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Weekly Highlights & Hot Bites, #18

2005

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Report Highlights:

Wal-Mart to increase sourcing from India, *Thirty-Three percent cotton area under Bt in Punjab*, *Low grain export prices cost \$370 million in subsidy*.

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

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WAL-MART TO INCREASE SOURCING FROM INDIA

Wal-Mart's president, John Menzer, just completed a visit to India. Wal-Mart plans to increase sourcing from India by 30 percent from their current level of \$1.2 billion, which is composed mainly of leather apparels, textiles, home furnishings, and jewelry. It is exploring the food sector for commodities like spices, rice, tea, and seafood. Wal-Mart sources said that the quality of Indian suppliers matches global standards. The \$1.2 billion sourcing from India pales in comparison with the \$18 billion worth of goods Wal-Mart sources from China. Awaiting the government's decision to allow foreign direct investment in the retail sector, Wal-Mart has big plans for India. (Source: Business Standard, 05/12/05)

THIRTY-THREE PERCENT COTTON AREA UNDER BT IN PUNJAB

More than 33 percent of Punjab's cotton area has been planted with Bt cotton this season. A Punjab Agriculture Department official mentioned that the cotton plantings in the State have increased to 600,000 hectares this season from 509,000 hectares last year. This is attributed to better returns from last season's crop and increased interest in cotton planting following the introduction of Bt cotton. (Source: Business Line, 05/12/05)

Post Comment: See our Cotton Annual Report (GAIN 5051) for details related to the spread of Bt cotton cultivation in India.

LOW GRAIN EXPORT PRICES COST \$370 MILLION IN SUBSIDY

Setting the export price of wheat at a lower level than the government's domestic public distribution system price resulted in an additional subsidy burden of rs. 16.1 billion (\$370 million) from November 2000 to February 2004, according to the Comptroller and Auditor General of India (CAG). Despite the Group of Ministers' decision that wheat be offered for export at a price equal to the economic cost minus two years' carrying cost [rs. 6,044 (\$139), per metric ton for IFY 2000/01 (Apr-Mar)], the Ministry of Consumer Affairs established an export sales price of rs. 4,150 (\$95). The export sales price was also lower in IFY 2002/03 and 2003/04, the CAG said. (Source: Business Standard, 05/09/05)

Post Comment: The GOI allocated over 16 million tons of wheat for export at highly subsidized prices between IFY 2000/01 and IFY 2004/05, which it claimed was WTO compatible.

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IN5050	India: Coffee Annual	05/11/05
IN5051	India: Cotton Annual	05/12/05
IN5052	India: Oilseeds Annual	05/13/05
IN5053	FAIRS Product Specific - Parliamentary Committee Invites Comments on the Seeds Bill	05/13/05
BG5004	Bangladesh: Cotton Annual	05/13/05

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