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Weekly Highlights & Hot Bites, #1

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Approved by:

Chad Russell

U.S. Embassy

Prepared by:

A. Govindan, Santosh Kr. Singh, V. Shunmugam

Report Highlights:

India to enter preferential trade agreement with Afghanistan*, *Support prices for fall harvested crops established*, *Fall harvested grain output down 18 percent*, *GDP growth rate scaled down*, *Indian Finance Minister calls on removal of trade distorting subsidies by rich*, *Malaysia looks to refine crude palm oil in India*, *McDonald's and McCain foods upgrade potato crop in Gujarat*.

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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INDIA TO ENTER PREFERENTIAL TRADE AGREEMENT WITH AFGHANISTAN

According to a local press report, India plans to enter into a preferential trade agreement with Afghanistan to help speed up reconstruction of the war-devastated nation. Indian Foreign Secretary made this announcement at the launch of 'Made in India Show' in Kabul in the presence of Afghanistan Vice President, Commerce Minister and Foreign Minister. The Secretary informed that the proposed agreement is WTO compliant and will enable India to reduce customs duties on imports of dry fruits and other traditional items from Afghanistan. This agreement, if enacted, may impact exports of US almonds to India. US almonds have been one of the leading agricultural export items to India (market of \$ 40-70 million annually). US almonds have a market share of 80-85 percent of the Indian market. An Indian high level delegation plans to visit Kabul to discuss the draft of the agreement and finalize the pact. How and when this pact will be signed and the provisions of the agreement will be implemented is unclear at this time. FAS/New Delhi is monitoring this development and will report more as it becomes known. (Source: Hindustan Times 09/27/02)

SUPPORT PRICES FOR FALL HARVESTED CROPS ESTABLISHED

Government of India (GOI) recently established the minimum support price (MSP) for *kharif* (fall harvested) crops, which include rice, coarse grains, pulses, most oilseeds and cotton. While keeping the support price for paddy, coarse cereals, soybeans, and cotton unchanged, prices of peanut, sunflower seed, and sesame seed and most pulses were increased marginally. However, succumbing to political pressure, the support price of paddy was later hiked by rs. 200 (\$4.1) to rs. 5,500 (\$113) per ton for common varieties and rs. 5,800 (\$ 119) for Grade A. Support prices of most other crops were also further revised upward to compensate farmers for the losses suffered from drought. (Source: Pioneer News Service 09/27/02; Tribune News Service 09/27/02).

FALL HARVESTED GRAIN OUTPUT DOWN 18 PERCENT

India's *kharif* (fall harvested) grain production declined by 18 percent to 90.8 million tons, the lowest level since 1995/96, due to widespread droughts. The decline was mostly in rice and millet. Production of oilseeds, cotton and sugarcane also declined. (Source: Business Line 09/25/02).

GDP GROWTH RATE SCALED DOWN

The National Council of Applied Economic Research (NCAER), a national think tank, has lowered India's GDP growth rate to 4.8 percent from its previous 5.5 percent. In its quarterly review of the economy, NCAER said that among the four drivers of the aggregate demand, agricultural growth rate has slipped, global demand conditions show weak recovery, investment climate is yet to pick up, and only the government expenditure growth is strong. (*Source: Business Line 09/26/02*)

The IMF has also revised its growth forecast for Indian from 5.5 percent to 5 percent. The IMF in its World Economic Outlook recently observed that the tense situation in Jammu and Kashmir has impacted the Indian economy because it has scared away prospective foreign investment. According to the IMF, higher crude oil prices and the rising fiscal deficit would also contribute to the slow down in India's economic growth. The report was also critical of the slow progress of economic reforms. (*Source: Business Standard 09/26/02*).

INDIAN FINANCE MINISTER CALLS ON REMOVAL OF TRADE DISTORTING SUBSIDIES BY RICH

Addressing the inaugural session of the annual discussion of the IMF and World bank in Washington, D.C., India's Finance Minister, Jaswant Singh, has called for the elimination of trade distorting subsidies by rich countries to insure adequate access to financial resources for developing and other nations so that investment needs of the needy are adequately met. (*Source: Business Line 10/01/02*)

MALAYSIA LOOKS TO REFINES CRUDE PALM OIL IN INDIA

Malaysia is exploring the possibility of setting up joint ventures to process crude palm oil in India to offset falling exports caused by a change in India's import tariffs, stated a top Malaysian Palm Oil Promotion Council official. India cut import levies on crude palm oil (CPO) to 65 percent from 75 percent in October, 2001, to encourage capacity utilization in the domestic refining industry. The changes encouraged India to import more CPO from Indonesia compared with purchases of RBD Palmolein from Malaysia. (*Source: Business Line 09/25/02*)

MCDONALD'S AND MC CAIN FOODS UPGRADE POTATO CROP IN GUJARAT

Fast foods giant Mc Donald's processes about 1600 tons of potatoes in India per year which have to be of certain length with high solid and low moisture content. The normal Indian potato fails on these counts, so the company in collaboration with its supplier partner Mc Cain Foods has worked closely with farmers in Gujarat and Maharashtra to develop such process-grade potato varieties. Mc Cain Foods worked with farmers to improve agronomic practices and better seed supply management which succeeded in producing better quality potatoes with more tonnage per acre. (*Source: Financial Express 09/27/02*)

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