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Report Highlights:

Inflation spurts to 10-month high on rising food costs, *Rice exempted from import duty*,
Finance Minister blasts West for turning food into fuel, *Import duty on edible oils and rice
slashed*, *Bird Flu hits Jalpaiguri, West Bengal*.

Includes PSD Changes: No
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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 SPURTS TO 10-MONTH HIGH ON RISING FOOD COSTS

Inflation surged to a 10-month high to come close to the 6 percent mark for the week ending March 8, 2008. The spiraling inflation rate trend, which was up nearly a full percentage point at 5.92 percent, has given rise to speculation of possible interest rate hike in the near future, despite signs of a slowdown in the economy. The wholesale price index-based inflation increased sharply on account of an across-the-board spurt in prices, with cereals (up 6.28 percent), milk (9.71 percent), vegetables (9.79 percent), dairy products (9.31 percent) and edible oils (17.52 percent) showing big spurt in year-on-year price levels. Inflation has been rising for the last nine weeks and the current inflation level is the highest witnessed since May 5, 2007. (Source: Business Line, 03/21/08)

RICE EXEMPTED FROM IMPORT DUTY

Alarmed over the runaway inflation which has been surging mainly on account of soaring food prices, the government on March 21, 2008, announced an import duty exemption for rice, while slashing the import duty for a number of edible oils. According to a notification issued by the central Board of Excise and Customs (CBEC), the government exempted imports of semi-milled or wholly-milled rice from the prevailing import duty of 70 percent, effective March 21, 2008, through March 31, 2009. (Source: Hindu, 03/22/08)

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FINANCE MINISTER BLASTS WEST FOR TURNING FOOD INTO FUEL

Finance Minister Chidambaram said it was "outrageous" for countries like the U.S. to be turning food into biofuels at the cost of feeding the world's poor, who are already hit by the current surge in oil and food prices. He said developing economies were shouldering an "enormous burden" from the relentless rise in prices of food commodities. At a lecture at the Lee Kuan Yew School of Public Policy in Singapore, Chidambaram said the situation was worsened by the diversion of food to produce biofuels in some countries. "It is a sign of lopsided priorities of certain countries that they will resort to measures that will produce fuel at a cheaper cost in order to meet the transport requirements of a section of their population even while a larger proportion of the world's population is deprived of food at reasonable prices or, as in the case of some countries, deprived of food altogether. I think it is outrageous and it must be condemned," he said. (Source: Hindustan Times, 03/27/08)

IMPORT DUTY ON EDIBLE OILS AND RICE SLASHED

The government on March 20, 2008 slashed the import duty rate on edible oils and rice in order to contain domestic prices. The tariff values (reference price) on palm oils have been kept frozen at July 2006 prices. The import duty on crude palm oil and palmolein has been cut from 45 percent to 20 percent. The import duty on refined palm oil including RBD palmolein has been reduced to 27.5 percent from the earlier 52.5 percent. Import duties on crude and refined mustard, rapeseed, colza and canola oil have been brought down from 75 percent to 20 and 27.5 percent respectively. Similarly, the import duty on crude sunflower oil has been cut by half to 20 percent and for refined sunflower oil from 50 percent to 27.5 percent. Analysts feel that producers abroad are going to benefit from this move instead of local customers. (Source: Financial Express, 03/21/08 and Business Line, 03/24/08)

BIRD FLU HITS JALPAIGURI, WEST BENGAL - CULLING TO BEGIN TODAY

A northern district 'Jalpaiguri' of West Bengal reported a fresh outbreak of bird flu on March 27, 2008. This is the third such incident this month in which avian influenza has been confirmed despite the state's claim in February to have contained the virus. According to the district magistrate of Jalpaiguri, 50,000 birds are to be culled in the district. Additionally, an official from the Animal Resources Department has stated that culling activities will be carried out within a radius of five kilometer of the bird flu affected area in Jalpaiguri and culling operations are expected to be complete in three days. Poultry deaths were also reported at Falakata area in Jalpaiguri during the February outbreaks in West Bengal. (Source: The Indian Express, 03/28/08 and Indo Asian News Service, 03/27/08)

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