USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 7/15/2005

GAIN Report Number: IN5077

India

Agricultural Situation

Weekly Highlights & Hot Bites, #27

2005

Approved by:
Michael Riedel
U.S. Embassy, New Delhi

Prepared by:
A. Govindan, Santosh Kr. Singh

Report Highlights:
Government lowers food grain production estimate, *Five more states to amend Mandi Act*, *FDI entry will not displace Mom & Pop stores: Kamal Nath*, *ICRIER makes a case for the opening of the Retail sector*.

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.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

GOVERNMENT LOWERS FOOD GRAIN PRODUCTION ESTIMATE

The Fourth Advance 2004/05 crop estimate, released by the Ministry of Agriculture on July 8, lowered the food grain production to 204.6 million tons. The revised estimate includes 85.3 million tons of rice, 72.0 million tons of wheat, 33.9 million tons of coarse grains, and 13.4 million tons of pulses; and is 8.9 million tons lower than the Final 2003/04 estimate of 213.5 (88.3 million tons of rice, 72.1 million tons of wheat, 38.1 million tons of coarse grains, and 14.9 million tons of pulses. (Source: Business Line, 07/09/05)

Post Comment: Latest production estimate by crop is available at: http://pib.nic.in/archieve/others/2005/annexure20050708agr.xls

FIVE MORE STATES TO AMEND MANDI ACT

Five more states (Andhra Pradesh, Punjab, Himachal Pradesh, Nagaland, and Sikkim), have notified their amendments to the Agricultural Produce Marketing Committee Act (APMC Act or *Mandi* Act), in line with the Central Government's proposed Model APMC Act. Following these notifications, infrastructure development investments for agricultural marketing in these states would enjoy central government subsidies. The Model Act, named the State Agricultural Produce Marketing (Development and Regulation) Act 2003, seeks to permit private and corporate to establish a marketing network for agricultural produce. It would also allow the establishment of special market zones for agricultural produce, contract farming, formation of competitive agricultural markets in private and cooperative sectors, and would eliminate *arhatiyas* (commission agents), who now control the marketing of farm produce. (Source: Business Standard, 07/09/05)

Post Comment: The APMC Act in each Indian state requires that all agricultural products be sold only in government-regulated markets. These markets impose substantial taxes on buyers, in addition to commissions and fees taken by middlemen, but typically provide little service in such areas as grading or inspection.

FDI ENTRY WILL NOT DISPLACE MOM & POP STORES: KAMAL NATH

The Commerce Minister Kamal Nath said that a new format is being worked out to ensure that any foreign direct investment (FDI) in the retail sector will not harm the traditional 'mom and pop' shops. The government is seeking suggestions to ensure that the model gives security to existing retail traders and at the same time provides a fair deal to consumers and farmers. While the retail sector has been growing at about 22 percent annually, 98 percent of the trade is in the unorganized sector, and has limited capital investment. Thus the question is whether the unorganized sector will be able to handle the technology challenges of cold chain, packaging, and logistics. (Source: Business Line, 07/12/05)

ICRIER MAKES A CASE FOR THE OPENING OF THE RETAIL SECTOR

The Indian Council for Research on International Economic Relations (ICRIER), an economic policy think tank, has suggested the phased opening of the retail industry, with 49 percent FDI allowed initially. In a report released jointly with the Department of Consumer Affairs, ICRIER said "it strongly advocates that FDI should be allowed in retailing since it would speed up the growth of organized formats." Recommending a gradual opening of the sector, the Council said that domestic retailers should be given enough time to adjust to changes before the sector is opened completely, within three to five years. (Source: Business Line, 07/15/05)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN5076	Weekly Highlights & Hot Bites, #26	07/08/05
BG5005	Bangladesh: Biotechnology Annual	07/15/05
CE5003	Sri Lanka: Biotechnology Annual	07/15/05

WE ARE ON THE NET

We are available at www.usembassy.state.gov/posts/in1/wwwh43.html or visit our headquarter's home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/NEWDELHI EMAIL

To reach FAS/New Delhi, email us at Agnewdelhi@usda.gov.