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## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, #34

2008

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**Report Highlights:**

\*Inflation up 12.63 percent...\*, \*...Government plans to offload wheat in the open market\*, \*...Stocks limit order extended\*, \*...may curb sugar exports\*, \*Egg prices touch record high\*, \*Stop subsidized poultry meat from Brazil: NECC\*, \*Union Cabinet approves establishment of National Agri-Food Biotechnology Institute\*, \*193 years of data show it's raining less in India\*.

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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 UP 12.63 PERCENT ...**

Inflation inched up further to 12.63 percent for the week ended August 9 from 12.44 percent in the previous week and 4.24 percent a year ago, mainly on account of an unabated rise in the prices of fruits, vegetables, milk, pulses, and certain manufactured products. With this, the wholesale price index-based inflation appears creeping up to the 13 percent mark, as projected by the Prime Minister's Economic Advisory Council in its economic outlook report for the current fiscal year. During the week, even as the prices of imported edible oils fell by six percent and sunflower oil by two percent, mustard oil was costlier by one percent. Among other food items, tea was dearer by two percent, while the prices of milk and pulses were up by one percent each. Also fueling the inflation were cotton yarn and polyester, which were costlier by eight and seven percent, respectively. Meanwhile, the annual rate of inflation for the week ended June 14 has been revised upward from the provisional estimate of 11.42 percent to 11.80 percent. (Source: The Hindu, 08/22/08)

### **... GOVERNMENT PLANS TO OFFLOAD WHEAT IN THE OPEN MARKET**

With the inflation rate touching 12.63 percent, the government has decided to offload six million tons of wheat from the government stocks in the open market to enhance availability during the coming festival season to contain prices. This would be done after meeting the requirements of the targeted public distribution system and setting aside four million tons for buffer stocks (on April 1) and three million tons for reserve stocks, made possible through a record procurement this year at 22.5 million tons against 11.1 million tons last year. Authorizing the Ministry of Food and Public Distribution to undertake the open market sale scheme through the Food Corporation of India, the Cabinet Committee on Economic Affairs authorized the Ministry to decide on the quantity to be released, the timing of intervention and the locations. Mr. T. Nand Kumar, Secretary, Department of Food and Public Distribution said that the likely timing of the open market sale would be from the beginning of September and the price would not be lower than the minimum support price (Rs. 10,000 per ton) plus transportation cost. (Source: The Hindu, 08/22/08)

### **...STOCKS LIMIT ORDER EXTENDED**

At the same time, the government has extended until April 4, 2009, the Order imposing limits on private-held stocks and free movement of wheat, pulses, and rice. The Order has now been extended to cover paddy (rough rice) also, as there are reports that millers in some states are hoarding paddy in the hope that they may gain if the minimum support price is enhanced to Rs. 10,000 per metric ton. (Source: The Hindu, 08/22/08)

### **... MAY CURB SUGAR EXPORTS**

In a bid to control spiraling sugar prices, the government is contemplating a series of measures to curb exports and increase domestic availability. According to official sources, the government is considering a plan to restart the system that requires sugar exporters to

seek release orders for export. In July last year, the permit system was withdrawn because production rose to around 30 million tons while local consumption remained at around 20 to 21 million tons, leading to a sharp fall in sugar prices. However, the sugar price, which has a weightage of 3.5 percent on the inflation index, has risen by over Rs. 3,500 to 4,000 per ton in the last few weeks, forcing the government to consider restart of the export permit system. Reports said that the government is not considering any extension of the sugar export incentive program beyond the normal expiry period of September 1, 2008. However, it is unlikely that the government will impose a total ban on sugar exports. (Source: Financial Express, 08/20/08)

### **EGG PRICES TOUCH RECORD HIGH**

Egg prices touched record high because of increased demand supply gap. According to the president of the All India Poultry Products Exporters Association, lower production, higher input costs and sudden rise in demand due to the cold weather conditions prevalent as a result of continuous rains in Southern India are reasons for rise in prices of poultry products. Additionally, poultry farms were not able to replace layer chicks after export orders declined since the beginning bird flu in early 2008 leading to decline in egg prices. Subsequently, poultry farms had to reduce placement of layer birds particularly in Namakal, the major export belt of the country. Continuous rise in the poultry feed prices due to increasing raw material costs has also led to similar trend in other parts of the country. (Source: The Financial Express, 08/20/08)

### **STOP SUBSIDIZED POULTRY MEAT FROM BRAZIL: NECC**

The National Egg Coordination Committee (NECC) has asked the government to stop efforts to import unprocessed poultry meat to India. The committee's reaction was related to the recent news article which reported that the Brazilian Association of Chicken Producers and Exporters entered into a deal to export 300,000 tons of unprocessed poultry to India. NECC was concerned that this deal will adversely affect the business of poultry farmers in the country who are already suffering due to the continuous rise in the feed costs. Additionally, the committee understands that Brazil has been extending various direct and indirect benefits to its poultry farmers to lower their cost of production. Therefore, subsidized chicken from Brazil will depress the farm-gate prices of the broilers, leading to enormous loss to the Indian poultry farmers. (Source: The Business Line, 08/17/08)

### **UNION CABINET APPROVES ESTABLISHMENT OF NATIONAL AGRI-FOOD BIOTECHNOLOGY INSTITUTE**

On August 21, the Union Cabinet gave its approval for establishment of (a) National Agri-Food Biotechnology Institute (NABI) and (b) Bio-processing Unit (BPU) in Knowledge City at Mohali, Punjab, as autonomous institutions of the Department of Biotechnology, Ministry of Science and Technology, Government of India, with the total estimated cost of Rs. 3.8 billion (\$88 million) for five years. The focus will be on need based research in the areas of agriculture biotechnology, food science and technology and nutritional science and technology so as to address problems of the state and the country. The Central Institute will have a major role in implementing relevant biotechnology programs in the state and generating the required human resource. (Source: Press Information Bureau, GOI, 08/21/08)

### **193 YEARS OF DATA SHOWS IT'S RAINING LESS IN INDIA**

It's raining less in India. Or, to be scientifically exact, it's increasingly raining less in at least 67 percent of India. That is the conclusion of a study that analyzed rainfall trends between

1813 and 2006, and the results could have a significant impact on agricultural and economic planning and cropping patterns. The study, conducted by scientists at the Pune-based Indian Institute of Tropical Meteorology (IITM), used the widest ever data set of monsoon records. The study shows that except for the east coast regions of Tamil Nadu and Andhra Pradesh, south Gujarat, West Bengal, and parts of Orissa, the country is showing a gradual decrease in rainfall level. (Source: The Mint, 08/18/08)

*Post Comment:* The full report can be accessed from:  
[www.tropmet.res.in/~lip/Publication/RR-pdf/RR-121.pdf](http://www.tropmet.res.in/~lip/Publication/RR-pdf/RR-121.pdf)

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