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Report Highlights:

Inflation falls to 6-year low of 3.03 percent, *EGOM agrees to lift ban on wheat exports*,
Apply WTO-Compliant curbs to ban imports, *Textile, leather exporters get duty free
scrips*, *Commercial use of biotech rice could meet growing demand: Experts*, *Fresh
outbreak of bird flu reported from West Bengal*, *Non-tariff barrier on Australian dairy
products goes*.

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.

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INFLATION FALLS TO 6-YEAR LOW OF 3.03 PERCENT

After touching a 13-year high of almost 13 percent in August last year, inflation came full circle as it fell to a six-year low of 3.03 percent in the week ending February 21. In a statement, the Finance Ministry said that this figure was last recorded in October 2002 [www.pib.nic.in/release/release.asp?relid=48236]. This has further sparked worries that there might actually be zero or even negative inflation (deflation) later this year because of the high base effect. However, inflation of primary articles – comprising mainly food items and minerals – which was riding high until last week in the range of 7 to 8 percent, fell to just 6 percent. In food articles, inflation stood at 8.3 percent against 9.9 percent the previous week. However, inflation in the combined food index, compiled by the government for measuring food inflation, stood at 7.7 percent as against 8.6 percent the previous week. (Source: Indian Express, 03/06/09)

EGOM AGREES TO LIFT BAN ON WHEAT EXPORTS

On March 5, an Empowered Group of Minister (EGoM) headed by External Affairs Minister Pranab Mukherjee agreed in principle to lift the two-year old ban on exports of wheat and wheat products after national elections in May. The decision has not been officially announced as the Election Commission's code of conduct bars the government to take any major policy decision until the elections are held. Around two million tons of wheat are expected to be allowed for export after May. A committee of Secretaries, to be headed by Cabinet Secretary K.M. Chandrasekhar, is expected to work out the details. A notification will be issued after May, a Food Ministry official said. Also on the agenda of the EGoM meeting was a decision to consider removal of the April 2007 ban on exports of non-basmati rice. However, the EGoM put off this decision for later, on the calculation that lower foodgrain prices will help its electoral chances. (Source: Economic Times, 03/06/09)

APPLY WTO-COMPLIANT CURBS TO BAN IMPORTS

The Committee of Secretaries (CoS), headed by the Cabinet Secretary, is of the view that import restrictions [such as the recent restrictions on imports of a number of Chinese products by the Ministry of Commerce] could lead to violation of multilateral trading norms established by the WTO and should be used sparingly. It suggested that the decision to impose such restrictions, when absolutely necessary, should be taken by the CoS, a government official said. The Commerce Department should, instead, use the WTO-approved special safeguard mechanism – where special import duties are imposed to prevent import surges – to help industry against cheap imports, the CoS proposed in a recent meeting. "If we are taken to WTO by an exporting country and found guilty of violating WTO rules, retaliatory sanctions can be imposed against our exports," an official said. (Source: Economic Times, 02/28/09)

TEXTILE, LEATHER EXPORTERS GET DUTY FREE SCRIPS

The Commerce and Industry Minister announced that textiles and leather will get direct government assistance worth 2 percent of their value of exports to the U.S. and E.U. in the form of duty free scrips, which can also be used for importing goods duty free. The scheme will be on for six months beginning April 1, 2009, and will bail out the exporters of textile and leather, which have been hit most by the global financial downturn. Exports of textiles and leather have gone down by over 20 percent in the month of January 2009. (Source: The Economic Times, 03/01/09)

COMMERCIAL USE OF BIOTECH RICE COULD MEET GROWING DEMAND: EXPERTS

Two leading scientists from Calcutta University and the Central Rice Research Institute (CRRI) said that biotech rice could be commercially launched over the next few years after getting a mandatory clearance from the government. Biotech enhanced rice could double farmer yields and could save traditional low yielding varieties from extinction by converting the taller varieties into shorter height with multiple tillers resulting in higher yields. India has to increase its crop productivity through innovations in agricultural biotechnology to meet rising demand. Besides CRRI, other Indian institutes conducting research on biotech rice include Calcutta University, Directorate of Rice Research, National Research Centre on Plant Biotechnology, and the Tamil Nadu Agriculture University. The CRRI is working on developing nutrient enhanced rice for high protein and iron to help address the malnutrition problem in children and women. (Source: Financial Express, 02/26/09)

FRESH OUTBREAK OF BIRD FLU REPORTED FROM WEST BENGAL

On February 24, 2009, the Department of Animal Husbandry, Dairying and Fisheries (DADF), Ministry of Agriculture confirmed a fresh outbreak of avian influenza (H5N1) in Kurseong block, Darjeeling district in the state of West Bengal. Another district in the state of West Bengal 'South Dinajpur' had reported an avian influenza outbreak on February 17, 2009. Culling activities have been completed on February 21, 2009 in the South Dinajpur district of West Bengal. A total of 8,273 birds have been culled in this district. (Source: The Press Information Bureau, 02/27/09)

NON-TARIFF BARRIER ON AUSTRALIAN DAIRY PRODUCTS GOES

Australian cheese brands may soon be seen on Indian shelves, with the removal of the restriction on the use of artificial oestrogens in cows by the Indian Government. The requirement was viewed by the Australian dairy industry as a non-tariff barrier translating into a virtual ban on exports of dairy products to India since 2003. According to the Australian Quarantine and Inspection Service, after detailed negotiations they were able to convince the Indians that the oestrogen injected in cattle does not turn up in the milk and it cannot be detected at all in quarantine inspections. Australia was shipping around \$6 million worth of dairy products (mainly milk powder and lactose) before the oestrogen related restriction was imposed by the Indian government. However, according to the Executive Manager of the Australian Department of Agriculture, Fisheries and Forestry, their export focus would now be more on specialty cheeses, caseins and dairy protein extracts targeting high-end customers. Additionally, Australia is willing to open up its market for Indian mangoes and table grapes. (Source: The Business Line, 03/05/09)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN9029	Weekly Highlights & Hot Bites, #9	02/27/09
IN9031	FAIRS: GOI Further Defers the Complete Implementation of the Amendment to the PFA Rules Regarding Standards for Milk and Milk Products	03/03/09
IN9033	FAIRS: Amendment to the PFA Rule Relating to Nutritional Labeling of Packaged Food	03/06/09
IN9034	FAIRS: Food Safety and Standards Authority of India Drafts Food Recall Procedure	03/06/09

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