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## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, # 11

2007

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**Report Highlights:**

\*Rains unlikely to affect wheat output\*, \*Government considering wheat hedging at Chicago Board of Trade\*, \*Zero duty wheat imports deadline extended\*, \*Dryland farming\*, \*Agriculture plummets, inflation rises\*, \*WTO proposes to end Doha talks, India disposes\*, \*Agriculture Ministry identifies products for tariff cut\*, \*Pulse export ban extended\*, \*Poultry products hit by ban uncertainty\*, \*GM Soy oil import order to stay\*, \*New Bt cotton cultivation unlikely this summer\*, \*Now, easier access to Australian food brands\*.

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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.

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.

### **RAINS UNLIKELY TO AFFECT WHEAT OUTPUT**

Rains accompanied by localized hails and strong wind hit major wheat growing states of Punjab and Haryana on March 12 and 13, which caused some damage to the standing wheat crop. Nearly 6,000 hectares out of the 3.4 million hectares under wheat cultivation in Punjab and 8,000 hectares out of 2.3 million hectares in the state of Haryana were affected, according to B. Mishra, Directorate of Wheat Research. He said the crop damage was not a major concern given the imminent prospect of warmer, drier weather. He added that the crop should still reach at least 74 million tons this year compared with last year's 69.4 million tons. But others added a word of caution. "Some damage has certainly been done to the wheat crop in Punjab and Haryana because of hailstorm and rains. I am looking for a crop close to 71 million tons," said D.P. Singh, President of All India Grain Traders Association. (Source: Financial Express, 03/14/07)

*Post Comment:* There are conflicting reports regarding the crop loss. According to one report, the Punjab state government has assessed total crop loss in the state due to rains confined to 27,000 hectares and Haryana government at 20,000 hectares. However, with wheat harvest in north India almost one month away, the recent rains are unlikely to have a significant impact on this year's overall wheat production. Localized damages are likely due to hails and strong winds, which caused lodging and water logging. According to wheat experts, the recent rains and the continuing cool temperatures in fact could prove beneficial for the crop.

### **GOVERNMENT CONSIDERING WHEAT HEDGING AT CHICAGO BOARD OF TRADE**

The government, which recently banned futures trading in wheat in the domestic market, has set up a committee to consider trading in wheat futures in the global market, in case India needs to import wheat. "Last year we did it on a trial basis. This year, we have set up a committee to ensure that should the need arise, we can import wheat at a reasonable price," said a government official. The Committee is likely to take hedging exposure in options or futures at the Chicago Board of Trade. "The government is expected to take futures for around two million tons, but may revise it [the quantities] subsequently," the official said. "Since the government plans to import huge amounts of wheat, it will be able to control the price volatility in the market," said a leading Commodities Exchange official. He confirmed that the government did a trial run last year by hedging smaller quantities of wheat at CboT. (Source: Mint, 03/15/07)

### **ZERO DUTY WHEAT IMPORTS DEADLINE EXTENDED**

The Indian government extended the deadline for the import of 5.5 million tons of wheat contracted last year by the State Trading Corporation of India (STC) at zero duty up to end-April 2007 from the existing March 31, 2007. "Most of the wheat shipments, barring one, have already arrived at Indian ports. We had asked the government to extend the time period by a month," said an STC official. (Source: Business Standard, 03/15/07)

Post Comment: The government notification regarding this is available at: <http://164.100.9.245/exim/2000/pn/pn06/pn9006.htm>. This extension is applicable only on STC imports and not on imports by private trade, for which the deadline expired on February 28, 2007.

### **DRYLAND FARMING**

Reading the fine print of the recent government Budget indicates that it has not come up to expectations on the agriculture sector, regardless of several reassuring remarks in the Finance Minister's Budget speech. Much of what the Finance Minister said was regarding the on-going programs. The proposed new initiatives are not only few but also not supported by adequate outlays. The Central Plan Outlay (CPO) for agriculture and allied activities at Rs. 85.6 billion (\$1.9 billion) constitutes merely 2.6 percent of the total CPO for IFY 2007-08 (Apr-Mar), lower than the 3 percent in IFY 2006/07. Although the farm credit has been doubled, it constitutes only 12 percent of the gross bank credit disbursed in 2006/07, compared with 20 percent in the early 1970s when the Green Revolution was taking roots. (Source: Business Standard, 03/13/07)

### **AGRICULTURE PLUMMETS, INFLATION RISES**

Belying hopes of a revival in the crisis-ridden farm sector, agricultural production has plummeted to an all-time low of 1.5 percent during the third quarter of IFY 2006/07 (Apr-Mar) compared with 8.7 percent during the corresponding period of last year and 1.7 percent during the second quarter, even as inflation has surged to 6.1 percent. "At this pace, it remains to be seen if the growth rate touches 3 percent mark by the end of March. It might not cross the mark of 2.7 percent," said an official at the government's Central Statistical Organization. The latest inflation rate punctures the Prime Minister's claims in Parliament that the government was trying to curb inflationary pressures. "The measures that we have put in place, both on the demand and supply sides, will help us to moderate inflationary pressures in the months to come," Prime Minister had said in the Parliament. (Source: Pioneer, 03/10/07)

### **WTO PROPOSES TO END DOHA TALKS, INDIA DISPOSES**

India has rejected the WTO's proposal to conclude the negotiations on the Doha Round by end-June. "June 30 is not a fixed deadline in the formal sense, but a target set by the WTO. There is no commitment by India on this deadline, but then again, we will try our best to conclude it by that period," said Commerce Minister Kamal Nath at the end of a seminar on Doha Round in Delhi. Meanwhile, Prime Minister Manmohan Singh said that in order to break the impasse in WTO talks, developed countries must reduce the huge trade-distorting subsidies provided to the agriculture sector. "It must be recognized that for us, agriculture is not just a business but a way of life and a major source of livelihood," he said.

### **AGRICULTURE MINISTRY IDENTIFIES PRODUCTS FOR TARIFF CUT**

The Ministry of Commerce and Agriculture are apparently at loggerheads over the number of farm commodities that India would designate as "special products" (SP) in the WTO Doha Round negotiations. The Agriculture Ministry, according to official sources, has identified around 80 tariff lines (at six digit HS code) to be categorized as SPs. This, the Ministry of Commerce feels, is on the higher side and has sought to be drastically pruned. The 80 or so items listed by the Agriculture Ministry account for just 12 percent of the approximately 690 agricultural tariff lines at six-digit classification. However, they cover most cereals, edible oils, fruits and vegetables, besides dairy products, spices, coffee, tea, and even liquor. The

only major products left out are sugar and cotton, while other non-SPs are not important from the trade point of view. "The Agriculture Ministry's stance is that crops on which one lakh [100,000] or more families are dependent should be termed as SPs. But there is also pressure to be flexible, so that talks make headway," the sources said. The list of products identified by the Agriculture Ministry as SPs are: rice, wheat, sorghum (pulses excluded), millet, soybean oil, rapeseed oil, castor oil (palm oil excluded), apple, grapes, oranges, onion, garlic, spices, tea, coffee, dairy products (cheese, milk powder, casein, yogurt), poultry and other meat, and wines and whiskey. (Source: Business Line, 03/16/07)

### **PULSE EXPORT BAN EXTENDED**

The government has extended the ban on exports of pulses until March 2008. The Director General of Foreign Trade has notified the extension of the ban. Production of pulses comprising gram (chickpeas), tur (pigeon peas), urd (black matpe), and mung beans is likely to be around 14.52 million tons this year against the projected consumption of 17.71 million tons. (Source: Business Line, 03/13/07)

*Post Comment:* The official notification extending the ban on exports is available at: <http://dgftcom.nic.in/exim/2000/not/not06/not5306.htm>

### **POULTRY PRODUCTS HIT BY BAN UNCERTAINTY**

The Indian poultry exports to the UAE continue to be under uncertainty with a UAE minister reiterating a ban imposed in 2005, despite the local bodies having reportedly lifted the ban on Indian eggs. The Gulf News Daily reported to have disclosed that the UAE ministry is working with the municipalities to make sure the ban stays until further decision. However, the UAE Minister of Environment and Water has said that the ban on sale of Indian poultry products including eggs, continues to stay and can only be lifted by the Ministry. He further confirmed that though the Ministry was not notified about the lifting of the ban, the issue would be worked out soon. (Source: The Financial Express, 03/16/07)

### **GM SOY OIL IMPORT ORDER TO STAY**

The central government has suspended a rule that required imports clearance from an official panel for the genetically modified soybean oil until December 31, 2007. Earlier the moratorium was imposed in May 2006, which was extended until March 31, 2007. According to trade sources, the panel approval process would have delayed shipments, leading to higher domestic prices. (Source: The Hindu Business Line, 03/14/07)

*Post Comment:* For further details on the government's regulation please see GAIN Report IN7022.

### **NEW BT COTTON CULTIVATION APPROVAL UNLIKELY THIS SUMMER**

The Genetic Engineering Approval Committee (GEAC) has withheld any fresh approval of Bt cotton for commercial cultivation in the coming summer season. A senior GEAC official has reported that no new Bt cotton hybrids are being approved, as the matter has not yet been judicially decided in the Supreme Court. The next hearing is expected on April 16, 2007. A public interest litigation filed in the apex court led to denial of any fresh approval for field trials of any biotech crop. However, the field trials of biotech mustard/rapeseed were given special exemption. The GEAC had also given its approval for the renewal of its permission for commercial cultivation of 8 Bt cotton hybrids for three years. (Source: The Financial Express, 03/15/07)

**NOW, EASIER ACCESS TO AUSTRALIAN FOOD BRANDS**

Leading Australian food brands will soon be available in India. A group of Australian processed food producers have tied up with four Indian retailers to test market their brands in the country, with the initial focus on Bangalore. According to the Managing Director of the National Food Industry Strategy (NFIS) of Australia, this would be a part of the larger program of planned activities in the food industry for India. The Senior Trade Commissioner expects processed food imports to India growing by 16 percent from the current level of \$5 million. Under the food brand Australia programme, 48 products covered by 12 brands would be available in the Indian retail chains like FoodWorld, Monday to Sunday, Nilgiris, and Namdharis. The products would focus on the 'health and wellness' segment and would be priced in the premium category. (Source: The Hindu Business Line, 03/12/07)

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

<b>REPORT #</b>	<b>SUBJECT</b>	<b>DATE SUBMITTED</b>
IN7020	Weekly Highlights & Hot Bites, #10	03/09/07
IN7022	INDIA: FAIRS Product Specific: GOI further extends the exemption of Biotech Soybean Oil Imports	03/14/07

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