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Report Highlights:

Economic Advisory Council presents grim growth report, *No compromise, India awaits positive signal from U.S. to return to WTO talks*, *The Supreme Court issues notice to the Government over ban on GM organisms*, *Vegetable oil market reels under defaults on falling prices*, *Tesco enters retail with cash and carry*, *Government sets up National Wine Board to boost sector*, *Fertilizer industry facing major financial crises: FAI*.

Includes PSD Changes: No
Includes Trade Matrix: No
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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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ECONOMIC ADVISORY COUNCIL PRESENTS GRIM GROWTH REPORT

In a grim foreboding on the price front, the Prime Minister's Economic Advisory Council projected the inflation rate to touch 13 percent in the near term. It expected a slide in the GDP growth to 7.7 percent this fiscal from a high of 9.1 percent in 2007-08. Releasing the Council's 'Economic Outlook for 2008-09' at a press conference in Delhi, its outgoing Chairman, C. Rangarajan said, "For some more time, inflation can increase. It could touch 13 percent.... But by December, it will start declining and is likely to moderate to 8 to 9 percent by March 2009." Explaining the Council's rationale for lowering its projection of economic growth he said, "There is a slow down in agriculture, industry and services and the global environment is not very conducive to growth." According to the Council, the farm sector growth is likely to decelerate to two percent during the current fiscal year compared to the 4.5 percent growth in 2007-08. (Source: The Hindu, 08/14/08)

Post Comment: The full report of the Prime Minister's Economic Advisory Council can be accessed from: http://pmindia.nic.in/eac_report_08.pdf

NO COMPROMISE, INDIA AWAITS POSITIVE SIGNAL FROM U.S. TO RETURN TO WTO TALKS

Signaling its willingness to return to the negotiating table for a global trade deal with the WTO, India said a resumption of the Doha development Round talks now depends on WTO Director General Pascal Lamy getting similar response from the U.S. "We have always said if the WTO Director General feels there is a chance for (another) opening, then we will be prepared to go again to Geneva," Commerce Secretary G.K. Pillai told reporters on the sidelines of a conference. However, he said there was no change in India's stance at the WTO, and added that India will not make any compromises on protection of the livelihood of its poor farmers as well as interests of its infant and small industries. (Source: Financial Express, 08/14/08)

THE SUPREME COURT ISSUES NOTICE TO THE GOVERNMENT OVER BAN ON GM ORGANISMS

The Supreme Court (SC) has asked the Government to respond to a plea seeking a ban on the release of genetically modified (GM) organisms into the environment and the import of GM products. The ban is suggested to be in effect until an independent body is set up to promote a transparent bio-safety protocol. The SC after admitting an application by an activist Aruna Rodrigues and the Delhi based non-profit Gene Campaign, issued a notice to the Centre government directing it to file a response. According to this application, the activist had asked the court to direct the government to set up an independent institution of "international standards of accreditation, for all aspects of work connected to GM organisms, including risk assessment and testing for contamination". The petitioners have been urging transparency in tests and approvals for GM crop trials after an eight month ban on field trials of GM crops was lifted by the Apex court in May last year. (Source: The HT Mint, 08/13/08)

VEGETABLE OIL MARKET REELS UNDER DEFAULTS ON FALLING PRICES

In the past month, overseas sellers and Indian buyers of vegetable oil (crude palm oil) had entered into a large number of transactions at high prices; in a range of \$1,100 to 1,200 per ton. However, with prices sliding down, current offers are being made at \$850 per ton. Following the price decline, several Indian importers did not open requisite letters of credit. Overseas suppliers are now left holding purchase contracts and goods, but are unable to ship the goods in the absence of a letter of credit. Malaysian crude palm oil inventory is burgeoning at over 2.2 million tons. Taking a cue from overseas factors, domestic prices of edible oils started to trend down with better prospects for oilseed crops on widespread rains. (Source: Business Line, 08/13/08).

TESCO ENTERS RETAIL WITH CASH AND CARRY

Tesco is planning to develop a wholesale cash and carry business in India, with an initial investment of \$120 million in the first two years. Tesco has entered into an exclusive franchisee agreement with Trent, the retail arm of the Mumbai-based Tata group. According to the agreement, Trent can make use of Tesco's extensive retail expertise and technical capability to support its hypermarket business, Star Bazaar. Tesco will receive a fee for sharing this technical knowhow with Trent. Tesco is planning to set up three wholesale cash-and-carry centers, each of 200,000 square feet, in Mumbai, Delhi and Bangalore. One of the directors of Tesco announced during a press conference that the benefit of having Trent as a customer of the wholesale cash and carry business will enable them to rapidly develop supply chain infrastructure and processes, which will benefit farmers, small manufacturers and suppliers. (Source: The Financial Express, 08/13/08)

GOVERNMENT SETS UP NATIONAL WINE BOARD TO BOOST SECTOR

With an aim to boost the wine industry in the country, the government has set up a National Wine Board and an ad hoc committee to govern its work. Commenting on this, Mr. Rahul Sarin, Secretary, Ministry of Food Processing Industries, said, "The wine industry in the country is growing at a rate of 25 to 30 percent. However, per capita consumption of wine in India is low compared to other Asian and European nations. The wine sector in India requires a platform for consolidation of efforts and to develop the sector in an integrated manner. The National Wine Board will accomplish this purpose." The Board will help tap domestic and export markets, interact with government, policy makers, lay down standards and norms for improving quality and competitiveness and value addition to growers. (Source: Business Standard, 08/18/08)

FERTILIZER INDUSTRY FACING MAJOR FINANCIAL CRISIS: FAI

The fertilizer industry is facing a major financial crisis, said the Director General of the Fertilizer Association of India (FAI). To meet the requirements of the fertilizer subsidy for FY 2008-09, the government should allocate Rs. 890 billion (\$21 billion), failing which the country can face a serious shortage in production, imports, and availability of fertilizers, he said. "When you closely look at the issue of the 'subsidy' it is interesting to note that against the total subsidy requirement of Rs. 120,000 crores (Rs. 1.2 trillion = \$28.2 billion) for the year 2008-09, the actual allocation in the [government] budget is only Rs. 31, 000 crores (\$7.3 billion). This amount has been able to take care of the fertilizers supplied up to June 2008 only. The industry can in no way wish away this deficit of Rs. 89,000 crore and continue to function normally, not to speak of creating additional capacity," he said. (Source: Financial Express, 08/13/08)

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