



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 2/16/2007

**GAIN Report Number:** IN7011

## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, #7

**2007**

**Approved by:**

Oliver Flake

U.S. Embassy, New Delhi

**Prepared by:**

A. Govindan, Deepa Dhankhar

---

**Report Highlights:**

\*Inflation rises to 6.73 percent...\*, \*...Government may ease imports\*, \*Government bans wheat exports\*, \*U.S. should relent on agricultural like the EU\*, \*U.S. Farm Bill to hit cotton farmers\*, \*Flu fear back, India on alert\*, \*Low investment stunting farm growth: ICAR Chief\*, \*Changes in patent regime; R&D catapults biotech sector growth\*, \*UAE ready to get Indian mutton\*, \*Pack houses to be set up for export of mangoes\*.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled 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.

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.

### **INFLATION RISES TO 6.73 PERCENT ...**

Wholesale price index-based inflation climbed to a two-year high of 6.73 percent for the week ending February 3, 2007, from the previous week's 6.58 percent, and 3.98 percent a year ago. The contributory factors are prices for pulses, cereals, and vegetables, besides manufactured products. Wheat prices were up by 11.6 percent, rice prices up 5 percent and pulse prices up 23 percent over the previous year. Fruit and vegetable prices also increased by 19 percent with onion prices showing an increase of 82 percent. (Source: Business Line, 02/16/07)

*Post Comment:* For government wholesale price index data please visit:  
<http://eaindustry.nic.in/>

### **... GOVERNMENT MAY EASE IMPORTS**

After reducing petrol and diesel prices on February 15, 2007, the government may liberalize imports to control the escalating rate of inflation. Commerce Minister Kamal Nath said there were supply side constraints, which contributed to the current rate of inflation. "It is normal to have rates of inflation in the order of 3 percent to 4 percent in an economy with 9.2 percent GDP growth. Obviously there are supply side issues, because of which the rate of inflation has gone beyond normal levels. .... If necessary, we will have to be more flexible on imports to ensure that supply side pressure doesn't lead to inflation," Mr. Nath said on the sidelines at a UNIDO meeting. (Source: Business Standard, 02/16/07)

### **GOVERNMENT BANS WHEAT EXPORTS**

In its latest initiative to control the rising prices of essential food items, the government has banned wheat exports effective February 9 through December 2007. Some experts said the ban would have no impact on prices.

*Post Comment:* Because of high domestic prices, Indian wheat exports have already shrunk to small quantities to neighboring Bangladesh and Nepal. The GOI notification banning exports is available at: <http://dgftcom.nic.in/exim/2000/not/not06/not4406.htm>

### **U.S. SHOULD RELENT ON AGRICULTURE LIKE THE EU**

India said that the U.S. should take the path shown by the European Union (EU) and offer to cut the support it provides to the agriculture sector so that negotiations on the Doha Round of WTO talks reach a fruitful conclusion. "We welcome the EU offer of flexibility on agriculture and are looking forward to something from the U.S.," Commerce Secretary Nath said after meeting Greek Finance and Economy Minister George Alogoskoufi. The EU has agreed to a higher cut in its farm tariffs as desired by developing countries, but the U.S. is unwilling to reduce its trade distorting agricultural subsidies. While talks have restarted, despite the key players sticking to their positions, in the coming weeks developed countries

should show greater flexibility on agriculture tariffs and subsidies, Nath said. (Source: Pioneer, 02/10/07)

### **U.S. FARM BILL TO HIT COTTON FARMERS**

Already distressed cotton farmers now will find their market constricted due to cheaper imports. The U.S. has introduced a Bill that continues massive subsidies to cotton growers in that country. The U.S. is the largest exporter of cotton in the world and the Indian textile industry is its biggest client. Heavily subsidized U.S. cotton depresses the global market. Cheaper cotton flooding the Indian market means Indian farmers earn less for their produce. The U.S. Farm Bill 2007 does not reduce subsidies to its farmers. It merely changed the criteria for availing subsidy to circumvent WTO strictures. "US farmers who get incentive to grow cotton keep the price at an artificially [low] level. Poorer countries like India cannot insulate farmers from a sudden price crash," said R.L. Pitale, a member of the recently wound up National Farmers' Commission. U.S. subsidies will add to the cumulative burden of cotton farmers, he added. "A depressed international market affected by cheaper U.S. cotton further restricts export potential for cotton exports," said Mr. Sharad Joshi of Shetkari Sangathan (a farmers' organization), and also a member of Rajya Sabha (Upper House of the Parliament). (Source: Pioneer, 02/12/07)

### **FLU FEAR BACK, INDIA ON ALERT**

The High Security Animal Disease Laboratory (HSADL) and the National Institute of Virology (NIV) is on high alert, with fresh outbreaks of bird flu reported in nine countries including Pakistan. About 5,000 poultry samples are being sent to HSADL for testing every week. According to the Joint Director of HSADL, India is prepared and the vaccine developed last year is working well; a 100,000 dose stock is kept for emergency situations.

Training programs are being organized for forest officials, veterinary officers, and other departments to acquaint them with the measures required for disease control, such as protecting water bodies and keeping a watch on migratory birds. NIV is conducting surveillance for cases of infection in humans. The recently set up division on avian influenza will be collecting faecal samples of migratory birds for virus testing. (Source: The Financial Express, 02/15/07)

### **LOW INVESTMENT STUNTING FARM GROWTH: ICAR CHIEF**

The Indian Council of Agricultural Research (ICAR) Director General, Dr. Mangala Rai said paucity of investment in agriculture was largely responsible for poor long-term growth in the sector. Public investment, which played a leading role in the past in the development of infrastructure like irrigation, roads, electrification, and markets, began to decline in the 1980s. "In the early 1980s, more than 4 percent of the agricultural Gross Domestic Product was used in public investment. In recent years, this has fallen to 1.54 percent," he said. Maintaining that there seemed to be a disconnect between public and private investment in agriculture in recent years, he said, whenever public investment rose, private investment fell and vice versa. "The country must ensure a sharp increase in public investment as well private investment in agriculture, to avert a food crisis," he said and suggested a higher value addition of farm produce through encouragement to agro-processing. (Source: Business Standard, 02/10/07)

### **CHANGES IN PATENT REGIME; R&D CATAPULTS BIOTECH SECTOR GROWTH**

Change in the biotech regime along with initiatives directed towards supporting R&D in the high risk segment have contributed to a 35 percent growth of the biotech industry in 2006,

against a global average of 18 percent. The government had allocated \$550 million to fund research in biotechnology during 2002-07 but FDI in this segment was limited. However, overseas investors are now realizing the potential of Indian biotech market. According to an industry analyst, there are around 200 domestic industries in India, which comprise multinationals and their subsidiaries and joint ventures. The revenues of some of the agri-biotech industries like Mahyco, Venkateshwara Hatcheries, Rasi Seeds and Mahyco Monsanto Biotech now range between \$26 to \$88 million.

(Source: The Financial Express, 02/16/07)

#### UAE READY TO GET INDIAN MUTTON

Indian mutton is expected to enter UAE markets again after a gap of six months, with the lifting of the export ban on Indian mutton. Mutton exporters had earlier approached the court to seek a relief on the export prohibition because the Gulf is a big market for them. The Indian government's restrictions on mutton exports came in August last year, following advice from World Organization for Animal Health and as a precautionary measure against Foot and Mouth disease. According to an exporter, the UAE market has an average monthly import requirement of 2500 tons of frozen and chilled meat and meat products.

(Source: The Financial Express, 02/16/07)

#### PACK HOUSES TO BE SET UP FOR EXPORT OF MANGOES

The Ministry of Commerce has started making efforts to tap the Japanese and US markets for mangoes by opening two pack houses with Vapour Heat Treatment (VHT) systems. The Ministry has given acceptance for funding the two systems, which are expected to cost \$4.6 million and hopes that treated mangoes can find their way to the Japanese market this season. A Japanese inspector would personally monitor the process and certify the mangoes. The AP State Agro Industries Development Corporation (AGROS) will be the nodal agency for setting up the two pack houses at Tirupati and Nuziveedu cities of Andhra Pradesh. The corporation invited global tenders last week for the two VHTs, the last date of submission for these is February 26, 2007. Equipment sourcing is considered easy as most Japanese companies manufacture VHT systems. (Source: The Business Line, 02/15/07)

#### RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN7008	Weekly Highlights & Hot Bites, #6	02/09/07
BG7001	Bangladesh: Grain & Feed: Annual	02/12/07

#### WE ARE ON THE NET

We are available at [http://india.usembassy.gov/foreign\\_agricultural\\_service.html](http://india.usembassy.gov/foreign_agricultural_service.html) or visit our headquarter's home page at [www.fas.usda.gov](http://www.fas.usda.gov) for a complete selection of FAS worldwide agricultural reporting.

#### FAS/NEWDELHI EMAIL

To reach FAS/New Delhi, email us at [Agnewdelhi@usda.gov](mailto:Agnewdelhi@usda.gov).