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Report Highlights:
Farm debt waiver widened, *Farms boost economic health*, *Fertilizer subsidy at Rs.950 billion*, *Wheat procurement reaches a record*, *No wheat import or rice export - Group of Ministers*, *Godrej in Joint Venture with Tyson foods for poultry processing*, *India on alert as Dhaka confirms human Bird Flu*, *Organized retail not a threat to small farmers*, *Can India produce enough ethanol in coming years?*.

Includes PSD Changes: No
Includes Trade Matrix: No
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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FARM DEBT WAIVER WIDENED

The government's massive pre-lection gift to farmers – the ambitious farm loan waiver package- just got even bigger. Not only has the cost of the waiver swollen from Rs. 600 billion ($14.1 billion) at the time Finance Minister made his budget announcement to Rs. 716.8 billion ($16.9 billion), but the ambit of the scheme has also been enlarged to include plantations and horticulture, allied agriculture activities such as dairy and poultry farming, as well as investment credit to purchase tractors and bullocks. The loan waiver package will be implemented by the end of June and all bank branches would be given instructions to prepare a list of beneficiaries for display at their respective premises, the Finance Minister said. (Source: Financial Express, 05/24/08)

FARMS BOOST ECONOMIC HEALTH

The growth rate of agriculture, one of the key sectors driving the Indian economy, was around 3.5 percent for IFY 2007/08 (Apr-Mar). The latest estimate, up from the earlier estimate of 2.6 percent, is the highest since 2002, indicating a much awaited revival of agriculture. The higher agriculture growth rate may push the GDP to nine percent from the initial estimate of 8.7 percent and give India economic growth of more than nine percent for the third straight year. The higher agriculture growth is on the basis of record output of wheat, rice, coarse grains, pulses, oilseeds, and cotton in 2007/08. (Source: Hindustan Times, 05/30/08)

FERTILIZER SUBSIDY AT RS. 950 BILLION

Fertilizer subsidies in IFY 2008/09 are set to nudge the one trillion rupees ($23.5 billion) mark, far exceeding the budgetary provisions. The Fertilizer Ministry estimates peg subsidies, based on the unrelenting price spiral for both raw materials and finished fertilizers in the global market, at a mind-boggling Rs. 950 billion ($22.4 billion). Indicating this, the Fertilizer Minister said at a news conference that the government could be forced to more than double the fertilizer subsidy. (Source: Economic Times, 05/28/08)

WHEAT PROCUREMENT REACHES A RECORD

Wheat procurement touched 20.7 million tons on May 22, exceeding the target of 15 million tons for this year, a development that will help the government combat inflation that has surged to near 8%. "This year, we are expecting wheat purchases to reach 21.5 million tons," said the Chairman, Food Corporation of India (FCI). The last high was recorded in 2001/02 when the FCI procured 20.6 million tons of wheat. When asked whether FCI could face warehousing problems because of the record purchases, the FCI Chairman said, "There is no storage crunch anywhere in the country." FCI had started procurement on a positive note with the wheat stock position reaching 5.55 million tons on April 1, compared to the buffer stock norm of 4 million tons. (Source: Financial Express, 05/24/08)

NO WHEAT IMPORT OR RICE EXPORT - GROUP OF MINISTERS

The government has decided to drop plans of importing wheat in view of the record local procurement that has put the country in a very comfortable position compared to the last two years. This was a key decision of a meeting of a Group of Ministers (GoM) on food grains on May 29. In a presentation to the meeting, Food Ministry officials are understood to have disclosed that wheat procurement up to May 29 was 22.1 million tons. By June 15, when the wheat procurement season officially ends, the government projects a massive 6 million tons of wheat over and above the existing buffer norms. The GoM also decided not to allow any export of non-basmati rice, even on a case-by-case basis, to some countries. "There will not be any new concessions for any country," a government official said. (Source: Economic Times, 05/30/08)

GODREJ IN JOINT VENTURE WITH TYSON FOODS FOR POULTRY PROCESSING

The world's largest processor and marketer of meat products 'Tyson Foods Inc.', is collaborating with Godrej Agrovet for a poultry processing and marketing joint venture in India. Tyson Foods will hold 51 percent stake in the new company. The deal is likely to be finalized next month. Godrej Agrovet is one of the largest producers and marketers of animal feeds and agri inputs in India. The deal will help Godrej gain access to global food processing and product development technology of Tyson foods. Additionally, the Godrej Group will be able to accelerate growth rates and also tap the burgeoning markets in the modern retail and processed food industries. (Source: The Economic Times, 05/26/08)

INDIA ON ALERT AS DHAKA CONFIRMS HUMAN BIRD FLU

Bangladesh has become the 15th country in the world to report a human case of H5N1 avian influenza. The virus was found in a 16 month old boy from Dhaka who fell ill in January and is now recovering. The case was confirmed by the U.S. Centers for Diseases Control (CDC) and Prevention. The human case of avian influenza in Bangladesh has raised alarm for the Indian government. Earlier last month, the Foreign Secretary summoned the high commissioner of Bangladesh for not sharing vital information regarding the virus and also wrote to the Indian high commissioner in Dhaka asking him to intervene. Bangladesh has so far denied the Indian government information about the gene sequencing of the virus. (Source: The Indian Express, 05/24/08)

ORGANIZED RETAIL NOT A THREAT TO SMALL FARMERS

The Indian Council for Research in International Economic Relations (ICRIER) has reported that there would be no long term impact due to the entry of organized retail chains on the neighborhood Kirana (small retail) shops in the country. However, from empirical evidence, ICRIER has found that though initially small stores located in the vicinity of big malls have seen a drop in sales and profit, the effect could be expected to level out in the long term. The report of ICRIER supports the entry of big retail chains and confirms that it would be better for farmers as well as consumers in terms of better price realization and competitive pricing. Another finding of the report suggests that there has been no evidence of a decline in overall employment in the unorganized sector as a result of the organized retailers. The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce had earlier commissioned ICRIER to undertake the study last year. The DIPP has now asked ICRIER to gather further input from all stakeholders and invite comments from the public.
(Source: The Business Line, 05/27/08)

Post Comment: The ICRIER report is available at:
http://siadipp.nic.in/policy/icrier_report_27052008.pdf

CAN INDIA PRODUCE ENOUGH ETHANOL IN COMING YEARS?

The country is likely to produce 24 million tons of sugar next year or 2.4 billion liters of ethanol by fermenting molasses. Of this, the industrial and potable alcohol industry will buy 1.8 billion liters leaving 600 million liters to be sold to oil companies for blending as gasohol. The 10 percent mandate for replacing petrol with ethanol from October 2008 would require around 900 million liters or an extra 300 million liters of ethanol from next year onwards. India requires 550 million liters of ethanol for 5 percent gasohol, so with 2.4 billion liters of ethanol there would not be shortage of ethanol next year. In order to meet the mandate of 10 percent blending and produce the extra 300 million tons, sugar mills have to make fresh investment in technology to produce ethanol directly from sugar juice instead of using molasses. The bottom line is investments in these technologies make sense only if ethanol prices climb. That seems a trifle remote. With the oil subsidy bill already Rs 800 billion ($19 billion) and climbing, the government may neither insist on 10 percent gasohol nor pay more for fresh investment in new ethanol tech and distilleries. For sugar mills, the ethanol story next year will ultimately be about the mood of the industrial and potable alcohol industry. (Source: The Economic Times, 05/25/08)

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