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Weekly Highlights & Hot Bites, #2

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Report Highlights:

Joint Export Council for rice mooted*, *TRQ allocation norms announced*, *US proposal on trading distorting farm subsidies welcomed*, *High level committee report advocates grain policy reforms*, *Subsidies: EU, USA & India*, *India may face food shortage in 2020*, *California Prune Board launches marketing program*, *TATA group plans entry in food retailing*, *International Conference: Indian organic products: Global markets*, *GM cauliflower developed by Indian scientists*, *Fearing losses soybean oil importers plan re-export*, *Imported ice cream market loses steam cornered by government regulations*.

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.

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.

JOINT EXPORT COUNCIL FOR RICE MOOTED

The proposal to set up a joint council for rice exports by the world's top rice exporters will be discussed at a meeting of ministers in charge of rice issues from Thailand, Vietnam, China, India, and Pakistan in Bangkok on October 9, according to Thailand's Commerce Minister Adisai Bodharamik. The meeting will aim to find a common strategy to stabilize global rice prices and create profitable prices for farmers. A secretariat would be set up for the council to organize meetings for ministers and senior officials at regular intervals to assess progress of the plan. The ministers will also exchange information on production, export volumes, and export markets, Mr. Adisai said. (*Source:* Business Line, 10/3/02)

TRQ ALLOCATION NORMS ANNOUNCED

On October 4, the Director General of Foreign Trade (DGFT) announced TRQ allocation procedures for corn, milk powder, crude sunflower and safflower oil, and refined mustard oil for Indian FY2002/03 (Apr-Mar) (visit <http://dgftcom.nic.in/exim/2000/pn/pn02/pn3802.htm> for the entire text of the notification), almost six months into the financial year. Eligible entities for the allocation of quota are mostly government parastatals and government trading companies, who are eligible to import only on behalf of actual users. The eligible entities desiring to avail the quota will have to apply on a prescribed form to the Exim Facilitation Committee (EFC) in the office of DGFT on or before October 17, 2002, and imports will have to be completed before the end of the fiscal year (March 31, 2003). These stringent conditions combined with the late notification of TRQ procedures make implementation of the TRQ highly restrictive. (*Source:* Economic Times, 10/10/02).

US PROPOSAL ON TRADING DISTORTING FARM SUBSIDIES WELCOMED

Former WTO Deputy Director General Anwarul Hoda (currently Professor, Indian Council for Research on International Economic Relations) recently stated that the US proposal of reducing all trade distorting domestic support in agriculture to 5 percent of total value of their agricultural production will be favorable to India as India's trade distorting subsidy works out to be about 3 percent of total production. He reiterated that the EU would not be eager to give its approval as its domestic subsidy proportion to its total production was high (35 percent). According to European Parliament member Neena Gill, the European Commission was trying hard to bring about drastic reforms in its Common Agricultural Policy in a bid to cut down subsidies. "A few members including France might raise objection to the EC move, but we are sure that we will

convince them", Ms. Gill stated. (*Source: Financial Express, 10/03/02*)

HIGH LEVEL COMMITTEE REPORT ADVOCATES GRAIN POLICY REFORMS

The High Level Committee on Long Term Grain Policy released recently is replete with short and long term recommendations for welfare, Public Distribution System (PDS), Minimum Support Price, procurement, exports, etc. The report concedes that India's grain management system is in crisis. The report has examined long-term grain policy and has expressed the view that India must continue to plan for cereal self-sufficiency. The report says that the Minimum Support Price system of open-ended purchase should continue for food security, and it is WTO compatible. The full text of the report is available at : http://fcamin.nic.in/civil_ind.htm (*Source: Business Standard, 10/07/02*)

SUBSIDIES: EU, USA & INDIA

An editorial in the local newspaper "Tribune" says that the present crisis in agriculture in India and other developing countries is likely to deepen with the USA and Europe maintaining or further increasing the level of their present subsidies. Where do countries like India stand in this scenario and what should be their plan of action? The editorial says that the only course open is to knock on the doors of the WTO so that subsidies are brought down to an acceptable level. There is also need to build up international opinion against the US and EU level of farm subsidies as the Third World with its outdated farming techniques, small farm holdings, lack of latest seeds, inputs, knowhow, and machinery cannot hope to compete with the highly mechanized farming in developed countries. (*Source: Tribune, 10/10/02*)

INDIA MAY FACE FOOD SHORTAGE IN 2020

According to forecasts made by statisticians at the Indian Agricultural Statistical Research Institute, India's foodgrain production in 2020 will be between 281 and 285 million tons, 60 million tons lower than earlier forecast, and inadequate to meet domestic demand. (*Source: Business Standard, 10/08/02*)

CALIFORNIA PRUNE BOARD LAUNCHES MARKETING PROGRAM

The Californian Prune Board (CPB) has launched an ambitious marketing plan for India encompassing sales promotions and other activities to inform Indian consumers about prunes. Current imports of US prunes into India are very small (41 mt in 2001) due to extremely low consumer awareness about prunes. The CPB considers India a potential market, but consumers need to be educated on the benefits of eating prunes. The CPB has hired a local agribusiness consulting firm to implement the market promotion activities. (*Source: Business Standard, 10/04/02*)

TATA GROUP PLANS ENTRY IN FOOD RETAILING

The Tata group (one of India's leading business houses) plans to foray into food retailing through its retailing arm, Trent. They intend to open the first outlet in Mumbai in the next six months and then spread out in the Western region of India. The proposed chain would stock all branded grocery and fresh vegetables. (Source: Business Standard, 10/08/02)

INTERNATIONAL CONFERENCE: INDIAN ORGANIC PRODUCTS: GLOBAL MARKETS

The Bio Dynamic Association of India (BDAI) in cooperation with Ministry of Commerce and International Federation of Organic Agriculture Movements (IFOAM) is organizing an International Conference and Exhibition on 'Indian Organic Products - Global Markets', November 28 - December 2, 2002, to provide an opportunity for international participants to understand the huge potential of India as a credible supplier of certified organic products and to bring together all major global traders of organic products to assess for themselves the dynamic potential of India in this field. Further information about the conference can be found at <http://www.indianorganic.info> (Source: Letter received from Agricultural and Processed Food Products Export Development Authority (APEDA), 9/24/02)

GM CAULIFLOWER DEVELOPED BY INDIAN SCIENTISTS

Indian agricultural scientists have developed a cauliflower variety that is resistant to diamond back moth attack. Scientists from the University of Hyderabad, Benaras Hindu University, and the National Research Center on Plant Biotechnology have joined hands to introduce the synthetic cry1A(b) gene of the soil bacterium *Bacillus thuringiensis* (Bt) which has shown to ward off infestation by diamondback moth during the laboratory trials. (Source: Business Line, 10/04/02)

FEARING LOSSES SOYBEAN OIL IMPORTERS PLAN RE-EXPORT

Faced with falling domestic soybean oil prices and higher tariffs due to the existing reference price regime, importers are exploring all options to get out of the current awkward situation they are in. According to a private estimate, not less than 50,000 tonnes of crude degummed soybean oil is under bond for a period ranging from 10-20 days, in private bonded warehouses, pending clearance. In all the cases the invoice prices are lower than the tariff value and the customs department will calculate duty on the tariff value of \$542 a ton thus adding to their losses. Some of the importers are examining the feasibility of converting the imports into "duty-free import for export production" wherein, the imported oil would be refined and exported with some value-addition. However, lack of input-output norms for soybean oil is leaving them no room to re-export to minimize their losses. (Source: Business Line, 10/05/02)

IMPORTED ICE CREAM MARKET LOSES STEAM CORNERED BY GOVERNMENT REGULATIONS

The US based company Baskin Robbins has closed down many of their outlets in India, Blue Bunny brand of the Wells group of Iowa recently withdrew from the Indian market, and the Swiss ice cream major Movenpick's sales have fallen short of projections giving them a cold shoulder due to numerous regulatory issues and product pricing. The Iowa-based Wells Dairy Inc. owned Blue Bunny ice cream which entered the market four years ago through a distribution and marketing company recently shut up shop in India due to problems on the labeling front, regulatory issues, and steep excise tax structure. (*Source: Business Line 10/8/02*)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

<i>REPORT#</i>	<i>SUBJECT</i>	<i>DATE SUBMITTED</i>
Not a GAIN report	Foreign Buyer List Annual	10/08/2002
IN2062	UES Activity Evaluation	10/09/2002
IN2063	Seed Annual	10/11/2002
IN2064	Buyer Alert Survey Annual	10/11/2002

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