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Report Highlights:
India puts stiff conditions for wheat imports, *Australian wheat deal facing trouble?*, *Suppliers flay STC wheat tender*, *Government delays GM Soyoil Import Rules for 3 months*, *MRTPC raps Monsanto over Bt Cotton royalty*, *Plans to fence farms in FTAS*.

Includes PSD Changes: No
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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 in this report. Significant issues will be expanded upon in subsequent reports from this office.

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INDIA PUTS STIFF CONDITIONS FOR WHEAT IMPORTS

India has set stringent terms in the new import tender for three million tons of wheat, which may scare away global bidders unless they receive a handsome risk premium. Although the phytosanitary specifications have been relaxed [to some extent] India has imposed stringent shipping and inspection requirements that may increase the cost of doing business with India. Australia [which won the previous tender for 500,000 tons] has also now woken up to the problems of meeting Indian contract standards, according to an industry source. According to trading companies, the terms of the tender are tough to comply with. India wants the three million tons of wheat to arrive on small ships carrying 30,000 to 50,000 tons in each vessel, preferably in Indian flag vessels. Exporters will not know in advance the destination ports. India's State Trading Corporation (STC) stipulates that Plant Quarantine inspectors in loading ports conduct a test on every 20 ton and provide a certificate. "Though India has accepted more relaxed plant quarantine rules, the commercial terms are so one-sided that it is hard for private players to do business with it," a trader said. (Source: Economic Times, 05/11/06)

AUSTRALIAN WHEAT DEAL FACING TROUBLE?

Although around 91,000 tons of the 500,000 wheat contract with Australia have been supplied, shipments of the rest of the consignment by AWB Ltd. have run into problems. AWB Ltd. said some shipments of wheat for export to India might be diverted to other countries due to quality concerns raised by India. Several shipments due to leave ports in Western Australia, South Australia, and Victoria are on hold because of concerns about the quality of some of the grain. AWB is saying little about the problems, but has denied rumors within the grain trade that the remainder of the 500,000 ton contract had been cancelled, as per media reports from Australia. "The delays occurred due to stringent quality specifications in the contract," Mr. Christian Sealey, a spokesman for the AWB was quoted by Bloomberg. Sources connected with the contract said the AWB had been finding it hard to meet the tender specifications. "The AWB official who signed the contract with the State Trading Corporation is no longer with the organization. It is likely that the consignments at the port of loading did not meet specifications and therefore, they were not allowed to proceed to India," they said. Though sources said STC could encash the performance guarantee executed while signing the contract in February, it would not solve the Indian government's problem. "What India needs is wheat and not money," the sources said. (Source: Business Line, 05/12/06)

SUPPLIERS FLAY STC WHEAT TENDER

Terms and conditions of the new STC tender for import of three million tons of wheat have raised criticism from potential participants. The terms are widely seen as onerous and intended to keep many participants at bay. There is also apprehension that the country would end up paying higher prices, as overseas suppliers are now sure that the Indian requirements are indeed massive. According to one trading company official, the STC tender will make India a laughing stock of the global grain market because of the unreasonable quality requirements and phytosanitary conditions. (Source: Business Line, 05/10/06)

GOVERNMENT DELAYS GM SOYOIL IMPORT RULES FOR 3 MONTHS

India has suspended for three months (until July 7, 2006) a new rule that requires imports of genetically modified (GM) food products, including soyoil, to be cleared by a government panel. The announcement came after the edible oil traders protested against the rule saying that it would delay shipments of genetically modified soyoil into the country. India imports about 2 million tons of soyoil, mostly from Brazil and Argentina where transgenic soybeans are grown. Meanwhile, the Genetic Engineering Approval Committee has taken an interim decision permitting imports of soybean oils carrying a declaration that it is extracted from round-up ready soybean. The exporters should also certify the products as safe. (Source: Financial Express, 05/06/06)

Post Comments: On May 4, 2006, the Director General of Foreign Trade issued a notification that the general conditions in the import policy on GM food products notified on April 7, 2006, is kept in abeyance up to July 7, 2006. Earlier, the government amended the foreign trade policy to impose conditions on imports of GM food products into India (see Gain report IN6030).

MRTPC RAPS MONSANTO OVER BT COTTON ROYALTY

The Monopolies and Restrictive Trade Practices Commission (MRTPC) asked Monsanto, the American seed company, to rework the trait value of Bt cotton seeds sold in India in line with the trait value charged in China and the U.S. The Andhra Pradesh government accused Mahyco-Monsanto Biotech Pvt Ltd (a local joint venture company of Monsanto) of resorting to restrictive practices by entering into a conspiracy with domestic seed companies on Bt seed pricing, and took up the issue with MRTPC. Indian farmers pay a price of rs. 1600-1700 ($36-38) per packet of 450 gm, of which Monsanto charged a royalty of rs. 1250 ($28). Recently, the company reduced the royalty to rs. 900 ($ 20.2) per packet. As per the injunction issued by the MRTPC, Mahyco-Monsanto Biotech Company has been directed to rework the price of Bt cotton seeds in line with the trait value of rs. 108 ($2.42) and rs. 47 ($1.06) charged in the U.S. and China. (Source: Business Standard, 05/12/06)

PLANS TO FENCE FARMS IN FTAS

In a bid to protect farmers, the government is likely to insist on a negative list in all free trade agreements (FTAs) including the proposed pacts with ASEAN and West Asian countries. Tariff rate quotas (TRQ) would also be weaved into such agreements, according to official sources. In the case of the proposed FTA with ASEAN, the government is likely to insist on import curbs covering a number of products, including edible oil, rubber, and tea. The move assumes significance in view of the letter written by Congress President Sonia Gandhi to the Prime Minister on the need to protect the interest of farmers while signing FTAs. Meanwhile, the Prime Minister has emphasized that the government undertakes bilateral and regional economic negotiations only after a serious and professional study of the issue concerned to ensure that domestic agriculture is not affected. (Source: Economic Times, 05/09/06)

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REPORT #	SUBJECT	DATE SUBMITTED
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IN6040	India: Cotton and Products Annual	05/12/06
BG6004	Bangladesh: Cotton and Products Annual	05/12/06

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