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Report Highlights:
Inflation plummets to 0.55% - No respite for consumers as food prices stay high, *Export ban on pulses extended by one year*, *OECD lashes out at India's rice export ban*, *Stock holding limits on sugar*, *Wheat purchase to create problem of plenty*, *Monsanto begins initiative to raise yields*, *Lower edible oil prices push imports by 68%*, *Government to do away with import duty on crude soy oil*, *Poultry product exporters miffed at Zoning delay*, *How China upset India's apple cart*, *Clarification on the article 'Non-Tariff barrier on Australian dairy item goes'*, *BANGLADESH: Government decision to cost wheat farmers*.

Includes PSD Changes: No
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Trade Report
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[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 PLUMMETS TO 0.55% - NO RESPITE FOR CONSUMERS AS FOOD PRICES STAY HIGH

The annual Wholesale Price Index (WPI)-based inflation inched closer to zero in the first week of March, setting the stage for the Reserve Bank of India to cut interest rates further to prop up growth. Despite the decline in the headline inflation estimate to a three-decade low of 0.44 percent, food product inflation continues to rule high and hurt at the consumer level. According to data released by the Ministry of Commerce and Industry, the annual WPI inflation was 0.44 percent for the week ended March 7, sharply lower than the previous week's 2.43 percent and 7.78 percent a year ago. In food articles, inflation fell to 7.4 percent after remaining stable at 8.3 percent in the previous two weeks. Cereals, pulses, salt, milk and sugar, however, were high relative to the year-on-year inflation rate. (Source: Business Line, 03/20/09)

EXPORT BAN ON PULSES EXTENDED BY ONE YEAR

In order to increase the supply of pulses in the domestic market, the government extended the ban on exports and continuation of the import duty exemption until March-2010. "The decision today is to extend the zero duty on the import of pulses for one more year beyond March 31, 2009," Home Minister P. Chidambaram told reporters after the Cabinet meeting. The Union Cabinet has also decided to extend the ban on exporting all varieties of pulses except kabuli chana for one more year, effective from April 1, 2009, to March 31, 2010. The government is hoping to control the prices of pulses through the combination of duty-free imports and a ban on export. As per the latest numbers, the inflation rate for pulses was 13.09 per cent for the week ended February 28 this year, even as overall inflation has dropped below the 3 percent level. A decision was also taken to distribute imported pulses through the public distribution system for six more months in the Cabinet meeting chaired by Prime Minister Manmohan Singh. (Source: Business Standard, 03/19/09)

OECD LASHES OUT AT INDIA'S RICE EXPORT BAN

The conclusion of the much-delayed Doha Round of trade talks may hang on the key agricultural support reduction commitment of rich countries. While the support to the farm sector has fallen and now stands at one percent of GDP in 2005-07 in the rich world, this is not the case for some emerging economies, like China, says a report of the Paris-based Organization for Economic Cooperation and Development (OECD). Even as the OECD has included India in its emerging economy study, the report said it has examined agricultural support estimates for six of the seven emerging economies as "support estimates are not available for India because the Government of India does not participate in the review process". Due to India's export ban on wheat, corn, pulses, and non-basmati rice as well as a minimum export price and duty on basmati rice, the report cites that such export bans undermine trust in trade, besides engendering the harmful effects on import-dependent "trading partners".

Though the report concedes that the level of support to agricultural producers in the emerging economies is by far relatively low, there are certain commodities in each country that benefit from a greater amount of support than others. (Source: Business Line, 03/18/09)

STOCK HOLDING LIMITS ON SUGAR

The Central Government has issued an Order under the Essential Commodities Act, 1955 imposing stock holding and turn over limits on sugar manufactured through the vacuum pan process. The stock holding and turn over limits will not be applicable to sugar importers under the Open General License. The Order will come into force after 15 days of its publication in the official Gazette for a period of four months. (Source: Press Information Bureau, 03/12/09)

WHEAT PURCHASE TO CREATE PROBLEM OF PLENTY

Lack of granary space and stocks carried over from last year could pose problems for the Indian government when it starts buying wheat early next month. A carry-over stock of over 13 million tons of wheat will be more than the buffer norm. India's wheat production is expected to cross 77.8 million tons by the year ending in March. If the government does not act on time, a lot of wheat will rot, says Mr. S. Raghuraman, Head of trade research at Agriwatch – a Delhi-based research body. Since this is an election year, it is expected that the government will buy more than usual even from the states that do not contribute much to the Central pool like Uttar Pradesh and Madhya Pradesh, to pull in farmer votes. "In principle, a statement has been issued by the government that India can set aside 2 million tons of wheat for export. But to make exports viable, the government will have to announce subsidies as Indian wheat is costlier internationally," Raghuraman said. As an incentive, he also suggested the introduction of a transport subsidy that complies with the World Trade Organization norms on trade. (Source: HT Mint, 03/18/09)

MONSANTO BEGINS INITIATIVE TO RAISE YIELDS

Monsanto India Ltd. has kicked off a Sustainable Yield Initiative, a project covering 10,000 farmers in Andhra Pradesh, Maharashtra and Rajasthan over a four-year period. Mr. Sekhar Natarajan, Chairman, Monsanto India said "It will be an intensive, handholding program where we will benchmark and communicate the best agronomic practices in cotton and corn (maize), along with forging better market linkages by hooking the farmers directly with ginners and feed millers." This Monsanto project is parallel to their global initiative that targets a doubling of existing yields in corn, cotton and soybean by 2030 while using one-third less resources. (Source: Business Line, 03/17/09)

LOWER EDIBLE OIL PRICES PUSH IMPORTS BY 68%

Due to the sharp drop in international and domestic prices of edible oils as well as higher domestic consumption, total imports of edible oils have increased by 68% in four months, November 2008 to February 2009. According to the Solvent Extractors Association of India, "Lower prices in the domestic market have caused the resistance of the farmers to sell their oilseeds and this has adversely affected the working of the domestic industry during the peak crushing season." The import of vegetable oils during February 2009 was up by 48% at 7.62 lakh (100,000) tons as compared to 5.15 lakh tons in February 2008. (Source: Financial Express, 03/17/09)

GOVERNMENT TO DO AWAY WITH IMPORT DUTY ON CRUDE SOY OIL

The GOI is doing away with the 20 percent import duty on crude soy oil to bring it at par with crude palm and sunflower oil that are currently imported duty free. The move to scrap the import duty on crude soybean oil was announced by the Commerce Secretary, Mr. G. K. Pillai on March 19. An official notification is likely to be issued shortly by the Finance Ministry. According to data collected by the Solvent Extractors' Association of India, in the last four months, the share of soy oil in India's vegetable oil imports has dropped below 20 percent. The bulk of imports comprised of palm oil. However, soy oil imports began picking up in February to grab 30 percent share of the import market. By doing away with the duty, India is now restoring soy oil's premium to more normal levels. (Source: Economic Times, 03/19/09).

POULTRY PRODUCT EXPORTERS MIFFED AT ZONING DELAY

Poultry product exporters have expressed concern over the Tamil Nadu (T.N.) government's inordinate delay in initiating the zoning process. According to industry sources, the Ministry of Agriculture is willing to zone the country but the government of T.N. is yet to initiate the zoning process. An industry spokesperson said that exporters of poultry products are losing out their trade share to other competing countries such as Brazil, USA, China, France, Thailand and Germany. All these countries are zoned in accordance with the World Organization of Animal Health (OIE) guidelines. The Director of a renowned poultry products export oriented company based in T.N. has requested the state government to make T.N. a separate zone and have it notified to the OIE for the purpose of international trade. (Source: The Business Line, 03/18/09)

HOW CHINA UPSET INDIA'S APPLE CART

China's industrial output across a majority of sectors has consistently edged out Indian merchandise in the international market. Nepal, which is geographically nestled between the two Asian giants, India and China, has traditionally seen cut throat competition between the two countries in its markets. Cheaper and better packed Chinese apples have quickly found favor with retailers in Kathmandu and are dominating the market much more than the Indian varieties. According to a fruit wholesaler in Kathmandu, Chinese exporters plan their supply in such a way that markets in Nepal are always flooded with their apples. Indian apples now account for less than 10 percent of the total traded volume in Nepal. (Source: The Hindustan Times, 03/14/09)

CLARIFICATION ON THE ARTICLE 'NON-TARIFF BARRIER ON AUSTRALIAN DAIRY ITEMS GOES'

The Deputy High Commissioner of Australia in India has clarified with regards to a news article 'non-tariff barrier on Australian dairy items goes', that the Indian government has not lifted the ban on the use of synthetic oestrogen in dairy cattle. The article misquotes the General Manager of the Australian Quarantine and Inspection Service in this regard. The Australian government acknowledges that the Indian Government continues to maintain a ban on the use of synthetic oestrogen in dairy cattle and requires dairy products to be certified as originating from cattle not undergoing oestrogenic treatment for the past 90 days. The Australian dairy industry voluntarily banned the use of oestrogen effective January 1, 2008. Therefore, Australia is fully able to meet the current requirements of the Indian government for the import of dairy products. (Source: The Business Line, 03/08/09)

BANGLADESH: GOVERNMENT DECISION TO COST WHEAT FARMERS

Wheat growers are going to be deprived of the benefits of price support as the government has decided to suspend the wheat procurement drive in the current fiscal year. The government decision for not providing price support to the growers and the declining trend in wheat price on the international market will affect the producers as wheat prices in the local market may decline beyond the production cost. The per kilogram production cost of wheat has increased to Tk 20-22 during the current season owing to the high cost of inputs, including fertilizers, said an official of the Bangladesh Wheat Research Institute at Dinajpur. A high official of the food department observed that it would be traders who would be benefited by the government decision to cancel the price support to wheat growers as they would buy wheat at a cheaper rate from farmers. Meanwhile, as the price of wheat on the international market has come down, the government has a plan to procure about 5 lakh tons of wheat from the international market at a price of around $200 a ton, said an official adding that the price of per kilogram imported wheat would be Tk 14-15. (Source: New Age, 03/19/09)

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