



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 6/15/2007

GAIN Report Number: IN7052

India

Agricultural Situation

Weekly Highlights & Hot Bites, #24

2007

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Report Highlights:

Punjab farmers entering new field to reap the retail harvest, *Government planning to stock food grain abroad*, *Slump in wheat output threatens food security*, *Maize demand grows on poultry business*, *India may seek bids for 2 million tons of wheat this month*, *Bids for Edible oil imports*, *Andhra Pradesh hints at GM Seeds Act to control Bt cotton seed activity*, *BANGLADESH: Import bias to put local industry at risk*.

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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PUNJAB FARMERS ENTERING NEW FIELD TO REAP THE RETAIL HARVEST

The great Indian retail revolution seems to be catching on with enterprising farmers from Punjab set to follow the entry of large corporate houses in the sector. Some farmers have joined hands to launch Veggie Wonders, a retail chain of fresh food items, in Jalandhar and plan to come up with four more in next few months. Another farmer has opened a retail store in the town selling organic food produced in his field in a nearby village. The Potato Growers Association of Jalandhar, comprising of about 150 farmers, plans to come up with its own fresh food retail chain. Namdhari Seeds, which started as a group of farmers growing crops on community land, is also making inroads into the retail sector. (Source: Indian Express, 06/12/07)

GOVERNMENT PLANNING TO STOCK FOOD GRAIN ABROAD

The government is planning to make efficient use of its growing foreign exchange reserves by building food grain stocks abroad, as a measure of ensuring food security. The Department of Food and Public Distribution has already been directed by the cabinet Secretary to work out a model for developing food grain reserves of 2-3 million tons, outside the country. However, food ministry officials and farmer representatives do not support the proposal instead they are in favor of building additional stocks within the country thus utilizing the existing storage capacity and ensuring better remuneration for farmers. The Food department has also approached the petroleum ministry to better understand its energy security strategy. (Source: The Economic Times, 06/13/07)

SLUMP IN WHEAT OUTPUT THREATENS FOOD SECURITY

India's agricultural resources, agricultural inputs, including available cultivable land, increasing costs of planting material, and fertilizers are a cause of concern. Accordingly, India's relatively stagnating wheat production is unable to keep pace with the rising demand. Wheat production is reduced to 74 million tons this year from 76 million tons during 1999-2000, propelling the government to plan for wheat imports this year. According to the former director of the Indian Agricultural Research Institute, stagnating wheat production, changes in agriculture input policy and globalization pressure have put India's high wheat production targets at stake. Shifts in cropping patterns from grains to other profitable cash crop options and increased industrialization in the traditional wheat bowls of India are cited as other reasons contributing to decreased yield potential. Wheat acreage has also declined from 28 million ha in 1998-99 to 26 million ha last year. (Source: The Hindustan Times, 06/13/07)

MAIZE DEMAND GROWS ON POULTRY BUSINESS

Farmers are expected to increase area under maize this year due to better price realization and growing demand. According to an industry source, corn demand from the poultry sector is expected to increase to 6 million tons this year from 5.5 million tons a year ago with 10-12

percent growth projection for the poultry sector. The average prices during the last two years have also been higher by around \$31 per ton. The government is supposed to have supported increased corn area by raising the minimum support price for corn by around \$19 per ton. (Source: The Economic Times, 06/7/07)

INDIA MAY SEEK BIDS FOR 2 MILLION TONS OF WHEAT THIS MONTH

According to a farm ministry official, India is expected to float a tender for imports of 2 million tons of wheat this month, to increase its buffer stocks. India had earlier cancelled a tender floated last month for imports of one million tons of wheat due to the high prices quoted by bidders. India is planning wheat imports again as demand has exceeded production and it recognizes the need for maintaining food security. Rising incomes in India have given a spurt to wheat consumption and hence increased demand. (Source: The Financial Times, 06/14/07)

BIDS FOR EDIBLE OIL IMPORTS

Following the plans of the National Agricultural Cooperative Marketing Federation (NAFED) and the MMTTC decision on importing edible oils, the Project Equipment Corporation of India Limited (PEC) has invited expression of interest (EOI) from global palm and soybean oil suppliers. PEC has not yet decided about the timings and import volume targets and according to them the tender is just meant to explore the possibility. The EOI has been invited from both global exporters of palm and soybean oil as well as from domestic refiners for refining and packaging of imported oils. The EOI submission deadline for both proposals is June 22, 2007. (Source: The Financial Times, 06/14/07)

Post Comment: For details on the Expression of Interest floated by PEC, please see: <http://peclimited.com/expression.pdf>

ANDHRA PRADESH HINTS AT GM SEEDS ACT TO CONTROL BT COTTON SEED ACTIVITY

The Andhra Pradesh government is likely to bring out a GM Seed Act in the next few days to regulate sales, quality and distribution of genetically modified seeds. Though the term GM looks generic, the intention of the government is to control Bt cotton seed activity in the state. The Andhra government has also requested the central government to retail cotton seed in the Essential Commodities Act, which would reinstate the state government's power to dictate the marketing of cotton seed. The State Minister of Agriculture asked farmers not to pay more than rs. 750 per packet for Bt cotton seeds, including the new generation Bt-II seeds as it gives no significant benefit to the farmers. (Source: Business Line, 06/15/07)

Post Comment: The Andhra Pradesh government has been at the loggerheads with Monsanto's local joint venture company on the issue of pricing of cotton seed. The Bt cotton seed producing companies, mostly licensees of Monsanto's Bt technology, have been forced to lower Bt cotton seed prices to a ceiling price of rs. 750 per packet (450 gm Bt and 150 gm non-Bt cotton seed). However, the second generation Bt-II (stacked genes that provide a shield against bollworm and heliothis) cotton seed prices have been fixed at rs. 950 per packet by Monsanto's licensee seed companies, which is being opposed by the Andhra government.

BANGLADESH: IMPORT BIAS TO PUT LOCAL INDUSTRY AT RISK

The Bangladesh government national budget for 2007-08 proposes fiscal measures to contain inflation that may affect private sector industrial growth. The budget contains a

proposal to withdraw import tariffs on some food items (edible oils and lentils) and remove the existing four percent infrastructure development surcharge (IDSC) on imports of finished goods. Import of more than 400 items, mostly raw materials used in by the local industry, would lose zero tariff protection and come under a 10 percent tariff. About 1,200 industrial raw materials and machinery would see tariffs double to 10 percent. The president of the Federation of Bangladesh Chambers of Commerce and Industry criticized the proposal to increase the duty on imported raw materials, intermediate goods and capital machinery, especially textile machinery. Withdrawal of the tariff on edible oils and lentils, and continuation of duty-free protection for major cereals like rice and wheat are believed to give consumers some respite from spiraling prices. However, no mechanism has been specified as to how the benefit of duty withdrawal would reach the consumers.

Major products, which are going to see the withdrawal of the surcharge (IDSC), include parent stock of day-old chicks, fish, milk and cream, cheese and cards, eggs, different fruits, coffee, tea, pig fats, biscuits, bread, pastry, fruit juices, soups, mineral water, sparkling wine, whiskies, vodka, gin and rum, cigars and cigarettes. The basket also includes leather goods, newsprint, paper and paper board, cotton fabrics, woven fabrics, carpets, textile fabrics, readymade garments, babies' garments, women's or girls' suit and footwear. The major industrial raw materials and capital machineries which have been proposed at a 10 percent duty, instead of zero duty include raw materials of poultry feeds, tractors, fish fry, various vegetables, roses, potato, cereals, oat, maize, rice, and various crop seeds, seeds of different oils and fruits, cotton seeds, provitamins, different chemicals used in leather industries, staple fibers, carding machines, combing machines, textile spinning machines, weaving machines (looms), knitting machines, and other textile machinery. (Source: The New Age, 06/08/07)

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