Voluntary _ Public

Date: 9/30/2011

GAIN Report Number: IN1193

India

Post: New Delhi

Weekly Highlight and Hot Bites No. 39

Report Categories:

Agriculture in the News

Approved By:

Thom Wright

Prepared By:

Santosh Singh, Radha Mani

Report Highlights:

Welcome to Hot Bites from India, a weekly food and agricultural news summary. This report includes information gathered by local agricultural analysts and/or reported in the local media.

General Information:

POLICY

INDIA NEEDS TO CURB FOOD WASTAGE TO TACKLE INFLATION: WORLD BANK

The World Bank has said that South Asia's food grain stock management, especially in India, needs to improve to tackle inflation. High stocks have led to high wastage due to inadequate storage capacity and technology. According to the World Bank's estimates, the Food Corporation of India lost 10-16 million tons of grain in 2000. (Source: The Hindu Business Line 9/24/11)

RUPEE FREE FALL: IMPORTER'S WORRY, EXPORTER'S EUPHORIA

The rupee's recent plummeting has seen exporters thanking their various Gods, even as importers are gnashing their teeth. Import-dependent firms like steel, coal and oil marketing firms face hugely higher costs now. (Source: Hindu Business Line, 09/26/2011)

FARM HAND SHORTAGE: RURAL JOB SCHEME TO THE RESCUE

The Union Agriculture Minister, Sharad Pawar, while expressing concern that the shortage of farm laborers is getting worse, said that the Centre was considering a move to provide laborers under the Mahatma Gandhi National Rural Employment Guarantee Scheme (NREGS) to farmers during sowing and harvesting. (Source: Indian Express, 09/26/2011)

FTA WITH ASEAN HURTING DOMESTIC MARKET, REVEALS FICCI SURVEY

The India-ASEAN Free Trade Agreement (FTA), which came into effect from January 2010, has been a mixed bag so far. While more opportunities have opened up for Indian industries in terms of greater market access for their products in the ASEAN region, the duty reduction on imports from ASEAN countries has hit India's domestic market. (Source: Financial Express, 09/26/2011)

INDIA EU FREE TRADE PACT NOT LIKELY BEFORE NEXT YEAR

The free trade agreement between India and the EU is unlikely to be concluded before next year, the EU Trade Commissioner, Mr Karel De Gucht, admitted following Sunday's meeting of the EU Foreign Affairs Council in Brussels, where the matter of the FTA was discussed. (Source: The Hindu Business line 9/27/11)

FARM CREDIT LIKELY TO TOUCH RS 5.2-LAKH CR (RS. 5.2 TRILLION) THIS FISCAL: NABARD

The overall credit flow to the agricultural sector is likely to touch Rs 5.2 trillion this fiscal year, substantially exceeding the budget target of Rs 4.75 trillion, the NABARD Chairman, Dr Prakash Bakshi has said. (Source: The Hindu Business Line 9/27/11)

POULTRY

POULTRY SECTOR IN SOUTH UNFAZED BY AVIAN FLU INCIDENTS IN BENGAL

Although West Bengal has confirmed incidents of avian flu and ordered culling of lakhs of chicken, South India remains unruffled. (Source: Hindu Business Line, 09/24/2011)

GRAIN AND FEED

GOVT PREPARES CONTINGENCY PLAN TO BOOST RABI PULSES OUTPUT

The Government has created a contingency plan to boost pulses output in the ensuing Rabi season. It is targeting an additional output of 2.78 million tons of pulses such as pigeon pea, gram, pea and lentil by expanding area and enhancing productivity. The contingency plan will help the Government offset losses in the kharif season. (Source: The Hindu Business Line 9/27/11)

RICE MILLERS UPGRADE TO GET CERTIFICATION FOR EXPORT TO US

While the U.S. is insistent on tough sanitation conditions at rice shelling units in India, the units across Northern India are preparing to upgrade their conditions to ensure that rice meant for exports is free from infestation. (Source: Tribune, 09/28/2011)

SUGAR

INDIA URGED TO ALLOW 4M TONNES OF SUGAR EXPORTS IN 2011/12

India should allow 4m tons of unrestricted sugar exports in the new season from October to help trim bulging stocks and arrest slipping local prices, Jayantilal Patel, president of the National Federation of Co-operative Sugar Factories, told an industry meeting on September 27.
The federal government should also buy 2m tons of sugar from the local market to help cut stocks with mills as 2011/12 output is expected to be 26.5m tons. "This expected surplus production of sugar during 2011/12 is worrying," Mr Patel said. (Source: The Public Ledger, 09/28/2011)

RETAIL

BIG PACKS LIKE FUTURE GROUP, SPENCER'S RETAIL, PEPSICO INDIA, PARLE, EMAMI BULK UP RETAIL SALES

Big retailers are reporting a more than 20% year-on-year jump in same-store sales since May as consumers buy grocery and other daily use items in bulk packs to secure the best deals on offer. (Source: The Economic Times 9/28/11)

MINISTERIAL DIFFERENCES TO DELAY DECISION ON FDI IN RETAIL

A decision on the much-awaited FDI in multi-brand retail is likely to be delayed further in the wake of fresh inter-ministerial differences on the politically sensitive issue. (Source: Hindu Business Line, 09/29/2011)

AGRICULTURAL SITUATION

DELAY IN MONSOON WITHDRAWAL MAKES CROP PROSPECTS BULLISH

The monsoon season is set to stretch beyond the usual period of end-September, likely showering above-normal rainfall this year and raising hopes that the country is well on course to reap a bumper food crop this summer. (Source: Financial Express, 09/26/2011)

OTHER

CENSUS FINDINGS POINT TO DECADE OF RURAL DISTRESS

For the first time since 1921, India's urban population goes up by more than its rural population. (Source: The Hindu, 09/26/2011)

GOVT FLIP-FLOPS WORSENED ONION CRISIS

A recent spike in onion prices and the subsequent government action of banning and then re-allowing export 11 days later has brought into focus all that is fundamentally wrong with marketing of agricultural produce in India. (Source: Business Standard 9/27/11)

BIG MAC WANTS BIGGER BITE OF ICE CREAM MARKET

In a bid to grow its average ticket size, McDonald's will push its newly launched ice-cream brand McFlurry with a national campaign beginning this weekend. (Source: Business Line, 09/28/2011)

NEWS IN DETAIL:

INDIA NEEDS TO CURB FOOD WASTAGE TO TACKLE INFLATION: WORLD BANK
Our Bureau

Chennai: The World Bank has said that South Asia's foodgrain stock management, especially in India, needs to improve to tackle inflation. In its focus on food inflation in South Asia, the bank said that high stocks have led to high wastage due to inadequate storage capacity and technology. According to World Bank's estimates, the Food Corporation of India lost 10-16 million tonnes of grains in 2000.

"The FCI's inefficiencies not only lead to high losses of the grains it handles, they also drive up the costs of food handling. Comparisons show that the FCI's handling and storage costs are significantly higher than those of the private sector. The increase in procurement has led to a significant increase in the fiscal costs of the system," the report said.

The FCI procures nearly one-third of wheat, rice produced in the country, besides coarse grains at the minimum support price fixed by the Government. The stocks are then transported to deficit States and sold through the public distribution system at a subsidised rate.

It said demand for food is undergoing structural shifts as incomes rise. Growth in consumption of pulses, fruits, meat, eggs, and dairy items is more than double the consumption growth in cereals. Inflation in these items has been higher than in cereals.

"Public intervention in agricultural marketing in India and Pakistan has high fiscal costs and narrowly supports cereal production, while high food inflation and continuing high rates of food insecurity are linked to an inadequate supply response in non-cereal food products," the report said.

Input subsidies contributed to the overuse of water resources, high losses of electricity utilities, and deteriorating soil conditions because of skewed application of fertiliser. It said expenses on these were not contributing to productivity and they could instead be used as
investments in agricultural research, education, and rural roads are amongst the most effective public spending items in promoting agricultural growth and reducing poverty.
Food and fertiliser subsidies have increased to over 1.5 per cent of the GDP since 2008-09 from around one per cent in the 1990s.

Annals of public procurement

Outlays on food subsidies are far higher than public investment in agriculture and outlays for extension services, which could increase agricultural production and lead to lower prices over time.
In India and to a lesser degree in Pakistan, large-scale public procurement hampered the private sector not only by pre-emption, but also by taxes and rules for moving grains across state borders, and caps on storage of grains designed to facilitate public procurement.
The bank found fault with mandatory Jute Packaging Act, frequent changes in the Essential Commodities Act, low private investment in grain marketing, insufficient investment in supply chain and marketing rules.

The bank proposed five policy options to tackle inflation including in foodgrain storage management. It called for demand management policies in South Asia earlier than in advanced countries because of the high share of food items in consumer baskets with priority for fiscal consolidation.

Over the longer term, it called for policies aimed at increasing agricultural output and productivity to alleviate pressures on food prices, including focus on technology, improved water management, rural infrastructure, agricultural diversification, and private sector investment in marketing and the agro industry.

It said governments should exploit the efficiency gains they could achieve (in terms of protecting and improving nutritional status) through provision of more nutritious foods (e.g. foods fortified with essential vitamins and minerals) and by increasing beneficiary knowledge on how to maximise household resources for nutritional impact.

It asked governments to explore developments of market-based tools and assistance for managing risks, particularly those that affect the government's budget.

RUPEE FREE FALL: IMPORTER'S WORRY, EXPORTER'S EUPHORIA

Our Bureaus

The rupee's recent plummeting has seen exporters thanking their various Gods, even as importers are gnashing their teeth. Import dependent firms like steel, coal and oil marketing firms face hugely higher costs now. But everyone is keeping a stiff upper lip. Most firms *Business Line* spoke to – even those holding large dollar loans – insisted that the medium-term and long-term outlook for the Indian currency remained bright.

Gainers' goodies

Export focussed IT firms like HCL Tech said that as a thumb rule, every one percentage point change in the rupee translates into 30 basis points impact on their operating margins. "Rupee depreciation is positive for the IT industry. As a policy, we hedge up to one year going forward and as of June 2011, our hedge forward rate is Rs 47 and in range options we are between Rs 46 and Rs 48," HCL Technologies CFO, Mr Anil Chanana, said.

HCL Tech says its hedge positions remains within the range of 20-40 per cent of net inflows expected in the next 12 months. MindTree CFO, Mr Rostow Ravanan, said, "We have a balanced hedging policy, under which we hedge 50 per cent of our forecasted cash flows on a rolling 12-month basis. This balances our risk/reward in times like this when there are huge uncertainties in the market."

Losers' lament

Steelmakers who depend on coking coal are quaking at their import bill as the rupee weakens. But that could get offset by the softening input prices of coking coal. They say the rupee has weakened by 11.4 per cent against the dollar since the beginning of this quarter while coking coal prices have softened by 15-40 per cent for various grades this quarter.

"We will be definitely impacted by the forex volatility. The recession may be a temporary phenomenon. The long-term hedging rates do not suggest this sort of rates prevailing for long. Hedge premiums for long-term tenure of five years have come down to 3.5 per cent from above 5 per cent," said Mr C.S. Verma, Chairman, SAIL.

Meanwhile, companies in the power sector have been mostly floating tenders to procure thermal coal for the whole year. Now, importers are looking to float tenders in parts – on quarterly or half yearly basis. Take Coal India, which is in the process of tying up a 10-year pact to import thermal coal from global suppliers. It has incorporated a provision in the pact whereby coal prices are to be revised every six months, while maintaining the offered discount rate over the average of Australian and South African index prices.

Borrowers' bother

For those with large dollar borrowings, it is a time to wait and watch. As of June 2011, SAIL's borrowing stood at Rs 21,175.80 crore of which forex loans were about Rs 892 crore. It had an import bill of Rs 15,540 crore on March 31, 2011. The company typically resorts to short-term overseas borrowings to cover its import bill. “We will be cautious on our forex borrowings and may dip into our cash reserves to meet the requirements,” Mr Verma said. For Godrej Consumer Products Ltd (GCPL), the biggest impact of current volatility is in its exposures to dollar loans taken for funding acquisitions overseas. “As far as our loans are concerned, we have a five- to six-year repayment horizon, though short-term obligations we cover from time to time, so we are not unduly worried, said Mr P. Ganesh, Executive Vice-President of Finance at GCPL. He thinks the current depreciation is “a short-term phenomenon”.

Strategy stumbles

Currency volatility plays havoc with balance sheets. So most corporates have a forex committee to keep an eye on fluctuations. But they say it is impossible to formulate a long-term strategy. MindTree's, Mr Ravanan, believes that the global currency markets are and will continue to witness high volatility. “It is difficult to formulate any long-term strategy to handle this currency volatility,” he says. SAIL's Mr Verma echoes this, “There cannot be any strategy to deal with the forex volatility as we have to make dollar payments on a monthly basis.” Given the volatility, by and large, most corporates preferred not to rely too much on hedging. As Mr Ravanan explained, “Hedging is always on a smaller portion of overall revenue,” adding that the company will get benefit of the Rupee depreciation on unhedged receivables.

FARM HAND SHORTAGE: RURAL JOB SCHEME TO THE RESCUE
Express news service; Posted: Mon Sep 26 2011, 00:29 hrs

Pune: Expressing concern over shortage of farm labourers getting worse, Union Agriculture Minister Sharad Pawar on Saturday said the Centre was considering a move to provide labourers under the Mahatma Gandhi National Rural Employment Guarantee Scheme (NREGS) to farmers during sowing and harvesting.

The government is considering a scheme to bear 75 per cent of the cost of hiring labourers, while farm owners would have to pay the remaining 25 per cent to hire labourers, said Pawar while addressing a function to inaugurate a new building of the Solapur District Co-operative Bank at Akluj in Satara district.

“The Union government is spending about Rs 40,000 crore per year on NREGA. Even if labourers sit idle at the work site, they get fixed wages. On the other hand, there’s a serious problem of labour shortage in farms as farm hands are now opting for NREGA work. To solve the problem, there is a move to provide labourers to farmers through NREGA during sowing and harvesting, when there’s a dire need of farm hands. The government is considering giving 75 per cent of the wages to labourers and leave the remaining 25 per cent to be borne by farmers,” said Pawar.

FTA WITH ASEAN HURTING DOMESTIC MARKET, REVEALS FICCI SURVEY
FE Bureau; Posted: Monday, Sep 26, 2011 at 0415 hrs IST

New Delhi: The India-Asean Free Trade Agreement (FTA), which came into effect from January 2010, has been a mixed bag so far. While more opportunities have opened up for Indian industries, in terms of greater market access for their products in the Asean region, the duty reduction on imports from Asean countries, in turn, has hit India's domestic market.
These are the findings of a Ficci survey on the 'Impact of India-Asean FTA on Indian Industry'. The survey drew responses from 78 companies with a wide geographical and sectoral spread. Companies participating in the survey had a turnover ranging from R1 crore to R27,000 crore.
According to the survey, sectors where imports were found to be increasing at a substantial pace included engineering products, processed food, textiles, garments, plantation crops and auto parts. On whether sourcing of certain products from Asean countries post-FTA would eventually render manufacturing of these products uneconomical in India and affect future investment decisions, 72% respondents felt that such sourcing had not yet affected manufacturing of these products in India.

The companies that participated in the survey highlighted various steps that the government could initiate to maintain and enhance competitiveness. Some of these were reduction in tariff and other related taxes on imports of raw materials; reduction in tariff on imports of electrical products, laminates, natural rubber etc; and reduction in transaction cost in India (from place of origin to port).
India has sought easier movement of professionals to Asean countries in a number of areas, including teaching, nursing, architecture, chartered accountancy and medicine. India is also keen on expanding its telecom, IT, tourism and banking network in Asean countries.

On tariff reduction on imports from Asean countries, a majority of the respondents —59%—foresaw no negative impact on the domestic market. A majority of the survey respondents—80%—felt that the import of products in their sector from Asean countries had not increased since the pact came into effect. The companies also sought greater support to the MSME and agriculture [plantation crops] sectors from the government. They wanted quality checks imposed on products imported from Asena countries.

Indian pharmaceutical products are exported to many countries, including highly regulated markets of US, Europe, Japan and Australia. Companies in the sector expressed unhappiness over the NTBs imposed by Indonesia, including a cumbersome registration process.

INDIA EU FREE TRADE PACT NOT LIKELY BEFORE NEXT YEAR
Vidya Ram

London: The free trade agreement between India and the EU is unlikely to be concluded before next year, the EU Trade Commissioner, Mr Karel De Gucht, admitted on Monday.
His remarks followed Sunday's meeting of the EU Foreign Affairs Council in Brussels, where the matter of the FTA was discussed.
Mr De Gucht said he hoped that outstanding issues could be resolved by the time of the next India-EU summit in February. However, while the EU's determination to achieve a deal was as "strong as ever" he admitted that it was "not easy." There had previously been hopes that the talks to agree an FTA – which began in 2007 – would be resolved this year. "At a certain point negotiations require

pragmatism," he said.

Areas where there were still "substantial problems" included India's tariffs on the European wine and spirits industry, the services sector, as well as energy and public procurement, he said. When pressed about whether he believed these differences could be overcome, he said that he hoped that was the case. "I believe an agreement would be of the utmost importance – it will require more flexibility on both sides to get it."

While NGOs have expressed concerns about the impact that changes to India's IP regulations could have on its generics drug industry, Mr De Gucht pledged there would be safeguards to ensure that it would not impact the delivery of vital medication. "There will be a clear provision that this will not hamper the delivery of life saving medicines to the third world," he said.

FARM CREDIT LIKELY TO TOUCH RS 5.2-LAKH CR (RS. 5.2 TRILLION) THIS FISCAL: NABARD
Our Bureau

New Delhi: The overall credit flow to the agricultural sector is likely to touch Rs 5.2 lakh crore this fiscal, substantially exceeding the budget target of Rs 4.75 lakh crore, the NABARD Chairman, Dr Prakash Bakshi has said. This was in line with the Finance Minister, Mr Pranab Mukherjee's recent remarks that farm credit would go beyond the Rs 5 lakh crore mark this fiscal. "Based on the data available for the first four months, we expect the overall credit to the agricultural sector to touch Rs 5.2 lakh crore this fiscal. This would be all the banks and institutions put together", Dr Bakshi said here.

He also said that NABARD has so far this fiscal refinanced cooperatives to the tune of Rs 38,000 crore. The NABARD Chairman expects the total refinance to be about Rs 50,000 crore this fiscal as against a target of Rs 40,000 crore.

The banking system has in the recent years been firing on all cylinders on the agricultural credit front, consistently exceeding the budget target and thereby raising the expectations of the Government for the subsequent year.

In 2010-11, the banks lent Rs 4.47 lakh crore, higher than the budget target of Rs 3.75 lakh crore. On capital infusion, Dr Bakshi said he expects the Centre to infuse Rs 1,000 crore capital this fiscal. Currently, the paid-up capital stood at Rs 2,000 crore. A capital infusion of Rs 1,000 crore would help NABARD borrow as much as Rs 10,000 crore, he noted. The Centre currently holds 99 percent stake in NABARD.

POULTRY SECTOR IN SOUTH UNFAZED BY AVIAN FLU INCIDENTS IN BENGAL

Chennai: Although West Bengal has confirmed incidents of avian flu and ordered culling of lakhs of chicken, South India, particularly Namakkal, remains unruffled. The National Egg Coordination Committee (NECC), Namakkal zone, has in fact increased the egg prices by five paise and has ruled out chances of the disease spreading to the South. "We have bio-security. We are carrying out regular checks and vaccinations to prevent outbreak of bird flu. Moreover, the climate here is not conducive for the avian flu virus to breed," Mr P. Selvaraj, Zonal Chairman, NECC, told *Business Line*.

After remaining flat for almost three weeks at Rs 2.52 a piece, egg prices are now ruling at Rs 2.57. This, despite the fact that the ensuing Navaratri eason will dent consumption.
“For the first time, we have hiked the egg prices in austere month of Purattasi. This is mainly because of growing demand in Kerala although off take in Karnataka and Andhra Pradesh will be hit,” said an NECC spokesperson.

Meanwhile, the prices of layer and cull birds have been trimmed to Rs 36 (Rs 40/kg) and Rs 55 (Rs 60/kg) respectively due to reduced off take in Karnataka and Andhra. But poultry traders in Namakkal, despite being unaffected by avian flu, are not all that elated since the incident in the far-east tells on their exports. “Around 800 poultry farms are located in and around Namakkal where nearly three crore chickens are reared. Every time avian flu hits any part of the country, Namakkal poultry farmers are affected. Already, the Gulf nations have totally shunned eggs from India. We have been clamouring for 'zoning' of the poultry hubs in the country so that areas unaffected by bird flu do not face import curbs. But the government has not done anything so far,” lamented Mr Selvaraj.

Egg exports, which have dwindled in the recent days, stood at 357.78 lakh (till August) against 559.70 lakh reported during the same period last year. But the trade, instead of tapping newer markets, is focussing more on the ever-increasing demand on home turf.

GOVT PREPARES CONTINGENCY PLAN TO BOOST RABI PULSES OUTPUT
Our Bureau

New Delhi: The Government has created a contingency plan to boost pulses output in the ensuing Rabi season. It is targeting an additional output of 2.78 million tonnes of pulses such as pigeon pea, gram, pea and lentil by expanding area and enhancing productivity.
The contingency plan will help the Government offset losses in kharif season. The shortfall in pulses output in Kharif 2011 is expected to be around 0.70 million tonnes, according to the first advanced estimates.

The production of pulses is projected to be at 6.43 million tonnes in kharif against 7.12 million tonnes last year. The projected shortfall is on account of lower coverage of 10.89 lakh hectares (lh) in States such as Karnataka, Maharashtra and Andhra Pradesh, due to less rainfall in late June and early July.

For Rabi, the Government had initially targeted pulses output of 10.27 million tonnes, while the output last year was 10.97 million tonnes. As part of the contingency plan, the Government has made an additional allocation of Rs 80 crore under the National Food Security Mission-Pulses programme to 12 States including Uttar Pradesh and Chhattisgarh. States such as Gujarat and Tamil Nadu will meet the expenses of additional area expansion from their normal allocation under NFSM-Pulses, a statement from the Agriculture Ministry said.

The Government is targeting to bring upto 4 lh under summer moong and urad in irrigated areas of Punjab, Haryana and western UP. It also plans to promote gram and lentil in rice fallows in eastern India and inter-cropping with sugarcane in UP.

Pulses production has increased in the past few years from 14.20 million tonnes in 2006-07 to 14.66 million tonnes during 2009-10. Likewise the productivity of pulses has also increased from 612 kg/ha during 2006-07 to 630 kg/ha during 2009-10.

As per Fourth Advance Estimates of crop production, the output of pulses has increased from 14.66 million tonnes in 2009-10 to 18.09 million tonnes during 2010-11. Productivity of pulses has also increased from 630 kg/ha during 2009-10 to 689 kg/ha during 2010-11.

RICE MILLERS UPGRADE TO GET CERTIFICATION FOR EXPORT TO US

Ruchika M Khanna, Tribune News Service

Chandigarh: With the US insistent on tough sanitation conditions at rice shelling units in India, these units across North India, are gearing up to upgrade their conditions. This will ensure that rice meant for exports is free from infestation.

Hundreds of rice-shelling and exporting units are getting themselves registered with NPPO (National Plant Protection Organisation). The NPPO will check the quality of rice meant for exports to the US and issue a certificate of worthiness. With this certificate, basmati as well as non-basmati rice can be exported to the US.

Following the detection of khapra beetle (a rice weevil) in a consignment of basmati rice, the Food and Drug Authority (FDA) in the US has been skeptical about rice imports from India, Pakistan, Thailand and Dubai. Consequently, a team of FDA came calling. The team reportedly did not find any infestation in the Indian basmati varieties, or the rice exporting units.

Following talks with government officials, it was agreed upon that rice which carries a certificate of worthiness and of being infestation free from NPPO, would be allowed into the US.

Vijay Setia, president of All India Rice Exporters Association, said: “Though only a handful of export units (11) have registered with the NPPO, we are telling the others to complete all formalities or else they will be held back from exporting basmati as well as non-basmati rice to the US.”

INDIA URGED TO ALLOW 4M TONNES OF SUGAR EXPORTS IN 2011/12

INDIA should allow 4m tonnes of unrestricted sugar exports in the new season from October to help trim bulging stocks and arrest slipping local prices, Jayantilal Patel, president of the National Federation of Co-operative Sugar Factories, told an industry meeting on Tuesday

The federal government should also buy 2m tonnes of sugar from the local market to help cut stocks with mills as 2011/12 output is expected to be 26.5m tonnes. "This expected surplus production of sugar during 2011/12 is worrying," Mr Patel said.

The Indian Sugar Mills Association, another producers' body, also shares Mr Patel's 2011/12 output forecast. However, food minister KV Thomas was conservative with his estimate last week of 24.6m tonnes.

BIG PACKS LIKE FUTURE GROUP, SPENCER'S RETAIL, PEPSICO INDIA, PARLE, EMAMI BULK UP RETAIL SALES

Writankar Mukherjee & Sarah Jacob, ET Bureau Sep 28, 2011, 02.16am IST

KOLKATA/BANGALORE: What slowdown? Big retailers are reporting more than 20% year-on-year jump in same-store sales since May as consumers buy grocery and other daily use items in bulk packs to secure the best deals on offer.

Retailers such as Future Group and Spencer's Retail say the contribution of bulk packs, which come 5-20% cheaper than smaller packs, to total sales more than doubled year-on-year during May to mid-September as buyers look for ways to deal with pricey food and fuel.
"Consumers are buying in bulk each time to save on frequent travel to stores and for better discounts," says Sanjay Gupta, executive director (marketing and business development) at Spencer's Retail, which operates 220 stores across different formats in 45 cities.

MINISTERIAL DIFFERENCES TO DELAY DECISION ON FDI IN RETAIL
PTI

New Delhi: A decision on the much-awaited FDI in multi-brand retail is likely to be delayed further in wake of fresh inter-ministerial differences on the politically sensitive issue.
Differences between the Ministry of Consumer Affairs and the Department of Industrial Policy and Promotion surfaced, even as Wal-Mart said today it is waiting for a policy clearance to pump in investment in the sector.

“There are some differences among ministries over FDI in multi-brand retail. Our department is processing what stand we have to take,” the Food and Consumer Affairs Minister, Mr K. V. Thomas, said on the sidelines of a CII event here.

He said his Ministry would formulate, within a week, its stand on the terms and conditions which should be enforced for allowing foreign direct investment (FDI) in multi-brand retail, estimated at over $500 billion.

“The question is not about the percentage of FDI only. There are a large number of small shops in villages...,” he said. Enroute his return from the US, the Prime Minister, Mr Manmohan Singh, had also expressed concern about protecting small traders. “It is our task to go about it in a manner in which the nation enjoys the benefits of more FDI in retail trade, without hurting our domestic interests. I can assure that we will do nothing which will hurt the essential interests of the small Indian trade community,” Mr Singh had said yesterday.

DELAY IN MONSOON WITHDRAWAL MAKES CROP PROSPECTS BULLISH
FE Bureau; Posted: Monday, Sep 26, 2011 at 0326 hrs IST

New Delhi: The monsoon season is set to stretch beyond the usual period of end-September, likely showering above-normal rainfall this year and raising hopes that the country is well on course to reaping a bumper food crop this summer, although floods hit some areas.
Rainfall until September 24 reached 4% above the benchmark 50-year average, much higher than the Met department’s June forecast of a below-normal monsoon season (June through September) at

95%. The weather office defines normal monsoon as 96% to 104% of the long-term average.

The rains gained pace since August after maintaining a deficit until end-July. The country usually receives most of the showers by end-August and then the rains start retreating. But government officials say monsoon withdrawal is likely in October this year, which intensifies concerns about floods in certain parts, although rainfall has been well-distributed this year.

Monsoon is crucial for agriculture growth as more than 60% of the country's farmland is rain-fed and more than a half of the country's working population is employed in agriculture.
"The surge in showers since August boosted the planting of summer crops and output projections, although crops in some parts of paddy-producing West Bengal and Orissa have been washed away by floods. Still, India, the world's second-largest grain producer, expects to reap a record summer rice harvest of 87.1 million tonne in the current crop year through June 2012 due to higher planting," agriculture minister Sharad Pawar said this month.

"Higher rice output will drive up overall grain production to a record 123.88 million tonne this summer, compared with 120.20 million tonne a year earlier, although pulses and cereals lag last year's level as farmers shifted to paddy and cotton anticipating higher returns," Pawar said.
Paddy planting surged by 9.7% to 38.14 million hectare as of September 23 since sowing started in June, according to the agriculture ministry data. Summer crops are usually sown with the arrival of monsoon rain in June and harvested from mid-September. Paddy is primarily a summer crop, although some quantities are also grown in winter.

The country is aiming to produce a record 102 million tonne of rice in the crop year through June 2012, higher than 95.32 million tonne produced in 2010-11, mainly due to higher planting and wide-spread rain. The geographical spread of rainfall is as important as the quantum of it.
A higher rice production in 2011-12 will help the government in its battle against food inflation and meet its obligation as it gears up to implement a proposed food security law that will widen subsidised grain sales to the poor from the government stocks.

"Oilseed output is set to rise to 20.89 million tonne this summer from 20.25 million tonne a year before, while sugarcane output is expected to touch 342.2 million tonne," Pawar said. Cotton production is set to climb to a record 36.1 million bales of 170 kg each this summer, which is higher than the Cotton Advisory Board's estimate of 33.5 million bales.

The planting of oilseed inched up by 3.2% to 17.86 million hectares until September 24 from a year earlier. Area under sugarcane rose by 3% to 5.09 million hectares, while cotton sowing went up by 9% to 12 million hectares, according to the data.

India, the world's second-largest vegetable oil buyer, imports around half of its annual requirement. Any increase in oilseed production will help domestic supplies. Moreover, any rise in the output of sugar and cotton in 2011-12 will boost exports of these commodities as local supplies are expected to cross demand.

However, output of pulses and coarse cereals is set to fall to 6.43 million tonne and 30.42 million tonne, compared with 7.12 million tonne and 32.43 million tonne a year earlier, respectively. Prospects of higher returns in paddy and cotton crops lured farmers away from pulses and cereals. As of September 24, pulses sowing fell by 9% to 10.94 million hectares, while cereals planting declined by 5% to 20.01 million hectares. Lower output of pulses may drive up imports in 2011-12 as the country meets around one-fifth of its annual requirements through overseas purchases. Higher imports may spell trouble for local prices. The country, however, is largely self-sufficient in cereals output.

CENSUS FINDINGS POINT TO DECADE OF RURAL DISTRESS

P. Sainath

Is distress migration on a massive scale responsible for one of the most striking findings of Census 2011: that for the first time since 1921, urban India added more numbers to its population in a decade than rural India did?

At 833.1 million, India's rural population today is 90.6 million higher than it was a decade ago. But the urban population is 91 million higher than it was in 2001. The Census cites three possible causes for the urban population to have risen by more than the rural: ‘migration,' ‘natural increase' and ‘inclusion of new areas as ‘urban.' But all three factors applied in earlier decades too, when additions to the rural population far outstripped those to the urban. Why then is the last decade so different? While valid in themselves, these factors cannot fully explain this huge urban increase. More so in a census in which the decadal growth percentage of population records “the sharpest decline since India's independence.”

Take the 2001 Census. It showed us that the rural population had grown by more than 113 million since 1991. And the urban by over 68 million. So rural India had added 45 million people more than urban. In 2011, urban India's increase was greater than that of rural India's by nearly half a million, a huge change. The last time the urban increase surpassed the rural was 90 years ago, in 1921. Then, the rural total actually fell by close to three million compared to the 1911 Census.

However, the 1921 Census was unique. The 1918 Influenza epidemic that killed 50-100 million people worldwide, ravaged India. Studies of the 1921 Census data say it records between 11 and 22 million deaths more than would have been normal for that decade. There was also the smaller impact of World War I in which tens of thousands of Indian soldiers died as cannon fodder for Imperial Britain in Europe and elsewhere.

If Influenza left its fatal imprint on the 1921 enumeration, the story behind the numbers of the 2011 Census speaks of another tragedy: the collapse of millions of livelihoods in agriculture and its related occupations. And the ongoing, despair-driven exodus that this sparked in the countryside.

The 2011 Census captures only the tip of an iceberg in terms of rural upheaval. The last time urban India added more numbers to its population than rural India was 90 years ago and that followed giant calamities in public health and war. Yet, without such conditions, urban India added 91 million to its 2001 total, against rural India's 90.6 million. Nor can this reversal be fully captured by the factors Census 2011 cites as driving the urban increase. Take ‘migration.' In public debate, ‘urban' is often equated with big metros. This conjures images of massive waves of people from villages heading straight for the big metros. And this flow, you will be assured, is falling. (Vital data on this will emerge only next year and might surprise us).

The Census data, however, do not convey the harshness and pain of the millions trapped in "footloose" migrations. That is, the desperate search for work driving poorer people in many directions without a clear final destination. Like Oriya migrants who work some weeks in Raipur. Then a couple of months at brick kilns in Andhra Pradesh. Then at construction sites in diverse towns in Maharashtra. Their hunger, and contractor, drive them to any place where there is work, however brief. There are rural migrations to both metros and non-metro urban areas. To towns and smaller cities. There are also rural to rural migrations. There are urban-urban migrations. And even, in smaller measure, urban to rural migrations.

Flight from agriculture

Neither the Census nor the National Sample Survey is geared to capture the complexity of India's migrations. A migrant in the Census is someone counted at a place other than his or her last place of residence. This records a single move — not multiple migrations. So it sees only the tip of the mobility iceberg, missing footloose migrations altogether. What we do know from Census 2001 is of the flight from agriculture. Between 1991 and 2001, over seven million people for whom cultivation was the main livelihood, quit farming. That is a mind-boggling figure. It suggests that, on average, close to 2,000 people a day abandon farming in the country. Where do they go? Nothing in employment data suggests they get absorbed in decent work in bustling cities.

What about 'natural increase' (the difference between the numbers of births and deaths in a population)? That does not explain the switch around in rural-urban increases either. Indeed, the rate of natural increase has declined in both rural and urban areas. Still the urban population and towns get bigger and bigger.

As Registrar General and Census Commissioner of India Dr. C. Chandramouli puts it: "Fertility has declined across the country. There has been a fall in numbers even in the 0-6 age group, as a proportion of the total population. In fact, in absolute numbers too, this group (now 158.8 million) has declined by five million, compared to the previous Census. This would suggest migrations as a significant factor in urban growth. But what kind of migrations we can only ascertain or comment on when their patterns emerge more clearly. The Census in itself is not structured to capture short-term or footloose migrations."

We also get an extraordinary picture when viewing what demographers call the 'Urban-rural growth differential.' The URGD is simply the difference between the rates at which rural and urban populations expanded in each decade. It is also a rough and ready index of the extent of rural-urban migrations. The URGD in the 2011 Census is 19.8, the highest in 30 years.

'Natural increase' does not then account for the growth in urban numbers. Certainly not for the 30 per cent rise in urban population in the States. Thousands of towns today have far larger populations than they used to have — but not due to natural increase. The reason is migrations on a massive scale. Rural folk still outnumber urban people by more than two to one. In the 2001 Census, rural family size

(5.4) remained bigger than urban family size (5.1). Also striking, States like Uttar Pradesh and Bihar show massive falls in growth rates in 2011. In the 2001 Census, Uttar Pradesh and Bihar were "the two States with largest number of net migrants migrating out of the state."

The other factor cited by the current Census for the turnaround is interesting. "Inclusion of new areas under 'Urban'." The number of 'statutory towns' has gone up by a mere 241 since 2001. Compare that with the preceding decade when they rose by 813, or more than three times that number. (A 'Statutory town' is an urban unit with a municipality, corporation, cantonment board or notified town area committee.)

There is, however, a boom in the number of 'Census towns.' In the decade 1991-2001, Census towns actually declined from 1,702 to 1,361. In the 2011 Census, they nearly tripled to 3894. That is stunning. How did this happen? And what is a 'Census town?' This is a village or other unit declared as a town when: its population crosses 5,000; when the number of male workers in agriculture falls to less than 25 per cent of the total; and where population density is at least 400 per square kilometre.

At the very least, this means the male workforce in agriculture has collapsed in thousands of villages, falling to less than a quarter of all workers. So the farm exodus continues. What might the 2011 data on cultivators show us when it is out late next year? It could show us that the numbers quitting cultivation since 2001 might equal or exceed the over seven million dropouts of the previous decade.

GOVT FLIP-FLOPS WORSENED ONION CRISIS
Sanjeeb Mukherjee / New Delhi September 27, 2011, 0:16 IST

A recent spike in onion prices and the subsequent government action of first banning the export of the bulbous vegetable only to be lifted within 11 days after that has once again brought into focus all that is fundamentally wrong with marketing of agriculture produce in India. It has shown open a wide disconnect between farm gate and retail prices, mainly of fruits and vegetables.

Onion prices started rising between June and August for the second time in less than a year's span when rates in the retail markets jumped by almost Rs 10-15 per kilogram between the three monsoon months. The reason was erratic rains in the early part of the monsoon season in Maharashtra, Karnataka and Gujarat. The below-par rains not only pulled down the inion production, but also delayed the harvest of the remaining crop.

Officially, this led to a drop in the total production of onions in the country during the kharif season to 3.3 million tonnes — around 30 per cent less than last year's 4.7 million tonnes.
Onion, which is normally cultivated three times a year — in kharif, late kharif and rabi — gets bulk of the supplies from Maharashtra, Karnataka and Gujarat. This time, the harvest got slightly delayed, prompting traders to hoard the remaining crop, according to officials. This, they say, added on to the already rising prices.

As the situation looked getting out of control, the government first raised the minimum export price (MEP) of onions from $300 per tonne to $475 per tonne in one go. That was meant to curtail exports and improve domestic supplies. Then, within a day of raising the MEP, there was a ban on the exports.

All this was done to bring down the retail prices. The move did have a sobering impact on wholesale prices, but retail prices continued to remain stubbornly high.
The move to stop exports didn't seem to have the desired result as traders and farmers in Maharashtra, which supplies bulk of the onion to the country, went on a flash strike. That further scuttled the already low supplies and added on to the price spiral. Interestingly, data sourced from the department of consumer affairs department shows that wholesale price of onions dropped on the one hand after exports were banned, but retail prices rose as farmers and traders stopped selling onions in protest.

The gap between wholesale and retail price of onion in Delhi markets jumped from Rs 11 per kilogram on August 30 to Rs 16 per kilogram on September 12, data shows. The difference, which in an ideal scenario should not be more than 25-30 per cent, further got accentuated.
This clearly shows how an undeveloped marketing infrastructure in agriculture commodities prevented the benefits of a policy decision from percolating down.

Of course, that the farmers and traders in Maharashtra had stopped selling onions did have an impact on the supplies and there on to prices, but it would not have been as worse as it became.
Surprisingly, data shows that retail prices of onion in fact started falling after the ban on exports was lifted on September 20. In Delhi, prices dropped by around Rs 2 per kilogram, while in Chennai it fell by Rs 2 per kilogram.

Onion prices which were till then rising sharply showed signs of moderation for the first time in more than three months once the ban on exports was lifted. Experts say the divergence between wholesale and retail markets in India, which is further deepened by the multiple layers of wholesalers and middlemen, was evident in full force during the current crisis in onions.
The mark-up between the price at which the farmers sells their produce and the rate at which an end-consumer purchases it rose to almost 70 per cent during the crisis. In a perfect market, it should not be more than 30 per cent.

BIG MAC WANTS BIGGER BITE OF ICE CREAM MARKET

Gokul Krishnamurthy

Mumbai: In a bid to grow its average ticket size of Rs 120 to Rs 140 across 235 outlets in India, McDonald's will push its newly launched ice-cream brand McFlurry with a national campaign beginning this weekend. Of the annual advertising budget of Rs 60 crore, the McFlurry launch campaign will see 'substantial' investment, running for over a month, said a senior official.

Speaking to *Business Line*, Mr Amit Jatia, Vice-Chairman, Hardcastle Restaurants (McDonald's India — South and West), said, "The ice cream market (size) is estimated at Rs 2,000 crore and (is) growing at 12 to 13 per cent annually. We believe we can play a role in growing this industry."

Dessert option

At its outlets, the brand claims to serve over 200 million people a year. McDonald's enjoys sales of 21 million ice cream cones a year, priced upwards of Rs 12 per cone. It sees the McFlurry, priced at Rs 69, taking off as a dessert option, a standalone snack, and through home delivery (McDelivery). The campaign will urge customers to 'go slow' and indulge in a McFlurry.

McFlurry has been in 'operations testing' at stores for two months now. The launch campaign will seek to maximise on the festive season and the post-monsoon 'second summer'.

On the increase in ticket size, Mr Jatia said, "We do see it increasing with more customers coming in and with a wider range of offerings on the menu. In the US, the ticket size is between five and six dollars. In India it is around three dollars. As customers and the menu evolve, this will grow further."

Two variants

McFlurry ice cream will come in two variants – one of them with Oreo biscuits custom created by Kraft Foods for McDonald's. The brand is banking on Indians' affinity for sweets, and the success of McFlurry in around 100 countries. The campaign, as with other campaigns from the brand, will see a mix of national and regional TV, besides outdoor and radio. The regional media share is growing as is the marketing budget, with expansion in number of outlets, said Mr Jatia.

Bigger Breakfast

The chain is also introducing its breakfast menu at more outlets. These restaurants open at 7 am (three hours ahead of other outlets), and the menu stays until 11 am. "We have launched the breakfast menu in Mumbai, Delhi and Pune now, and in 10 restaurants in Bangalore. By the end of the year, we should have launched it in all 35 restaurants in Bangalore, and will look at taking it to Hyderabad and Chennai next year," revealed Mr Jatia.

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN1192	Weekly Hot Bites, #38	09/23/2011

WE ARE ON THE NET

Visit our headquarters' 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