



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 8/4/2006

**GAIN Report Number:** IN6067

## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, #28

2006

**Approved by:**

Michael Riedel  
U.S. Embassy, New Delhi

**Prepared by:**

A. Govindan, Santosh Kr. Singh, Deepa Dhankhar

---

**Report Highlights:**

\*Eight bidders for STC wheat tender\*, \*Government relaxes wheat import norms\*, \*Private trade wheat import shipment set to arrive\*, \*Australian wheat shipment reaches Chennai port\*, \*Monsanto monopoly over Bt cotton ends\*, \*Rajya Sabha passes Food Safety and Standards Bill, 2006\*, \*Reliance India Ltd. puts Rs.50 billion into agri-retailing\*, \*Mango exports to Japan to begin in November\*, \*Government allows sugar exports with prior approval\*, \*Chemical sector wary of ethanol blending\*, \*Pulses import tender delay to push up prices\*, \*EU in trade spat with India on whisky and wine\*, \*Chief Minister sends off first consignment of fresh vegetables to United Kingdom\*, \*Vegetable oil tariff values hiked\*, \*Cabinet nod for framework agreement with SACU\*, \*Support price fails to cheer farmers\*.

---

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.

### **EIGHT BIDDER FOR STC WHEAT TENDER**

The State Trading Corporation of India's (STC) latest wheat tender for 400,000 tons attracted eight bidders, who have quoted prices in the range of \$210 to \$245 per ton (C&F). None of the eight bidders offered to supply the entire quantity of 400,000 tons. Cargill offered to supply 340,000 tons at \$233 to 245 per ton. Other bids were: Toepfer International (260,000 tons at \$220 to 240 per ton); AWB (220,000 tons at \$216 to 230 per ton); Agrico Trade & Finance SA (200,000 tons at \$210-212 per ton); Glencore International (175,000 ton at \$222 to 228 per ton); Agrocorp International (90,000 tons at \$212.95 per ton); Soufflet (70,000 tons at \$223.90 per ton); and Concordia Agritrading (43,000 tons at \$217 per ton). The bids are valid until August 11, when the contracts are to be awarded. The current bid prices are higher than the contracted rates of the previous three STC tenders. (Source: Business Line, 08/04/06)

### **GOVERNMENT RELAXES WHEAT IMPORT NORMS**

The government decided to allow wheat imports even if consignments fail to meet the quality or phytosanitary norms specified in import tenders. An order issued by the Ministry of Agriculture, however, added that the grain must be milled immediately, and shall not be stored or transported through wheat growing regions. The relaxation will be valid only through December 2006. Agricultural scientists say the relaxation in wheat import norms is a matter of concern, as India has already aligned its grain import norms with the internationally accepted CODEX levels to facilitate imports. (Source: Business Standard, 08/04/06)

*Post Comment:* For details, see IN6063. The GOI Order is available at [www.plantquarantineindia.org/pdf/wheat\\_order.pdf](http://www.plantquarantineindia.org/pdf/wheat_order.pdf)

### **PRIVATE TRADE WHEAT IMPORT SHIPMENT SET TO ARRIVE**

The first consignment of 45,000 tons of privately-imported wheat is expected to arrive this weekend or early next week. According to trade sources, the Canadian-origin wheat was contracted by a Pune-based firm for milling at \$195 per ton (C&F). The cargo will be unloaded at Mumbai, Chennai, and Tuticorin. This is the only private wheat deal struck so far. (Source: Business Line, 08/03/06)

### **AUSTRALIAN WHEAT SHIPMENT REACHES CHENNAI PORT**

The MV Anna, a vessel carrying 40,000 tons of wheat, docked at Chennai port on July 30. According to Food Ministry officials, an additional 76,000 tons of Australian wheat will soon reach Tuticorin and Vizag ports. Two ships, each carrying 65,000 tons of Australian wheat, are on their way to the Mundra port. In addition, ten vessels with 40,000 to 60,000 tons wheat each should reach Indian ports by end-August. (Source: Financial Express, 08/01/06)

**MONSANTO MONOPOLY OVER BT COTTON ENDS**

Last year, Monsanto's patented 'Bollgard' technology commanded a 100 percent market share of the Bt cottonseed market. Two Indian players, JK Agri-Genetics and Nath Seeds Ltd., are expected to capture six percent of the total Bt cottonseed market by launching hybrids based on alternate technologies for incorporation of Bt genes. JK Agri Tech and Nath seeds have been successful in getting approval for four and three Bt cotton hybrids, respectively, which are targeted for the southern and northern regions. According to industry sources, 80 percent of the Bt cotton sales will occur at Rs. 750 per 450-gram packet which is in line with the price mandated by state governments of several southern states and of Gujarat. In the northern states, which do not have a price-fixing order, the Bt cottonseed is sold at Rs. 1200-1300. (Source: Business Line, 07/31/06)

**RAJYA SABHA PASSES FOOD SAFETY AND STANDARDS BILL, 2006**

On August 3, 2006, the Rajya Sabha (Upper House of the Parliament) unanimously passed the Food Safety and Standards Bill, 2006, which has already been passed by the Lok Sabha (Lower House) on July 26, 2006. (Source: Pioneer, 08/03/06)

*Post Comment:* The bill attempts to consolidate the existing multitude of laws and regulations governing the food and food processing sectors, and aims to establish a Food Safety and Standards Authority of India (FSSA) to regulate the sectors. The Draft Bill, as introduced before the Upper House of the Parliament, can be viewed at:

[http://164.100.24.208/ls/bills-ls-rs/2005/123\\_2005.pdf](http://164.100.24.208/ls/bills-ls-rs/2005/123_2005.pdf)

**RELIANCE INDIA LTD PUTS RS. 50 BILLION INTO AGRI-RETAILING**

Reliance Industries and the Punjab government signed a memorandum of understanding for Reliance to invest Rs. 50 billion (\$1.1 billion) in their ambitious Farm-to Fork retailing project by October 2006. The project aims to benefit 80 percent of the farmers in Punjab, and aims to open new avenues for farm retailing in the country. The initiative will supply fresh, frozen, and processed fruits and vegetables, grains, oilseeds, dairy products, and poultry to Reliance's upcoming chain of nationwide retail outlets. (Source: The Financial Express, 08/02/06)

**MANGO EXPORTS TO JAPAN TO BEGIN IN NOVEMBER**

Indian mangoes received import "clearance" from Japan after a period of 20 years, and exports should begin in November. The Indian government helped Indian farmers tackle the pest problems, and supplied special pest control equipment imported from Japan. (Source: Business Line, 07/31/06)

**GOVERNMENT ALLOWS SUGAR EXPORTS WITH PRIOR APPROVAL**

The government will allow sugar mills to export sugar with prior approval from the Directorate General of Foreign Trade (DGFT), Ministry of Commerce and Industries. On June 22, 2006, the government had imposed a ban on exports of essential commodities, including sugar, until March 31, 2007. Sugar mills will be allowed exports for the 400,000 tons' worth of contracts that were made before the ban was announced. (Source: Financial Express 08/04/06)

## CHEMICAL SECTOR WARY OF ETHANOL BLENDING

The chemical manufacturers who use ethanol have expressed concern over the government's decision to mandate ethanol blending with gasoline, which is to be effective in October 2006. The fear is that alcohol meant for the chemical industry will be diverted for blending. The chemical industry consumes approximately 950 billion liters of alcohol, and the potable liquor industry consumes 600 billion liters. The blending of ethanol in gasoline will require an additional 600 billion liters of alcohol. The chemical industries claim that making blending mandatory amid "scarcity" will artificially raise prices, which will only benefit sugar mill owners. (Source: Business Standard 08/01/06)

*Post Comment:* see GAIN report IN6047 for more information on India's biofuels sector.

## PULSES IMPORT TENDER DELAY TO PUSH UP PRICES

The government's decision to postpone imports of about 186,500 tons of pulses might have an upward effect on pulse prices, according to the President of the Pulses Importers' Association. (Source: Business Standard, 08/01/06)

## EU IN TRADE SPAT WITH INDIA ON WHISKY AND WINE

The ongoing battle for access to India's whisky and wine market has entered a new phase, with the European Union decision to seek the removal of India's restrictive import duties under WTO's dispute settlement mechanism. Unless India moves soon to abolish the many layers of import duties for Scotch whisky and wine, the EU will take the case to the WTO for settlement, which may lead to retaliatory measures by the EU. (Source: Hindustan Times, 08/02/06)

*Post Comment:* The European Commission's report on Indian trade barrier on wine and whiskies is available at: [http://trade.ec.europa.eu/doclib/docs/2006/july/tradoc\\_129462.pdf](http://trade.ec.europa.eu/doclib/docs/2006/july/tradoc_129462.pdf)

## CHIEF MINISTER SENDS OFF FIRST CONSIGNMENT OF FRESH VEGETABLES TO UNITED KINGDOM

The Punjab State government inaugurated a temporary perishable cargo center near the Amritsar airport, with an investment of Rs 20 million (\$435,000). The center will not only benefit agricultural produce exporters, but will also benefit the domestic markets, which currently suffer due lack of appropriate infrastructure. (Source: Tribune, 07/29/06)

## VEGETABLE OIL TARIFF VALUES HIKED

The government has increased vegetable oil tariff values. The increase was higher for the palm group oils than for soybean oil, which is expected to fuel demand for the latter.

| Oil                | Previous<br>\$ per ton | Revised<br>\$ per ton |
|--------------------|------------------------|-----------------------|
| Crude Palm Oil     | 432                    | 447                   |
| RBD Palm Oil       | 459                    | 476                   |
| Others - Palm Oil  | 446                    | 462                   |
| Crude Palmolein    | 460                    | 481                   |
| RBD Palmolein      | 463                    | 484                   |
| Others - Palmolein | 462                    | 483                   |
| Crude Soybean Oil  | 566                    | 570                   |

(Source: Business Line, 08/01/06)

*Post Comment:* The Custom Notification is available at [www.cbec.gov.in/cae/customs/cs-act/notifications/notfns-2k6/csnt85-2k6.htm](http://www.cbec.gov.in/cae/customs/cs-act/notifications/notfns-2k6/csnt85-2k6.htm)

### CABINET NOD FOR FRAMEWORK AGREEMENT WITH SACU

The Union cabinet approved the drafting of a framework agreement with the South Africa Customs Union (SACU). This agreement is expected to help expand trade, and will provide a mechanism to negotiate and conclude a comprehensive Free Trade Agreement within a reasonable period. In the meantime, plans are underway to conclude a limited scope agreement, which will provide for exchange of tariff concessions on a selected list of products. (Source: Business Line, 07/29/06)

### SUPPORT PRICE FAILS TO CHEER FARMERS

Farmers expressed unhappiness over the government's decision to maintain last year's levels of the minimum support price for some of the *Kharif* (fall and early winter harvested) crops. While support prices for corn, mung beans, urad (black matpe), peanuts, soybeans (black), and sunflower seeds remain unchanged, the support prices for other crops were increased by rs. 100 to 150 (\$2.20 to \$3.30) per ton. (Source: Business Standard, 07/29/06)

*Post Comment:* The support prices applicable to this year's crops, compared to the previous year's support prices, are in the following table:

| Crop                   | Minimum Support Price<br>(rs. per metric ton) |            |
|------------------------|---|------------|
|                        | MY 2006/07                                    | MY 2005/06 |
| Paddy (Common)         | 5,800   | 5,700      |
| Paddy (Grade A)        | 6,100   | 6,000      |
| Corn                   | 5,400   | 5,400      |
| Sorghum                | 5,400   | 5,250      |
| Millet                 | 5,400   | 5,250      |
| Tur (pigeon pea)       | 14,100  | 14,000     |
| Mung beans             | 15,200  | 15,200     |
| Urd (black matpe)      | 15,200  | 15,200     |
| Peanut (in-shell)      | 15,200  | 15,200     |
| Soybeans (yellow)      | 10,200  | 10,100     |
| Soybeans (black)       | 9000  | 9,000      |
| Sunflower seed         | 15,000  | 15,000     |
| Sesame seed            | 15,600  | 15,500     |
| Niger seed             | 12,200  | 12,000     |
| Cotton (Medium staple) | 17,700  | 17,600     |
| Cotton (Long staple)   | 19,900  | 19,800     |
| Exchange Rate: 1\$ =   | Rs. 46.56                                     | Rs. 43.46  |

Source: Cabinet Committee on Economic Affairs Press Release.

There is very little government procurement of other crops at the support price, except for paddy, some corn, and soybeans.

**RECENT REPORTS SUBMITTED BY FAS/NEW DELHI**

| <b>REPORT #</b> | <b>SUBJECT</b>   | <b>DATE SUBMITTED</b> |
|-----------------|--|-----------------------|
| IN6063          | India: FAIRS Product Specific: Ministry of Agriculture Order Relating to Wheat Imports | 07/28/06              |
| IN6064          | Weekly Highlights & Hot Bites #27  | 07/28/06              |
| BG6005          | Bangladesh: Biotechnology Annual   | 07/28/06              |
| IN6065          | India: Oilseeds and Products: Monthly Lock-up Report: August                           | 07/31/06              |
| IN6066          | India: Food and Agricultural Import Regulations and Standards (FAIRS): Country Report  | 07/31/06              |
| BG6006          | Bangladesh: Grain and Feed: Quarterly Lock-up Report                                   | 07/31/06              |

**WE ARE ON THE NET**

We are available at [http://india.usembassy.gov/foreign\\_agricultural\\_service.html](http://india.usembassy.gov/foreign_agricultural_service.html) or visit our headquarter's home page at [www.fas.usda.gov](http://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](mailto:Agnewdelhi@usda.gov).