



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 9/26/2008

GAIN Report Number: IN8111

India

Agricultural Situation

Weekly Highlights & Hot Bites, #39

2008

Approved by:

Holly Higgins
U.S. Embassy

Prepared by:

A. Govindan

Report Highlights:

Two million hectares of crop area lost to floods..., *...rice output estimated higher*, *Non-basmati rice export ban to continue*, *Inflation unchanged at 12.14 percent*, *EU favors talks with India on wines and spirits tax regime*, *Bt cotton acreage rises 20%*, *Fertilizer subsidy bill exceeds defense allocation*.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade 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.

TWO MILLION HECTARES OF CROP AREA LOST TO FLOODS ...

The Agriculture Ministry has officially admitted that the country has lost about 2 million hectares of kharif (fall and early winter harvested) season crop area on account of recent floods in many states. How much of crop losses this would translate into is not clear now. Mr. T. Nanda Kumar, Secretary, Department of Agriculture and Cooperation, was however optimistic that the rains in August-September, while causing damage to the standing crops, will help provide adequate soil moisture for the ensuing rabi planting season. The losses in the kharif season will then hopefully be made up in the rabi season. (Source: Business Line, 09/25/08)

... RICE OUTPUT ESTIMATED HIGHER

The government expects a reasonably good kharif food grain crop of 115.33 million tons this year, which includes a record rice production of 83.25 million tons. This, notwithstanding a rather erratic monsoon characterized by a dry spell during the peak planting period of July in much of peninsular India, followed by excessive rains from late-August leading to floods in Bihar, Uttar Pradesh, Orissa, and Assam. "Our estimates factor in an area loss of about 20 lakh [2 million] hectares arising from both drought as well as floods. On the other hand, the input received from states suggests generally higher productivity this time," the Agriculture Secretary told presspersons at the conclusion of the National Conference on Agriculture for Rabi Campaign – 2008, in New Delhi on September 25. As a result, overall kharif grain output for 2008-09, at 115.33 million tons according to the Agriculture Ministry's 'first advance estimate', is below last year's 'fourth advance estimate' of 120.96 million tons. But it is above the 'first advance estimate' of 112.24 million tons for 2007-08. "The 115.33 million tons figure is preliminary as the crop is yet to be harvested. It could be revised upwards [similar to last year]," said the Agriculture Secretary. (Source: Business Line, 09/26/08)

Post Comment: The GOI's 'first estimates' of various kharif crops in 2008/09 are available at: <http://www.pib.nic.in/release/release.asp?relid=43123>

NON-BASMATI RICE EXPORT BAN TO CONTINUE

The Food Ministry has clarified that while the government has allowed the export of the Pusa-1121 variety of non-basmati rice from the country, "there is no proposal under consideration before the Department for lifting the ban on exports of any other varieties of non-basmati rice." The statement comes only a couple of days after Finance Minister, Mr. P.Chidambaram, hinted at the government removing restrictions on exports "as early as possible". The Food Ministry said a decision on continuation or lifting of the ban on the export of non-basmati (barring Pusa 1121) will be taken based on the progress of rice procurement in the 2008-09 marketing year and open market price trends in different parts of the country. (Source: Business Line, 09/25/08)

INFLATION UNCHANGED AT 12.14 PERCENT

Inflation remained unchanged at 12.14 percent for the week ending September 13 with an increase in prices of primary commodities being compensated by a decline in manufactured goods prices. The Finance Ministry said inflation of 30 essential items declined to 7.58 percent during the week under review from 7.72 percent in the previous week. While prices of food items such as sea fish, salt, tea, fruits, condiments and spices rose, rates of imported edible oil declined. (Source: Financial Express, 09/26/08)

EU FAVORS TALKS WITH INDIA ON WINES AND SPIRITS TAX REGIME

The European Union said it would request WTO-consultations with India on its domestic tax regime for spirits and wines, though a formal panel set up by the WTO on this issue was suspended in 2007, following changes in some elements of the tax law that India made. A communiqué issued in Brussels said the proposed consultations, however, seek clarifications from India on the way tax legislation and other measures on market access for wine and spirits are applied in states such as Goa, Maharashtra, and Tamil Nadu. The EU said that as part of its 2007 market access strategy, the European Commission has focused new resources on removing unfair barriers to trade in growing markets such as India. The Indian market for spirits is one of the largest in the world, amounting in 2007 to about 130 million nine-liter cases and 1.5 million cases for wine. (Source: Business Line, 09/23/08)

Post Comment: The EU Communiqué to the WTO can be accessed from <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1382&format=HTML&aged=0&language=en&guiLanguage=en>

BT COTTON ACREAGE RISES 20%

Indian farmers seem to have taken to Bt cotton seeds in a big way. According to technology supplier Mahico Monsanto Biotech (MMB), India, Indian farmers have brought 20 percent more area under cotton cultivation in 2008. This is likely to shoot up cotton production in the country, which is already the second largest producer of cotton in the world. As per an estimate by MMB, approximately four million farmers cultivated Bollgard II and Bollgard Bt cotton on 17.2 million acres equivalent to 76 percent of India's total 22.5 million cotton acres in Kharif 2008. The acreage has steadily increased from 8.7 million acres in 2006 to 14.4 million acres in 2007. The farmers have a choice from over 150 Bollgard II and Bollgard Bt cotton hybrid seeds. "Within six years of the launch of Bollgard Bt Cotton in 2002, India's cotton production has doubled, making it the second largest producer, and second largest exporter of cotton in the world," said Raj Ketkar Deputy Managing Director, MMB. (Source: Business Standard, 09/23/08)

FERTILIZER SUBSIDY BILL EXCEEDS DEFENSE ALLOCATION

The subsidy bill for the fertilizer sector has shot up to Rs. 1.25 trillion (\$27.5 billion), approximately Rs. 200 billion more than the defense Budget of Rs. 1.05 trillion for 2008-09. In a demand note sent to the Committee of Secretaries (CoS) entrusted with the task of tackling the ballooning fertilizer subsidy, the Department of fertilizer has made a demand for an extra Rs. 887.85 billion from the Finance Ministry. According to the industry, the total subsidy bill has already crossed Rs. 1.25 trillion against the budgeted Rs. 309.86 billion for the current fiscal. (Source: Economic Times, 09/25/08)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN8109	Weekly Highlights & Hot Bites, #38	09/19/08

WE ARE ON THE NET

Visit our headquarter's home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/NEWDELHI EMAIL

To reach FAS/New Delhi, email us at Agnewdelhi@fas.usda.gov