



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 2/20/2009

GAIN Report Number: IN9026

India

Agricultural Situation

Weekly Highlights & Hot Bites, #8

2009

Approved by:

Holly Higgins
U.S. Embassy

Prepared by:

A. Govindan, Santosh Singh, Deepa Dhankhar, Amit Aradhey

Report Highlights:

India prepares to challenge trade barriers at WTO, *Food subsidy bill to triple...*, *...Fertilizer subsidy bill overshoots budget estimates*, *Centre grants duty credit for raw cotton export*, *India has 4th largest area under GM crops*, *Monsanto begins GM corn trials in India*, *Centre in a quandary over sugarcane SMP*, *Centre plans Board for domestic meat and poultry processing*, *Bird Flu outbreak in the fourth district of West Bengal*, *Soybean processors asking for more concessions*, *Falling edible oil prices ease subsidy burden*.

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.

INDIA PREPARES TO CHALLENGE TRADE BARRIERS AT WTO

As economies around the world are resorting to trade barriers, India has begun the groundwork for challenging the curbs in developed countries at the WTO. The trade policy division in the Commerce Ministry is collecting data as to what kind of non-tariff barriers are being created in major global markets like the United States and the EU, so that they could be legitimately contested at the WTO. The pace of groundwork has gathered momentum in the face of increasing protectionist measures being resorted to in the developed world, facing the worst recession in the last 78 years. "The compilation of data is likely to be completed in the next three to four months," a senior official said. However, few trade experts feel that the credibility of challenge from India at the WTO could have been greater had India not taken steps like the ban on Chinese toys. (Source: Financial Express, 02/16/09)

FOOD SUBSIDY BILL TO TRIPLE ...

The government said that the food subsidy bill was estimated to go up to Rs. 500 billion (\$10 billion) from Rs. 190 billion [in 2000], an increase of 163 percent. "The government estimates the food subsidy bill to be Rs. 49,000 to Rs. 50,000 crores [Rs. 490 billion to Rs. 500 billion] this year (2008-09) from Rs. 19,000 crores earlier," Food and Agriculture Minister Sharad Pawar told the Rajya Sabha (Upper House of the Parliament) during the question hour. The Minister, however, was non-committal on increasing the coverage subsidized food grains to include more people. (Source: Financial Express, 02/14/09)

... FERTILIZER SUBSIDY BILL OVERSHOTS BUDGET ESTIMATES

The government's fertilizer subsidy bill for the current fiscal has overshoot budget levels by Rs. 650 billion (\$13 billion). For IFY 2008-9 (Apr-Mar), the government had originally provided for a sum of Rs. 309.86 billion (\$6.2 billion) as subsidy payable to fertilizer companies in lieu of their selling fertilizer to farmers at below cost of production or imports. The revised estimates, however, show the total payment at Rs. 758.49 (\$15.1 billion). This does not include 'special securities' of Rs. 200 billion issued to fertilizer companies. Companies receiving the bonds can sell these to banks to meet their liquidity requirements. If this Rs. 200 billion issue of bonds is added, the effective fertilizer subsidy for IFY 2008-09 works out to Rs. 958.49 billion (\$19.1 billion), Rs. 650 billion more than the budget estimate. But even this is considered insufficient by the industry, which claims the actual requirement based on the difference between the cost it has incurred and the government-administered prices of the products sold would be in the region of Rs. 1,140 billion (\$22.8 billion). (Source: Business Line, 02/17/09)

CENTRE GRANTS DUTY CREDIT FOR RAW COTTON EXPORT

In a move to revive cotton exports in the face of declining global prices, the government has granted Special Agriculture and Village Industry Scheme benefits to raw cotton shipments on a retrospective basis from April 1, 2008 to June 30, 2009. Under the scheme, exporters are

entitled to 5 percent duty credit scrip on the FOB value, which can be traded and used for availing a duty relief for imports. India's imports during the current cotton year 2008/09 (October/September) has slumped after registering record exports of 8.5 million bales last year. The actual shipment of cotton was a meager 0.55 million bales till January end 2009 as the international cotton prices have slumped from 77-78 cents/lb in August/September 2008 to current levels of 53-54 cents/lb. The Cotton Association of India has welcomed the policy move as this will help liquidate stocks from the domestic market. (Source: Business Line, 02/09/09)

INDIA HAS 4TH LARGEST AREA UNDER GM CROPS

India has overtaken Canada to emerge as the country with the fourth largest area under genetically modified crops behind the leaders United States, Argentina and Brazil. The 7.6 million hectare of GM area in India consists entirely of Bt cotton. According to International Service for Acquisition of Agri Biotech Application (ISAAA), Bt cotton in India represents 82 percent of the total area under cotton, the largest proportion in the world. ISAAA was hopeful that the release of first publicly bred Bt cotton, Bikaneri Narma - a variety, as opposed to hybrids, will help extend the technology to the remaining 18 percent. (Source: Business Line, 02/19/09)

MONSANTO BEGINS GM CORN TRIALS IN INDIA

Monsanto has started field trials for genetically modified corn in India, but it could take a few years for the commercial launch. Speaking at the sidelines of Global Grain Summit, Mr. Jeremy Steiner, Executive Vice President Corporate Affairs, informed that the company has started field trial process for insect protected corn in India, and it is the same trait that is already in the fields in Philippines. (Source: Business Line, 02/18/09)

CENTRE IN A QUANDARY OVER SUGARCANE SMP

With the low sugarcane supplies leading to early closure of sugar mills during the current season, the government is under pressure to announce a significant increase in the statutory minimum prices (SMP) of the crop for the upcoming 2009/10 season. The Commission for Agricultural Cost and Price has recommended a price of Rs. 1,250 per ton, a 33 percent increase over the current price of Rs. 811.80 per ton (basic sugar recovery of 9 percent). While a section of the government and industry want no further delay in announcing the SMP as it will send the right signals to farmers to plant more area, the Ministry of Food is concerned about the repercussions of a steep hike on the ability of cane price payment by sugar mills and potentially inflationary impact on sugar prices. (Source: Business Line 2/16/09)

CENTRE PLANS BOARD FOR DOMESTIC MEAT AND POULTRY PROCESSING

The government announced setting up of an autonomous body 'National Meat and Poultry Processing Board (NMPPB)' on February 19, 2009. The central government gave its consent for the constitution of NMPPB in December 2008 and an initial allocation of \$3 million (Rs. 146 million) was made in the first two years of its operation. Subsequently, the meat industry would support the functioning of the board. The NMPPB will work as a national hub for addressing all key issues related to the meat and poultry processing sector for systematic and proper development of this sector. The board will support the industry in modernizing and setting up of abattoirs for ensuring production of hygienic meat and meat products. According to the Food Processing Industries Minister, the board aims to promote and regulate the meat industry in India. It will also help the industry in the harmonization of domestic standards with international norms and for developing a uniform meat quality-testing system

with special attention to the environmental pollution issues and traceability. (Source: The Financial Express, 02/20/09)

BIRD FLU OUTBREAK IN THE FOURTH DISTRICT OF WEST BENGAL

The Department of Animal Husbandry, Dairying and Fisheries, notified a fresh case of avian influenza on February 17, 2009, in the fourth district 'South Dinajpur' of West Bengal state. The test results of samples from the outbreak area have been released by the High Security Animal Disease Laboratory (HSADL), Bhopal. The culling operations for the poultry population have already commenced within a radius of three kilometers from the affected area. However, no suspected cases of human avian influenza have been reported so far. (Source: The Press Information Bureau, 02/18/09)

SOYBEAN PROCESSORS ASKING FOR MORE CONCESSIONS

The Soybean Processors Association of India (SOPA) sought support from the Government of India to extend the benefits under the Special Agricultural and Village Industry Program (Vishesh Krishi and Gram Udyog Yojana) to processed soy products such as texturized soy protein, soy protein concentrate and soy lecithin powder, besides soy meal. In 2007-08 fiscal year, on exports of Rs 50 billion worth soy meal, the industry collected Rs 2.5 billion as an incentive. (Source: The Business Line, 02/16/09)

FALLING EDIBLE OIL PRICES EASE SUBSIDY BURDEN

A declining trend in the global prices of edible oils has taken the subsidy burden off the government, which has slashed the budget allocation on the same by 63 percent for the next fiscal year. The subsidy for public distribution system has been reduced to Rs 2 billion for the 2009-10 fiscal year from Rs 5.4 billion last year, even though the government has raised the level from Rs 15 per kg to Rs 25 per kg in January, 2009. The allocated subsidy amount will be used to make available imported edible oils at cheaper rates to the common man (below poverty line population) through ration shops across the country. (Source: Business Standard, 02/20/09)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

| REPORT # | SUBJECT | DATE SUBMITTED |
|-----------------|-------------------------------------|-----------------------|
| BG9003 | Bangladesh: Grain and Feed – Annual | 02/12/09 |
| IN9023 | Weekly Highlights & Hot Bites, #7 | 02/13/09 |
| IN9025 | India: Grain and Feed – Annual | 02/20/09 |

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