                                 | 24.3         |
| Crude Palmolein   | 447   | 532                                 | 19.0         |
| RBD Palmolein     | 460   | 552                                 | 20.0         |
| Crude Soybean Oil | 560   | 628                                 | 10.8         |

Reference prices are revised by the government from time to time based on the world market prices. The speculation as to when the government will announce the change has distorted the market. Delivery of some imported edible oil consignments has been postponed. Expecting a downward revision of the reference prices, the Executive Director of the Solvent Extractors Association of India mentioned that the association has requested the government to revise the tariff value as the prices of various oils have declined and are now lower than the reference prices. (Source: Financial Express, 8/27/04)

### **NEW GM CROPS POLICY**

Speaking to a press agency 'Reuters' recently, the Minister for Science and Technology, Kapil Sibal, mentioned that India is planning a new policy promoting speedy approval of genetically engineered crops to boost yields and to feed the growing population in the country. Mr. Sibal said the policy should be in place within eight to nine months. He mentioned that it will also promote foreign and private sector investment in the biotechnology sector. According to Mr. Sibal, the basic intention behind the proposed policy is to quicken the supply of pest-resistant and drought-resistant seeds with high nutritional content to the farmers. (Source: Business Standard, 9/2/04)

### **PROTOCOL TO IMPLEMENT THE EARLY HARVEST SCHEME UNDER INDIA-THAILAND FTA FRAMEWORK AGREEMENT SIGNED**

The Protocol to implement the Early Harvest Scheme (EHS) under the Framework Agreement on Free Trade Agreement (FTA) between India and Thailand was signed by

Indian Commerce and Industry Minister Kamal Nath and Commerce Minister of Thailand, Mr. Watana Muangsook, in New Delhi on August 30. The Framework Agreement for establishing FTA between India and Thailand was signed on October 9, 2003 in Bangkok. The key elements of the Framework Agreement cover goods, services and investment, and areas of economic cooperation. The Framework Agreement also provides for an EHS under which tariffs will be eliminated on a fast-track basis for a select number of items of export interest to both sides. The launch of the EHS provides for the elimination of tariffs on a common list of 82 items (which include agricultural products like mangoes, grapes, apples, rambutans, and wheat) over a period of two years. The EHS was to commence from March 1, 2004. However, since the Interim Rules of Origin for implementing the EHS could not be finalized, the commencement was deferred. Now with the Rules of Origin finalized, both sides have agreed that its implementation could begin from September 1, 2004. (Source: Press Information Bureau, 08/30/2004).

*Post Comment:* The GOI has notified the EHS on August 31, 2004, providing 50 percent tariff reduction to the identified 82 products along with the Rules of Origin. See <http://www.cbec.gov.in/cae/customs/cs-act/notifications/notfns-2k4/cs85-2k4.htm> and <http://www.cbec.gov.in/cae/customs/cs-act/notifications/notfns-2k4/spr1.doc>

### FOOD LAW UNDER PREPARATION

The government said it will prepare a vision document for the food processing sector for the next ten years and review all food related laws to evolve an integrated food law. "The Group of Ministers for the food processing sector has agreed to prepare a mega study-cum-vision document. It has mandated Rabo India to prepare a vision, strategy, and action plan document for the sector," an official statement said. The draft report of the document is expected later this month, it said and the Ministry of Food Processing Industry would finalize the vision document after consultations with states and other stakeholders. (Source: Business Standard, 08/03/04)

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| REPORT # | SUBJECT                            | DATE SUBMITTED |
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| IN4092   | India - Poultry Annual             | 08/30/04       |
| IN4093   | Oilseeds Trade Data - August       | 08/31/04       |
| IN4094   | Oilseeds Update - September        | 08/31/04       |

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