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Report Highlights:
Former CACP chief criticizes decision on paddy support price, *Government may ease rice export ban after harvest review in November*, *Wheat output touches 78 million tons*, *Edible oil prices may gain as imports decline*, *India asks the U.S. to cut farm subsidies by $1*, *Rough ride for biofuel options*, *Plan for GM regulatory authority may spark a turf war within government*, *Cut usage to rein in fertilizer scarcity*, *BANGLADESH: Rice import bill to reach $900 million*, *BANGLADESH: Per capita income leaps to $599; High remittance flow seen as major contributor*.

Includes PSD Changes: No
Includes Trade Matrix: No
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New Delhi [IN1]
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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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FORMER CACP CHIEF CRITICIZES DECISION ON PADDY SUPPORT PRICE

The government came under criticism from Mr. T. Haque, the former Chairperson of the Commission on Agricultural Costs and Prices (CACP), who expressed apprehension that tinkering with the recommendations of the CACP would dilute the role of the Commission and ultimately lead to the scrapping of the minimum support price (MSP) regime to expose farmers to market forces. Terming as "wrong" the government decision to refer the recommendations of the CACP to the Prime Minister's Economic Advisory Council, Mr. Haque said the CACP, an autonomous body, was the sole designated body having representation of experts and farmers to recommend the minimum support price of essential farm commodities. Last week, the Cabinet Committee on Economic Affairs, chaired by Prime Minister Manmohan Singh, referred the recommendation of the CACP to the Economic Advisory Council of the Prime Minister. Instead of Rs. 10,000 per ton for common varieties and Rs. 10,500 per on for Grade A varieties of paddy as recommended by the CACP, the Cabinet Committee resorted to an ad hoc MSP of Rs. 8,500 per ton for Common varieties and Rs. 8,750 per ton for Grade A varieties. (Source: Hindu, 06/17/08)

GOVERNMENT MAY EASE RICE EXPORT BAN AFTER HARVEST REVIEW IN NOVEMBER

The government is not at present considering easing the ban on rice exports, but could consider it after reviewing the harvest by November, according to Commerce Secretary, G.K. Pillai. "I do not think there is any proposal to relax anything now. If anything, we will see after the rice crop is available. If we have a production of 94 million tons, we may have three to four million tons of surplus rice, which would then be available for exports," he added. Regarding wheat, he said the stocks position was comfortable as the government has procured a record quantity of wheat this year. Queried on a possible ban on corn exports, he said there is no move to ban exports. (Source: Financial Express, 06/18/08)

WHEAT OUTPUT TOUCHES 78 MILLION TONS

India's wheat production has touched a record 78 million tons this year, which will keep the prices stable in the domestic market, Chairman & Managing Director, Food Corporation of India (FCI), told a gathering of flour millers. According to the government's third advance estimate, wheat output was 76.78 million tons. The revised figure may be included in the fourth estimate, scheduled for release next month. Wheat prices in the domestic market would remain stable throughout this year, he said adding FCI would sell in the open market, if required, to ensure enough wheat is available. Allaying fears of flour millers, the FCI Chairman said there is still enough wheat available in the market for private trade procurement, even though the government has procured over 22 million tons of wheat, compared with 11 million tons last year. (Source: Economic Times, 06/20/08)

EDIBLE OIL PRICES MAY GAIN AS IMPORTS DECLINE

According to the Solvent Extractors Association of India, imports of edible oils declined 39 percent in May to 302,000 tons, while that of non-edible oils nearly halved to 115,000 tons. It is for the second consecutive month that vegetable oil imports have declined. Soaring international prices of edible oils has lead to decline in imports. Any disruption in imports or even internal transport could compound the demand-supply scenario. With state governments imposing stock limits as a measure to control inflation, traders and refiners can hold only one month's requirements with them. Even imported oil comes under the purview of the stock limit once it is handed over to the refiner or trader by the importer. (Source: Business Line, 06/18/08).

INDIA ASKS THE U.S. TO CUT FARM SUBSIDIES BY $1

India has asked the U.S. to cut farm subsidies by just one dollar and the Indian government will come on board for a deal on the Doha Round of trade talks. "My offer to the U.S. is that they should reduce their subsidy by just one dollar and we have a deal," said Commerce Minister Nath at a conference on globalization organized by the Federation of Indian Chambers of Commerce and Industry. But the U.S. had not been forthcoming, he said. "They [the U.S.] say: forget about reducing the subsidy even by a single dollar, we want to have a right to double it in the next ten years," he said. He did not agree that it was India alone which had differences with the U.S. on the issue of farm subsidies, livelihood concerns, and opening market for industrial products. (Source: Hindu, 06/18/08)

ROUGH RIDE FOR BIOFUEL OPTIONS

A Planning Commission Expert Group on Biofuels has reported that India does not have adequate quantities of ethanol for blending with petrol even at 5 percent level because of huge demand for potable alcohol in the country. Presently, India has mandated 5 percent blending of ethanol in petrol, but the program is only partially successful. Citing short supply of ethanol, the Expert Group stated that several states restrict free movement of molasses leading to ethanol shortage for production of potable alcohol within the state. Domestic molasses remains the cheapest option for the liquor industry as alcohol imported for potable purpose attracts very high import duties. The government has plans to introduce 10 percent ethanol blended petrol from October 2008, but the automobile and petroleum companies have expressed reservation about the roadmap. The Society for Automobile Manufacturers have petitioned the government against the proposal indicating that higher blend would impact vehicles designed before 2002 and reduce fuel efficiency. (Source: Hindustan Times, 06/16/08)

PLAN FOR GM REGULATORY AUTHORITY MAY SPARK A TURF WAR WITHIN GOVERNMENT

The Department of Biotechnology has come up with a draft law to set up the National Biotechnology Regulatory Authority (NBRA) that will have the power to regulate the environmental release of genetically modified products, which currently lies with the Genetic Engineering Approval Committee under the Ministry of Environment and Forests. As the proposed body will provide a single window mechanism for biosafety clearance of GM products and processes, NBRA is clearly meant to shift regulatory power from the Ministry of Environment to Department of Biotechnology under which the NBRA will function. The proposed bill also moves into the domain of the Ministry of Health and Family Welfare, which is in its advanced stage of establishing the Food Safety and Standard Authority (FSSA) that will regulate the manufacture and sales of all GM foods. The proposed bill states that the NBRA could undertake all or part of the safety assessment of GM foods on behalf of the

FSSA. It remains to be seen whether the Health Ministry will agree to such dilution of its jurisdiction. The draft bill proposes the NBRA to regulate GM organisms with applications in human health and veterinary applications, thereby encroaching on the jurisdiction of the Department of Chemicals. (Source: The Times of India, 06/19/08)

CUT USAGE TO REIN IN FERTILIZER SCARCITY

The current fertilizer scarcity in the country and the mounting subsidy bill, which is expected to reach Rs. 950 billion ($22 billion) this year, can be partly solved by checking "injudicious usage" of fertilizer and reducing imports by 20 percent, feel manufacturers and experts. Reducing the availability of urea in various states by 2 million tons alone will result in savings of Rs. 40 billion, say fertilizer manufacturers. According to industry estimates, excessive use of fertilizers has reduced the efficiency of urea by 40 percent, phosphorous by 25 percent, and potash by 60 percent. A reduction of 20 percent in phosphorous application will result in a saving of Rs. 31 billion, and the reduction on potash use by 50 percent would result in an additional saving of Rs. 37.5 billion. (Source: Business Standard, 06/19/08)

BANGLADESH: RICE IMPORT BILL TO REACH $900 MILLION

The rice import bill may swell to $900 million in the current FY2007-08 as the government and traders purchased about 2.2 million tons of rice to meet the food supply shortage. Massive crop losses caused by twin floods and cyclone Sidr last year necessitated the huge food imports. About $840 million was spent on rice imports in the July-May period of the current fiscal, while it was only $142 million to import 0.6 million tons of rice in the same period of the last fiscal, according to central bank data. Rice imports declined after the boro harvest began in April and might remain slow in coming months. Inflated import payments for food and other essential commodities put pressure on the balance of payments, but robust remittance inflow and a rebound in the export sector helped the country absorb the shocks. The balance of payment surplus dipped to $215 million in the July-April period this fiscal year, from $809 million in the same period last year. (Source: The New Age, 06/13/08)

BANGLADESH: PER CAPITA INCOME LEAPS TO $599; HIGH REMITTANCE FLOW SEEN AS MAJOR CONTRIBUTOR

Per capita income in Bangladesh has shot up to $599 this fiscal year from the previous year's $523, demonstrating that the country's overall income has significantly gone up despite many odds. The odds include a fall in growth by one to three percentage points in agriculture, manufacturing, construction and service sectors. "Per capita income marked a rise by nearly 14 percent due to high growth of remittance," said Executive Director of the Centre for Policy Dialogue (CPD). The Bangladesh Bureau of Statistics (BBS) data show that growth in agriculture and forestry was 3.47 percent in 2007-08 down from the previous year's growth at 4.69 percent due to Sidr and two consecutive floods. Growth of animal farming marked a decline to 2.41 percent in 2007-08 from the previous year's 5.49 percent and the manufacturing sector marked a growth of 7.42 percent which was 9.72 percent in the previous fiscal. The country's overall GDP growth is estimated at 6.21 percent in 2007-08 compared to 6.43 percent in the previous year. (Source: The Daily Star, 06/17/08)

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