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Agricultural Situation

Weekly Highlights & Hot Bites, #40

2005

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Report Highlights:

Retail Foreign Direct Investment debut planned for six metro areas, *India toughens stance on agricultural market access*, *India rejects US-EU plan for farm tariff cuts*, *Dry fruit sales may fall 50% on high import cost, low demand*.

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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RETAIL FOREIGN DIRECT INVESTMENT DEBUT PLANNED FOR SIX METRO AREAS

The government suggested a framework that would restrict foreign direct investment (FDI) in the retail sector initially to the six metropolitan areas of Delhi, Mumbai, Chennai, Kolkata, Hyderabad, and Bangalore. The number of outlets in each city will be restricted to 15; each outlet should have a minimum area of 5000 square meters, and at least half of this space shall be reserved for food items. The FDI in this sector will initially be 49 percent, which will be progressively expanded to 74 percent within four to five years. (Source: Business Standard, 10/11/05)

INDIA TOUGHENS STANCE ON AGRICULTURAL MARKET ACCESS

India has decided to adopt a firm stand on market access in agriculture at the World Trade Organization (WTO). Unless developed nations are willing to offer significant market access for agricultural products, India is unlikely to adopt a liberal stand on services and nonagricultural market access. The firm resolve to bring down farm subsidies and tariffs is expected to be conveyed by the Minister of Commerce and Industry, Kamal Nath, at two important meetings of WTO members in Zurich and Geneva soon. (Source: Economic Times, 10/09/05)

INDIA REJECTS US-EU PLAN FOR FARM TARIFF CUTS

Articulating developing countries' stance, India has rejected the latest US and EU proposals on farm tariff reductions, forcing them to give up their recent proposals meant to break the impasse in the WTO talks. Opposing the US proposal of "progressivity within a band," the Indian Commerce and Industry Minister said, "We [the G-20] had already agreed to the banded formula in the July Framework. Progressivity is nothing but the Swiss formula, which we had already rejected." On the EU suggestion of flexibility in the market access formula around a "pivot," the Minister said such a move could lead to blocking market access for products of export interest to the developing countries. (Source: Economic Times, 10/13/05)

DRY FRUIT SALES MAY FALL 50% ON HIGH IMPORT COST, LOW DEMAND

Sales of imported dry fruits (including almonds) may fall by 50 percent in the upcoming season, owing to low demand and high import cost. Prices of almonds are expected to shoot up to a record price of rupees 510 (\$11.50) per kilogram due to the high import cost. Traders report that due to the high prices, demand has not picked up, even during the peak local festival seasons (Navratri and Ramadaan). Last year, the price of almonds ranged from rupees 380-400 (\$8.70-\$9.20) per kg. (Source: Business Standard, 10/13/05)

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