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Report Highlights:
Government may go in for open market sale of wheat, *Edible oils to be distributed through ration shops*, *Textile body for suspension of cotton exports until December*, *GEAC under pressure to vet GM food imports*, *Fertilizer Association warns of phosphatic fertilizer shortages*, *Finland rejects organic rice consignment from India*, *Election shadows over ASEAN, South Korea FTAs*, *BANGLADESH: Small supermarkets struggle to survive*.

Includes PSD Changes: No
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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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GOVERNMENT MAY GO IN FOR OPEN MARKET SALE OF WHEAT

Buoyed by the production of 78 million tons of wheat and a procurement of 22.2 million tons for the public distribution system, the government may intervene in the market with open sales of wheat to contain prices. Agriculture Minister Pawar said that the government has set aside about three million tons of wheat for the open market sale at prices below the market price in those states where the wheat prices continue to remain high. (Source: The Hindu, 06/24/08)

EDIBLE OILS TO BE DISTRIBUTED THROUGH RATION SHOPS

In the context of rising prices of edible oils in the country and hardships to consumers, the government has taken a number of steps to contain the price rise. The government has introduced a scheme for the distribution of one million tons of imported edible oils in 2008-09 at a subsidized rate of Rs 15/-Kg through state governments at one kg per ration card per month involving a subsidy of Rs.15 billion ($353 million). Public sector undertakings such as PEC, MMTC, STC and NAFED have been entrusted the job of import, refining, packing and distribution of subsidized edible oils to the States. They have already contracted imports of 179,000 tons of edible oils for this purpose. (Source: Press Information Bureau, 06/20/08)

TEXTILE BODY FOR SUSPENSION OF COTTON EXPORTS UNTIL DECEMBER

The Confederation of Textile Industry has asked the government to stop exports of cotton until December 2008 and remove the custom duty (10 percent basic plus 4 percent additional) on imports of cotton as an immediate measure to control the domestic cotton prices and improve the availability of cotton to the domestic textile industry. Despite record cotton production, cotton prices have shot up by 35 percent over last year due to uncontrolled cotton exports. Most of the cotton exports are to China and Pakistan, who are major competitors in the international market for Indian textile products. Consequently, CIFTI argues that it will not be in the interest of the country to supply valuable raw material to competitors as it would generate employment in the downstream industry in those countries instead of India. While the Cotton Advisory board estimates India's cotton exports for MY 2007/08 at 8.5 million bales, trade estimates have put the figure at 9.5 million bales. (Source: Business Line, 06/25/08)

GEAC UNDER PRESSURE TO VET GM FOOD IMPORTS

The Genetic Engineering Approval Committee (GEAC) is now under pressure to check illegal imports of GM food. Greenpeace India claims that Doritos's Cool Ranch Corn Chips imported in the country contained GM ingredients and has submitted to the GEAC the analytical report from Eurofins that reveals presence of GM ingredients like Maxgaurd maize, RR maize and RR soybean. The GEAC is considering further tests on the imported samples through an independent agency. (Source: The Financial Express, 06/26/08)

Post Comment: The PepsiCo India spokesperson has already clarified that Doritos's Corn Chips is not manufactured or imported by the company, nor has the company authorized others to import into India. (See IN8046)

FERTILIZER ASSOCIATION WARNS OF PHOSPHATIC FERTILIZER SHORTAGES

The Fertilizer Association of India (FAI) said that its member companies will not be in a position to import and produce fertilizers any more because of liquidity problems and that may lead to shortages of phosphatic and potassic fertilizers. Stating that the country is heavily dependent on imports of phosphoric acid and sulphur/sulphuric acid for production of phosphatic fertilizers, the FAI said that export of these products should be stopped to increase availability. Stating that the total outstanding subsidy payments for fertilizer by the government to companies by June 30 would be around Rs. 260 to 300 billion ($6.1 billion to $7 billion), the FAI, in an official release said that "the liquidity position of the companies has reached a stage beyond which it will not be possible for them to continue with imports and production of fertilizers in the country." The FAI also pointed out that international prices of raw materials and finished fertilizers are steeply rising and, consequently, the subsidy bill of the government as well. (Source: Business Line, 06/25/08)

FINLAND REJECTS ORGANIC RICE CONSIGNMENT FROM INDIA

According to a recent notification received by the Commerce Ministry on the Rapid Alert System for Food and Feed from the European Commission in Brussels, the test results of a Finnish Customs Laboratory showed that the export consignment of organic long grain aromatic rice from a private exporter in Haryana to Helsinki contained pesticide residues in organic rice, particularly inorganic bromide 23 mg/kg, indicating the possible fumigation with methyl bromide. Despite instructions from the Agricultural Produce Export Development Authority (APEDA), the Secretariat for the implementation of the National Program for Organic Production (NPOP), on the avoidance of methyl bromide for fumigation, the recent detection of an export consignment containing the prohibited chemical reflects the failure of certification agencies in ensuring the integrity of the organic produce. (Source: Business Line, 06/23/08)

ELECTION SHADOWS OVER ASEAN, SOUTH KOREA FTAS

Ambitious free trade agreements (FTAs) with ASEAN and South Korea, in the final stages of negotiation, could be held up if the general election is announced by the end of this year. Policy makers are not worried about the FTAs, for which negotiations can resume after the election. What is causing concern is the hardening of negotiating positions that could follow a break in talks. The most sensitive is the FTA with ASEAN, which is currently stuck because of new demands by some member countries. "Indonesia has revived the issue of additional duty concessions on palm oil even after India offered a cut. Malaysia has made a new demand for lowering import duties on crude oil and gas. India cannot give more concessions," said a source involved in the negotiations. Trade ministers from both countries are likely to meet on August 28 to sort out these differences. "If the talks are not concluded soon, they may spill over to the next government. This will complicate matters," said a government official. (Source: Business Standards, 06/26/08)

BANGLADESH: SMALL SUPERMARKETS STRUGGLE TO SURVIVE

Small supermarkets look to be the losers in Bangladesh's emerging retail landscape, squeezed by the buying power of larger competitors and the lower overhead of traditional markets and small shops. In the past year, at least eight supermarkets in and around Dhaka have shut their doors for good. Supermarkets started to appear in Bangladesh around a decade ago. However growth has been rapid, and there are now around 90 supermarkets, mostly in Dhaka and Chittagong. According to the Bangladesh Supermarket Owners Association (BSOA), the annual turnover of the supermarket business in the country stands at around Taka 60 billion ($880 million). Overheads such as rent, utility bills, salaries and maintenance, have increased sharply but it was hard to pass these on to customers while the suppliers gave little room for retailers to make profits. However, Mr. Niaz Rahim, owner of Agora, the largest supermarket chain in the country said that large volumes, the quality of products, and the buying power of the bigger groups gave them an edge since they are able to source directly from manufacturers for a good profit margin. Dhaka-based Agora with its four outlets, Meena Bazar with two, PQS with three and Nandan with three outlets are the major players in the market. (Source: The daily Star, 06/22/08)

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