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Report Highlights:
Government eases export ban on non-basmati rice, *Free trade pact with ASEAN next month*, Farmers get a shield in India - EU FTA*, *Monsanto TNAU for transfer of virus tech*, *Sector-specific sops for exports on cards*, *India is world's second least globalized*, *No takers for local oranges*, *Edible oil for biofuel under attack*.

Includes PSD Changes: No
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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 EASES EXPORT BAN ON NON-BASMATI RICE

On October 25, 2007, the Cabinet Committee on Economic Affairs partially lifted the ban on export of non-basmati rice imposed on October 9. "The Cabinet has decided to withdraw the ban on export of premium non-basmati rice priced above $425 per ton," said Parliamentary Affairs Minister. The decision comes after a meeting between Commerce Minister Kamal Nath, Agriculture Minister Sharad Pawar and Haryana Chief Minister Bhupinder Singh Hooda on October 23. The ban was opposed by exporters and farmers as it led to lower prices in the domestic market and deprived them the benefits of lucrative prices abroad. The Commerce Ministry opposed the ban as it led to loss of international clients. The Commerce Minister said the stocks of all varieties of rice in port warehouses up to October 10 would not come under the ban. (Source: Business Standard, 10/26/07)

FREE TRADE PACT WITH ASEAN NEXT MONTH

India is hopeful of striking a deal with ASEAN on a free trade agreement (FTA) by next month, according to Commerce Secretary, Mr. G.K. Pillai. "The differences have been more or less sorted out. The main differences are only on four items – palm oil, tea, coffee, and pepper. We have put our best offers on the table. They say our concessions are inadequate. The ASEAN Summit will be held in Singapore next month. We will make a last effort to make a deal," he said. He also indicated that the trilateral FTA between India, Brazil, and South Africa could become a reality by end-2009. (Source: Business Line, 10/23/07)

FARMERS GET A SHIELD IN INDIA – EU FTA

The FTA component of the India – European Union Comprehensive Economic Cooperation Agreement (CECA) is likely to exclude nearly 150 farm products to shield Indian farmers from increased competition posed by subsidized goods. The draft negative list for the farm sector includes 156 agri goods including dairy products, sugar, fruit, vegetables, honey, mushroom, egg products, fish, poultry, saffron, coriander seeds, meat products, maize, vanaspati (hydrogenated vegetable oil), and cocoa powder. Wines and spirits are also in the negative list, sources said. As many as 246 items from the manufactured goods segment and raw materials category have also been included n the negative list. The Commerce Ministry has circulated the draft list to other government departments and the final list would be compiled after consultations, sources said. The CECA specifies that FTA negative list should not cover more than 10% of total imports, fixing a ceiling of 520 items for exclusion by India. Since the current draft includes only 402 items, there is a scope excluding more products from the FTA. (Source: Economic Times, 10/22/07)

MONSANTO TNAU FOR TRANSFER OF VIRUS TECH

The U.S. life sciences major, Monsanto recently signed an agreement with the Tamil Nadu Agricultural University (TNAU) for a royalty-free transfer of ring spot virus (RSV) - resistance technology in Papaya. The technology transferred by Monsanto involves transfer of a virus protein gene to the papaya. The Chairman of Monsanto India and the Vice-Chancellor of TNAU signed the agreement in the presence of the Agriculture Minister and the Chairman of the International Service for the Acquisition of Agri-Biotech Applications (ISAAA). The license is valid for 10 years. The decision on whether to extend the same agreement or charge a royalty will be taken after the expiry of the current arrangement. The annual production of papaya in India is around 2.5 million tons. RSV is a major pest infecting the papaya crop at all stages of growth. (Sources: The Business Line, 10/24/07; The HT-Mint, 10/24/07)

SECTOR-SPECIFIC SOPS FOR EXPORTS ON CARDS

Government proposes to give a sector-specific package for refund of taxes and levies to exporters hit by a sharp rise in the rupee value against the U.S. dollar, Commerce Minister Nath said. Maintaining the optimism that India will achieve an export target of $160 billion for 2007/08 (Apr-Mar) despite currency related troubles, he said his Ministry is preparing a Cabinet note for expanding coverage of refunds to exporters. “We are looking at measures for refund and remission of taxes to ensure that exporters get a level playing field,” he said. The Revenue Department of the Ministry of Finance has conveyed to the Commerce Ministry that it is not in favor of refunding the state level taxes to exporters. “It will be the Cabinet which will take the call,” an official said. Rupee has strengthened by about 10% against the U.S. dollar since March this year. (Source: Times of India, 10/23/07)

INDIA IS WORLD’S SECOND LEAST GLOBALIZED

Amid all the hoopla around India emerging as one of the world’s fastest growing economies and figuring in the list of most attractive destinations being eyed by World Inc, the country has been named as the second least ‘globalized’ nation. International consultancy and research firm AT Kearney has ranked India at the 71st position in its annual ranking of the world’s most globalized nations, base on the Globalization Index. India fell ten places from its 61st position in 2006. The Globalization Index is an annual study which assesses the extent to which nations are becoming more or less globally-connected taking into account twelve variables grouped into four categories – economic integration, personal contact, technological connectivity, and political engagement. “India’s standing as a premier off shoring destination with a booming economy often masks the fact that 70% of its population lives in rural areas,” the joint report by AT Kearney and U.S.-based magazine Foreign Policy said. (Source: Economic Times, 10/25/07)

NO TAKERS FOR LOCAL ORANGES

The Indian orange is yet to catch the attention of foreign and domestic companies as all the major players of the orange beverage segment use only imported pulp as a raw material. Dabur, the leader in orange based packaged juices with a 54 percent market share, sources orange concentrate from North and South America for its “Real” brand. Pepsico, the second biggest player with a 25 percent market share sources its concentrate from Brazil, the U.S. and Israel for its “Tropicana” brand. The packaged juice market in India is about 50 million cases per annum with a sale of around $88 million. According to the industry sources, the market for packaged juices is growing at over 25 percent per annum. Beverage companies don’t prefer Indian oranges because of their low juice content in comparison to those grown abroad. Experts say that Indian oranges are suitable for fresh consumption and not for mechanized processing. It is for this reason that out of the annual production of 6 million tons of oranges in the country only 1 percent are processed. Nevertheless, companies like Pepsico have started to venture into a program for citrus cultivation from imported seed in Punjab. (Source: Business Standard, 10/24/07)

EDIBLE OIL FOR BIOFUEL UNDER ATTACK

The Solvent Extractors' Association of India (SEA) has urged the government to discourage the use of edible oils for biofuel as it would lead to a price rise in edible oils. According to the SEA, high prices of edible oils would lead to reduced consumption of edible oils. Oilseed production in India has remained stagnant while demand has risen significantly. However, usage of non-edible oils such as jatropha and biomass for energy requirements should be encouraged. Last year, international prices nearly doubled mainly due to increased use of vegetable oils for non-food usage leading to supply shortfall for food uses. (Source: Business Standard, 10/23/07)

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