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Report Highlights:

Inflation breaches 12% mark..., *...Foodgrain exports ban to continue*, *Government to sell imported pulses at subsidized rates*, *Liberal imports of rice, wheat not to hit farmers*, *India-ASEAN free Trade Pact set to be sealed at Brunei Meeting*, *General mills plans high-end cafes for Haagen Dazs ice cream*, *Soy meal shipments may top 5.5 million tons*.

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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INFLATION BREACHES 12% MARK ...

Annual inflation, measured by the Wholesale Price Index, accelerated to 12.01 percent in the week ended July 26, the highest since April 1, 1995, and marginally above the 11.98 percent in the previous week. The surge in inflation was on account of primary articles including fruits, milk, spices, eggs, meat and fish as well as mineral oils and iron and steel. During the latest reported week, inflation in primary articles rose 10.32 percent on a year-on-year basis, with fruits (12%), spices (13%), egg, meat and fish (7%) and milk (8%) among the major contributors. (Source: Business Line, 08/08/08)

...FOODGRAIN EXPORTS BAN TO CONTINUE

The Empowered Group of Ministers (EGoM), chaired by External Affairs Minister Pranab Mukherjee, decided in a meeting on August 5 to indefinitely continue the ban on exports of foodgrains including wheat and non-basmati rice. "Status quo will be maintained," an official told reporters after the meeting. The EGoM decision was based on reports on the overall performance of the farm sector over the past few months. "We discussed sowing operations. There are four states - - Maharashtra, Karnataka, Andhra Pradesh, and Gujarat - - where there were problems of insufficient rain," said Agriculture Minister Pawar. (Source: Indian Express, 08/06/08)

GOVERNMENT TO SELL IMPORTED PULSES AT SUBSIDIZED RATES

With less acreage under pulses for the *kharif* (monsoon season) crop, the government will soon make available imported pulses – mostly yellow peas – to states for distribution to ration card holders at subsidized rates on the lines of the sale of imported edible oils. The proposal is to make available one million tons of imported pulses under the program to State governments at a 25 percent subsidy. So far, Tamil Nadu, West Bengal, and Uttar Pradesh have shown interest in the program. The proposal will come up for approval at the next meeting of the Union Cabinet. With the inflation rate touching 12 percent and the lull in the monsoon having hit sowing of pulses in major pulse growing states, the government is concerned about the price of this essential commodity. (Source: Hindu, 08/06/08)

LIBERAL IMPORTS OF RICE, WHEAT NOT TO HIT FARMERS

Prices of key farm produce in India are way below international prices, which means rural households will not be robbed of their income if liberal imports of these commodities are allowed. Data collected by the Business Standard shows that rice prices in India are less than half of global prices, whereas wheat sells at two-thirds global prices (Table 1). While soy oil prices are the same in the domestic and global markets, cotton prices are slightly higher in India. These commodities can be exported free of duties to India. (Source: Business Standard, 08/02/08)

Table 1. Commodities With Zero Import Duty		
Commodity	Landed Price (Rs./ton)	Domestic Price (Rs./ton)
Wheat	16,000	11,000
Rice	32,000	14,000
Urad (black matpe)	27,500	27,000
Soy oil	60,00[0]	60,00[0]
Cotton (Rs. per Candy)	27,200	29,500

Source: Industry

INDIA-ASEAN FREE TRADE PACT SET TO BE SEALED AT BRUNEI MEETING

The India- ASEAN free trade agreement (FTA) – which would result in duty-free trade with Asean countries in most agricultural and industrial products over the next ten years – is finally ready for take-off. The trade negotiations committee comprising top officials from India and the ten-member ASEAN bloc is meeting, probably for the last time, in Brunei to give a final push to the FTA and seal the deal. Tricky issues including demands for lower duties on palm oil by Indonesia, which have not yet been fully sorted out, are expected to be dealt with at the meeting following which the agreement will be finalized, government sources said. The FTA is now scheduled to be implemented after January 1, 2009, after it is ratified by the governments of all ASEAN member countries and India. (Source: Economic Times, 08/07/08)

GENERAL MILLS PLANS HIGH-END CAFES FOR HAAGEN DAZS ICE CREAM

General Mills India is planning to set up high-end branded cafes for its newly introduced ice cream brand 'Haagen Dazs'. The brand will also be made available through modern trade outlets and food service restaurants across the country. The company will initially appoint franchisees to run its cafes under three new formats comprising flagship stores, smaller cafes and kiosks. Haagen Dazs ice creams are currently pegged at Rs. 185 for 100 ml due to the high import duty (37 percent). However, the company believes that with the launch of their brand they will have to create a luxury food segment for the super premium ice-cream category. The Director of the company is of the opinion that India is now ready for a super premium ice cream brand. (Source: The Business Line, 08/08/08)

SOY MEAL SHIPMENTS MAY TOP 5.5 MILLION TONS

Soy meal exports more than quadrupled to 282,000 tons and rapeseed meal exports trebled to 154,000 tons in July, as total oil meal exports from India doubled compared with the same period a year ago. Soy meal exports during October through July registered 41.51 percent growth at 4.607 million tons, according to data released by the Soybean Processors' Association of India (SOPA). "If you add 400,000 tons + dispatched by road or rail to Pakistan, Nepal, and Bangladesh (which are not included in the SOPA data), total exports during this period have already crossed 50 lakh (5 million) ton mark," said the spokesperson and coordinator of SOPA. "For the entire season, we may end up doing about 55 lakh (5.5 million) tons valued at Rs. 7,500 crore (Rs. 75 billion = \$1.8 billion), which will be an all-time record," he added. (Business Line, 08/08/08)

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