



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

**Date:** 2/15/2008

**GAIN Report Number:** IN8014

## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, #7

2008

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**Report Highlights:**

\*FY 08 growth seen below 9%\*, \*Fertilizer department wants budget to double subsidy...\*,  
\*...Food subsidy bill for IFY 2007-08 to increase Rs.300 billion\*, \*India cautions on revised  
WTO text\*.

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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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### **FY 08 GROWTH SEEN BELOW 9%**

Strong indications of a slowdown in IFY 2007-08 (Apr-Mar) emerged from the government's advance estimates released on February 7 that put gross domestic product (GDP) growth at 8.7 per cent, raising concern over whether the Indian economy could sustain growth at over 9 per cent in 2008-09. The estimate put out by the Central Statistical Organization (CSO) suggests that high interest rates have impacted manufacturing and construction, dampening overall growth. However, the CSO's growth estimate is still higher than the Reserve Bank of India's forecast of 8.5 per cent GDP growth for 2007-08 but lower than Finance Minister P Chidambaram's prediction of 9 per cent. The Planning Commission has targeted an average GDP growth rate of 9 per cent during the 11th Plan (2007-12). Describing the GDP numbers as lower than expected, the Finance Minister nevertheless said he is "disappointed but not despondent". "I am reasonably confident that the figures may be revised and economy will grow at close to 9 per cent," he added. Agriculture is expected to grow at 2.6 per cent in 2007-08, while the industry and services sectors, which together account for over three-quarters of GDP, are projected to grow at 8.6 and 10.6 per cent, respectively. (Source: Business Standard, 02/08/08)

### **FERTILIZER DEPARTMENT WANTS BUDGET TO DOUBLE SUBSIDY ...**

The department of fertilizer has sought Rs. 450 billion (\$11.4 billion) subsidy in the IFY 2008-09 government budget for the fertilizer sector. This is almost double the amount disbursed in IFY 2006-07, which stood at Rs. 230 billion. Further, industry sources confirm that the Finance Ministry has currently made a subsidy allocation to the tune of Rs. 365 billion [for 2007/08] against the Department of Fertilizer estimate of Rs. 450 billion. The industry is reportedly unhappy about the large carry-over of subsidy from previous years, which is increasing every year. The industry claims to be severely hit, with the unpaid subsidies increasing every year, and have resorted to taking loans from banks to meet their cost. With the burden of debt, smaller companies are reportedly facing losses and even closure. (Source: Indian Express, 02/04/08)

### **...FOOD SUBSIDY BILL FOR IFY 2007-08 TO INCREASE RS. 300 BILLION**

If the fertilizer subsidy bill estimate sounds forbidding, here is food for more worries: the food subsidy bill for IFY 2007-08 is set to inch up to Rs. 300 billion. The current subsidy projections would be a substantial Rs. 45 billion more than the Budget estimate of Rs. 257 billion for IFY 2007-08, and Rs. 57 billion more than the IFY 2006-07 revised estimate of Rs. 242 billion. (Source: Economic Times, 02/04/08)

### **INDIA CAUTIOUS ON REVISED WTO TEXT**

India has cautiously welcomed the revised draft modalities texts on agriculture and industrial goods released last week by the WTO to take forward the Doha Development Round

negotiations. Observing that India's final views on the two texts would be possible only after consultations with other Ministries, domestic stakeholders, and India's partner countries, Commerce and Industry Minister Kamal Nath, however, said the revised texts can form the basis of constructive engagement and negotiations in the coming weeks. He also pointed out that there are around 170 unresolved issues in the agriculture text alone, adding that "there are admittedly a number of areas where there are strong differences of opinion." "Significant and effective reduction of trade distorting subsidies of the developed countries is an issue on which there can be no compromise because they impact adversely upon the livelihood of millions of our poor farmers," he said. (Source: Financial Express, 02/13/08)

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