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Weekly Highlights & Hot Bites, #3

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Report Highlights:

India and Chile sign framework agreement on economic cooperation, *Biotech policy may be announced in a month*, *Sugar import volume set to rise*, *Edible oil, oilseeds duty lowering likely*, *Indian grapes, pomegranates likely to figure on menus in China*, *White paper on State level VAT released*, *VAT: States given option on grain for one year*, *VAT likely to be imposed on imports*, *Survey puts India among top markets for fast food*, *Lab networking is a must to monitor pesticide residues*.

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 AND CHILE SIGN FRAMEWORK AGREEMENT ON ECONOMIC COOPERATION

India and Chile signed a framework agreement on economic cooperation on January 20, 2005, to promote trade expansion by providing initially limited preferential access to each other's markets. Indian Commerce and Industry Minister Kamal Nath said the signing of the framework pact with Chile is part of the strategy to boost India's exports and improve its share of world trade, which at present is less than 1 percent. Negotiations for a PTA with Chile would start now and would conclude by end 2005. Along with the signing of the framework agreement on economic cooperation, Memoranda of Understanding were signed between the Indian Council of Agricultural Research and Education and the Chilean Agricultural Research Institute, and another on sanitary and phytosanitary issues (SPS) between the two Agriculture Ministries. (Source: Business Line & Financial Express, 01/21/05)

Post Comment: Since the signed document is merely a framework agreement, no list of preferential commodities exists yet. Post will continue to monitor this issue. It is worth noting that India seems to be placing increasing emphasis on including formal bilateral SPS relationships in trade agreements.

BIOTECH POLICY MAY BE ANNOUNCED IN A MONTH

Dr. MK Bhan, Secretary, Department of Biotechnology, stated that the government would announce its biotech policy in a month's time. Besides streamlining the biotech regulatory system, the policy will also provide a framework to develop the biotech sector in the country. There will be an emphasis on public-private partnership, as the research and product development in the biotech sector requires significant capital outlays. The ultimate goal of the government, according to Dr. Bhan, would be to have a single regulatory authority each for biopharma and for agricultural biotechnology. (Source: Financial Express, 01/25/05)

SUGAR IMPORT VOLUME SET TO RISE

According to Mr. Sharad Pawar, Minister for Agriculture, India is expected to import an additional one million tons of raw sugar this year to meet the growing domestic demand. He also mentioned that about 1.5 million tons of raw sugar is already on its way from overseas markets. This is in reaction to the 37 percent increase in domestic sugar prices over the last three months. Imports have become inevitable due to a falling sugar production, caused by adverse farming conditions in major sugarcane growing areas, high cost of production of sugarcane, and poor price realization by farmers. (Source: Business Standard, 01/19/05)

EDIBLE OIL, OILSEEDS DUTY LOWERING LIKELY

The Ministry of Consumer Affairs has proposed halving the import duty on oilseeds to 15 percent and rationalizing the customs duties on edible oils. It was pointed out that the current 30 percent tariff on oilseeds translates into a tax of 90 percent on domestic refiners, as the conversion ratio is 3:1 from oilseeds to refined oil. The Ministry also indicated that

there is scope for oilseeds imports without hurting the interests of farmers, in order to improve on the current 40 percent capacity utilization in the crushing industry. (Source: Financial Express, 01/24/05)

INDIAN GRAPES, POMEGRANATES LIKELY TO FIGURE ON MENUS IN CHINA

After mangoes, Chinese may soon get to taste Indian grapes and pomegranates. India has initiated a protocol for the entry of these fruits into China. The protocol would cover Pest Risk Analysis and agreements on procedures related to inspection, certification, packaging, and labeling of consignments. According to official sources, this process is expected to take about six months. India and China signed an umbrella Memorandum of Understanding during Chinese Prime Minister Zhu Rongji's visit to India in January 2002. (Source: Economic Times, 01/27/05)

WHITE PAPER ON STATE LEVEL VAT RELEASED

The White Paper on State level Value Added Tax (VAT), released by Finance Minister Chidambaram on January 17, 2005, specifies that the proposed VAT system would cover about 550 goods. The paper highlighted that there would be two basic VAT rates of 4 percent and 12.5 percent, a specific category of tax exempted goods, and a special VAT rate of 1 percent for gold and silver ornaments. The GOI plans to introduce the VAT system effective April 1, 2005. For the full report see <http://finmin.nic.in/downloads/reports/whitepapervat.pdf>

VAT: STATES GIVEN OPTION ON GRAINS FOR ONE YEAR

In response to requests from rice consuming southern states, Indian states have been given the option to keep rice and other grains out of the VAT net instead of at 4 percent as originally proposed. But this option would be available to the States only for the first year of VAT implementation, after which the decision would be reviewed. (Source: Business Line, 01/18/05)

VAT LIKELY TO BE IMPOSED ON IMPORTS

Sooner or later, imports may come under the purview of the VAT. According to official sources, a proposal to bring imports under the VAT is being considered by the Ministry of Finance. However, the Finance Minister is unlikely to exercise this option in the forthcoming Budget, since the imposition of VAT on imports would require an amendment to the Constitution. Official sources said that the idea of imposing VAT on imports is compatible with any multilateral obligations of the country, including those under WTO. VAT or its equivalents on imports exist in many Asian countries, at an average rate of 4 to 5 percent. (Source: Financial Express, 01/18/05)

SURVEY PUTS INDIA AMONG TOP MARKETS FOR FAST FOOD

India is among the top ten markets for weekly fast food consumption, an online survey found. According to an ACNielsen study of 28 markets across Europe, the United States, and Asia-Pacific, Asians are the world's greatest fast food fans. India ranked seventh. India topped the list of countries for which hygiene to the consumers was important (66 percent). (Source: Business Line, 01/21/05. Also see <http://us.acnielsen.com/news/20041221.shtml>)

LAB NETWORKING IS A MUST TO MONITOR PESTICIDE RESIDUES

The Director General of the Indian Council of Medical Research, Prof. N.K. Ganguly, has called for the networking of laboratories to monitor pesticide residues in food, water, soft drinks, and other beverages. Inaugurating a national seminar on pesticide residues and their risk assessments in Hyderabad, Prof. Ganguly said that there was a need to monitor pesticide residues periodically in different parts of the country by accredited laboratories of various disciplines. This network of laboratories should determine the magnitude of any problem, and undertake risk assessments to contain and completely eliminate health risks. Ms. Rita Teatota, Jt. Secretary, Department of Health, said her Ministry had formulated a Capacity Building Project, with assistance from the World Bank, to strengthen the State Food Laboratories by providing sophisticated instruments for the analysis of pesticide residues. She also suggested the generation of food consumption data in order to fix the maximum residue limits for pesticides. (Source: Business Line, 01/22/05)

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