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## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, #48

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**Report Highlights:**

\*Tax relief, infrastructure, R&D key for Food Processing Sector\*, \*Non-tariff barriers will hit South Asia's Ag exports\*, \*Nath weighing policy changes to prop up agri export zones\*, \*Year gives out a note of caution to agri sector\*, \*DBT contemplates changes to GM crop field trial regulations\*, \*Ag markets to witness dynamic changes\*, \*Maize price rise hits poultry sector\*, \*250 million Indians spend rs.14 per day on consumption\*, \*Agri ministers against ban on farm exports\*.

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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 and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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### **TAX RELIEF, INFRASTRUCTURE, R&D KEY FOR FOOD PROCESSING SECTOR**

The Indian food market is estimated at Rs. 2500 billion (\$56.2 billion) annual turnover, of which the share of processed food products is a measly 1.6 percent. To explore and exploit the untapped potential in the food-processing sector, the Indian industry chambers are seeking a reduction in taxes on this sector from 25 percent to 10 percent. They are also demanding tax sops for technology up-grades and research and development (R&D), and improved infrastructure for food processing industries. The Federation of Indian Chambers of Commerce and Industries (FICCI) has advocated for the need to bring down the taxes and more government attention on R&D in the sector. The Association of Chambers of Commerce (ASSOCHAM) and Confederation of Indian Industries (CII) has emphasized the need for policies that encourage investment in infrastructure like cold chains. (Source: Indian Express 12/25/06)

### **NON-TARIFF BARRIERS WILL HIT SOUTH ASIA'S AGRI EXPORTS**

South Asian countries exporting agricultural products may not benefit much from the proposed tariff reduction in developed countries in accordance with the Doha round. A report compiled by the Center for Trade and Development (Centad) states that the tariffs in the major destination countries are already very low for most export products from South Asia, and the non-tariff measures like food standards and quality norms will continue to deter exports. As far as tariff reductions in South Asian countries is concerned, the report cautioned that it will lead to food security problems as agriculture is not a commercial proposition in the region but a means of livelihood. The study suggested an indicator-based approach for selection of special products and special safeguard mechanism, and the South Asian countries should seek tariff cuts for select special products. (Source: Financial Express, 12/27/06)

### **NATH WEIGHING POLICY CHANGES TO PROP UP AGRI EXPORT ZONES**

Commerce Minister Kamal Nath said that the current agri export zone (AEZ) scheme has to be transformed and necessary policy changes will be made. He admitted that poor infrastructure continued to be an obstacle for an effective agri export strategy. Since the introduction of the AEZ scheme in 2001, the number of AEZs has grown to 60 spread over 20 states. However, against an initial investment outlay of Rs. 17.2 billion (\$ 387 million), the actual investment has been only Rs. 8.1 billion (\$182 million). (Source: Financial Express, 12/27/06)

### **YEAR GIVES OUT A NOTE OF CAUTION TO AGRI SECTOR**

India became a major importer of wheat, pulses and vegetable oils during the year 2006. The main reason for allowing cheap imports was to control the prices of the essential commodities. The domestic price situation became alarming since the beginning of the year, there were rising wheat prices in the domestic market. Further to this, the government was

able to procure only 14.78 million tons of wheat for its buffer stock. The buffer stocks began to dwindle faster due to low procurement and therefore the government decided to liberalize the market. Five tenders were floated for importing 5.5 million tons of wheat after relaxing the quarantine norms for finalizing bids. The private sector was also allowed to import duty free wheat. The government also allowed duty free import of pulses while the sugar imports were also opened by reducing tariff to 20 percent on quota basis. The palm oil import duty was also slashed by 10 percent in the last quarter.

(Source: The Financial Express, 12/25/06)

### **DBT CONTEMPLATES CHANGES TO GM CROP FIELD TRIAL REGULATIONS**

The Department of Biotechnology (DBT) is considering the changes in the guidelines for regulation of the field trials of genetically modified crops. Senior officials from DBT have suggested that field trails for biotech rice should not be allowed in Basmati rice producing states. The suggestion was given in order to maintain India's competitive advantage in the premium basmati rice export segment. Indian rice exporters are also demanding strict implementation of biosafety norms to prevent any contamination of exportable rice with the biotech rice. The exporters have also approached the Supreme Court and filed an impleadment application in the on-going writ petition of Aruna Rodrigues and others.

DBT, in this context, organized consultations with stakeholders and has decided that a directorate of agriculture, agricultural universities and village panchayats would be informed about the permission given for biotech field trails. DBT has also decided to share biotech related information with the public through related websites and to educate farmers and other stakeholders about biotechnology. (Source: The Financial Express, 12/28/06)

### **AGRI MARKETS TO WITNESS DYNAMIC CHANGES**

The agricultural commodity markets will witness consolidation of commodities future exchanges in the year 2007. The consolidation is expected to open tremendous opportunities for the agricultural products marketing. Agencies other than the Food Corporation of India (FCI) and the National Agricultural Cooperative Marketing Federation of India (NAFED) will be procuring food grains and other agricultural commodities on behalf of private traders or multinational companies. The sister concerns of the two main online commodity exchanges, MCX & NCDEX have already commenced the procurement operations. International commodity exchanges are also expected to pick equity stakes in the Indian commodity exchanges. (Source: Business Standard, 12/26/06)

### **MAIZE PRICE RISE HITS POULTRY SECTOR**

The National Egg Coordination Committee (NECC) has requested the government to ban forward trading and export of maize. NECC has also urged for the extension of the interest subvention and moratorium on repayment of bank loans granted for bird flu related losses during the early part of this year. The rising cost of maize is a major cause of concern for the poultry industry as maize is the main ingredient for poultry feed, comprising more than 80 percent of the cost of production of eggs and broilers. (Source: The Indian Express, 12/29/06)

### **250 MILLION INDIANS SPEND RS 14 PER DAY ON CONSUMPTION**

The Indian economy may be growing strongly but around 250 million people accounting for 20 percent of the population, spend less than Rs. 14 a day on consumption in 2004-05, as per the National Sample Survey Organization. Chhatisgarh, Madhya Pradesh, Bihar, Jharkhand and Uttar Pradesh have been found to be the poorest states in the country on the

basis of the average monthly per capita expenditure (MPCE). The share of cereals is reported to have declined from 41 percent of the consumer expenditure to 18 percent in rural India and from 23 percent to 10 percent in urban India. (Source: The Financial Express, 12/28/06)

#### **AGRI MINISTERS AGAINST BAN ON FARM EXPORTS**

A meeting of the state agricultural ministers was held last week to deliberate on the recommendations of the National Commission of Farmers (headed by M.S. Swaminathan). The agricultural ministers from different states have advised the government to allow farm exports for farmers' interest. Other recommendations included the imposition of differential rate of import duty, fixation of minimum support prices for livestock products and minimizing the role of middleman in agricultural marketing. (Source: The Financial Express, 12/28/06)

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

<b>REPORT #</b>	<b>SUBJECT</b>	<b>DATE SUBMITTED</b>
IN6111	India: Report on Retail Food Sector	12/22/06
IN6112	India: Oilseeds & Products: Monthly Lockup: January	12/22/06
IN6113	Weekly Highlights & Hot Bites, #47	12/22/06

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