



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 5/25/2007

GAIN Report Number: IN7046

India

Agricultural Situation

Weekly Highlights & Hot Bites, #21 2007

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Report Highlights:

Industry concerns on Food Safety Standards Act, *Wheat Import Tender - Bids very high*,
Mills unruffled by Pak wheat export suspension, *Government to restructure fertilizer
subsidy*, *After U.S., Indian mangoes go to Japan*, *Aditya Birla Retail plans Rs.90 Billion
rollout*, *Egg prices at all-time high levels*, *BANGLADESH:.....Government decision on
importing rice*.

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 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.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

INDUSTRY CONCERNS ON FOOD SAFETY STANDARDS ACT

Even as the Food Processing industry awaits the implementation of the Food Safety and Standards Act with the hope that it would curb *inspector raj*-led corruption, unify multiple laws, and lead to science-based standards, industry players are concerned over the massive penalties proposed under the Act, difficulty in meeting certain processed food standards when raw material violates norms, and lack of information, according a study conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI). (Source: FICCI Press Release, 05/23/07)

Post Comment: The FICCI report is available at: www.ficci.com/press/295/Food_Safety_Study.pdf. For additional information on the Food Safety and Standards Act, please see IN7033.

WHEAT IMPORT TENDER – BIDS VERY HIGH

The State Trading Corporation of India's (STC) first wheat import tender for the current year has not elicited the best of responses for the government. The one million ton tender, which was floated on April 30 and opened on May 21, saw bidders quoting between \$267 and \$302 per ton (C&F). This is much higher than the weighted average landed cost of \$205.31 per ton at which STC had contracted 5.5 million tons last year. The tender attracted bids from seven parties including Toepfer, Cargill, ADM, Concordia, Glencore, and the Adani Group. Trade sources felt that given the higher bids, the government is unlikely to contract the entire tendered quantity. "It may be better to float new tenders after July, when European wheat will start arriving in the market. In any case, there is no urgency to import right now," said trade sources. (Source: Business Line, 05/22/07)

MILLS UNRUFFLED BY PAK WHEAT EXPORT SUSPENSION

Flour millers, especially in South India, are unruffled by Pakistan's move to suspend wheat exports. On May 23, 2007, Pakistan decided to suspend wheat exports as domestic prices have begun to surge. "No consignment is being loaded from Pakistan ports. Some of us have opened letters of credit (LC) for buying wheat," an Indian importer said. But analysts and industry players are of the view that Pakistan's move to suspend exports will not have any effect on domestic prices. "There is no problem of stocks availability. Plenty of wheat is available and, therefore, we are not worried," said the President of the Tamil Nadu Roller Flour Mills Association. Flourmills on the western coast and in the South opted for Pakistani wheat as it is cheaper compared with domestic wheat. Wheat imported from Pakistan costs the mill around Rs. 10,700 (\$264) per ton at the mill gate in the south compared with Rs. 11,500 (\$284) for domestic wheat. (Source: Business Line, 05/25/07)

GOVERNMENT TO RESTRUCTURE FERTILIZER SUBSIDY

The fertilizer subsidy bill has mounted to a level high enough to give the government a migraine. A committee comprising the Finance Minister, the Agriculture Minister, and the Fertilizer and Chemicals Minister will go into the issue of rationalizing the fertilizer subsidy. The Committee will consider the report of the Task Force on Rationalization of the Fertilizer Subsidy set up by the Agriculture Ministry. The fertilizer subsidy rose from Rs. 157.8 billion in 2004 to Rs. 183 billion in 2005/06 and to Rs. 259.5 billion in 2006/07. The likely fertilizer subsidy requirement including arrears in 2007/08 is estimated at Rs. 592.8 billion (\$14.6 billion). (Source: Pioneer, 05/24/07)

AFTER U.S., INDIAN MANGOES GO TO JAPAN

After the U.S., India has started exporting mangoes to Japan with the first consignment of Banganpalli variety mangoes from Andhra Pradesh sent to Tokyo on May 20. The Minister of State for Commerce informed that India is exporting mangoes to Japan after a 20-year ban was lifted for six varieties in June 2006. India hopes to export about 35-40 tons of mangoes to Japan by end of the season (July). (Source: Business Standard, 05/22/07)

ADITYA BIRLA RETAIL PLANS RS. 90 BILLION ROLLOUT

The Aditya Birla Group will invest up to Rs. 90 (\$2.22) billion over the next three years in a pan-India chain of supermarkets and hypermarkets under the brand name "More". Aditya Birla group will compete with other large industrial groups like Bharti and Reliance who have also rolled out retail ventures. The first few "More" outlets will open in Pune in June. The company already operates Trinethra Super Retail, a south Indian based retail chain, which the Birla group bought earlier this year. The Chairman of the company, Mr. Kumar Mangalama Birla, informed that Aditya Birla Retail does not intend to have any joint venture partners as the group has in-house competencies. The company would build linkages with farmers and develop a supply chain to connect consumers to farmers. Aditya Birla Retail has recruited two expatriates to head the supermarket and hypermarket ventures. (Source: Business Line, 05/19/07)

EGG PRICES AT ALL-TIME HIGH LEVELS

The supply shortfall in India's egg production hub 'Tamil Nadu' has lead to a price hike for eggs. The summer season is generally a lean season for eggs but this season the prices are rising even in the summer season. Tamil Nadu handles 90 percent of the egg export demand from India. According to the President of the All India Poultry Federation, high prices of poultry feeds, increased export demand, and the failure of farmers to undertake timely replacement of layer chicks are some of the reasons for the price increase. In addition, many farms have still not fully recovered from the impact of the bird flu outbreak last year. Nonetheless, egg prices are under control in the northern states, where egg production declines during the summer season. (Source: The Financial Express, 05/21/07)

BANGLADESH:.....GOVERNMENT DECISION ON IMPORTING RICE

The Government of Bangladesh has recently decided to import 600,000 tons of rice from the international market even at prices higher than the prevailing domestic market price, which will require a subsidy of Taka 1.2 billion (USD 17.4 million). The major purpose of this decision is to stabilize the current high market price of rice and build up sound government-held food stocks. While the government needed safe stock amount is one million tons, currently stocks are only 300,000 tons. Although the Government has a target to procure 1.2 million tons of rice from farmers, the drive is unlikely to be successful as the

procurement price is not attractive compared to the market price. The Government may participate in the open market sale of rice from next September/October to stabilize the market price. (Source: Translation from Bangla Daily, The Jai Jai Din, 05/05/07).

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REPORT #	SUBJECT	DATE SUBMITTED
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IN7045	India: FAIRS Product Specific: Amendment to the PFA Rule Relating to Pesticide Tolerance Limits	05/25/07

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