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Approved by:
Holly Higgins
U.S. Embassy, New Delhi

Prepared by:
A. Govindan, Deepa Dhankhar

Report Highlights:
Future of Futures trading in agri products bleak..., *...Supply woes fuel inflation*, *Government and traders in price war to buy wheat...*, *...Government warns private traders to stay off wheat market*, *Mandis' loss is farmers' gain*, *Small businesses protest Wal-Mart's India entry*, *WTO Talks: EU asks India to be ready for sacrifice...*, *...India feels Doha Round moving away from goal*, *Government begins registration of protect plant varieties*.

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.

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.

FUTURE OF FUTURES TRADING IN AGRI PRODUCTS BLEAK ...

The days of 'futures trading' of agricultural commodities in India may be numbered as the government is under pressure to ban the activity given the surge in prices of essential food items. "I don't know how long I will be able to resist [the pressure]" said Agriculture Minister Pawar, commenting on the growing demand from political parties and others to ban futures trading in agricultural commodities. In view of rising inflation, which is attributed to spiraling prices of essential commodities, the number of people opposing futures trading has been swelling day-by-day. The Parliamentary Standing Committee on Food and Public Distribution opposes futures trading in farm products, saying futures trading leads to price rises. Mr. Pawar, however, said that there was no evidence that futures trading led to a price rise of commodities. He also showed concern for farmers, who are being deprived of good prices in the international market, as many of the commodities such as pulses, wheat, and milk powder are banned for exports. Farmers should have the option to sell their produce within the country or outside. "I do not know in which direction we are heading," Mr. Pawar quipped. (Source: Pioneer 02/22/07)

Post Comment: The Parliamentary Standing Committee report on futures trading is available at: http://164.100.24.208/ls/CommitteeR/Food/15threport.pdf

...SUPPLY WOES FUEL INFLATION

Analysts say inflation is really being caused by consumption rising faster than supplies. Five years ago, when India started futures trading in some basic food commodities, it hoped that this would help millions of farmers hedge against price risk. However, state-level politicians, who opposed setting up of the future exchanges, say the markets have attracted more speculators than farmers. But analysts argue that with the economy expected to grow 9.2 percent in 2007, food supplies are failing to keep up with a surge in demand. "It is a complete misconception and stupid to blame futures market for inflation," said Avinash Raheja, analyst with Commtrendz Research. "There is an absolute neglect on the supply side that is fuelling inflation," he said. Three exchanges, the National Commodity and Derivatives Exchange (NCDEX), Multi Commodity Exchange (MCX), and National Multi Commodity Exchange (NMCE) were set up in 2003. Trading volumes on the exchanges have almost doubled to $619.8 billion between April through December 2006 compared to the corresponding period of 2005. (Source: Financial Express, 02/17/07)

GOVERNMENT AND TRADERS IN PRICE WAR TO BUY WHEAT...

The grain *mandis* (upcountry grain markets) of Punjab and Haryana (major wheat surplus states) are likely to turn into battle grounds for wheat procurement by the Food Corporation of India (FCI), the government's procurement agency, and large private grain trading companies. While the government has raised the minimum support price for wheat by Rs. 1,000 to Rs. 7,500 ($170) per ton, trading companies are reported to have booked large quantities of wheat through Commission Agents at Rs. 8,500 ($193) per ton. Companies such as ITC, Adani, Cargill, and Ruchi, among others, procured 1.4 to 1.5 million tons of wheat last year at rates higher than the support price. FCI managed to procure only 9.2 million tons against 14.8 million tons in 2005. The government has swung into action this year to ensure higher procurement in order to avoid imports by banning wheat exports through December 2007. However, the zero duty on private wheat imports announced last year would lapse by February 28, 2007. The flour millers want this to continue this year. (Source: Business Standard, 02/17/07)

...GOVERNMENT WARNS PRIVATE TRADERS TO STAY OFF WHEAT MARKET

The government has 'warned' private companies to stay off the main wheat markets at the beginning of the procurement period to ensure that the government agencies meet their procurement target. However, industry sources said the warning is likely to go unheeded as big players in the market have already committed supplies to their clients. "[Private] companies have spread their net farther this year and are planning to go in for more farm-gate purchases. They won't be restricted to the *mandis* this year," according to a market source. The warning came even as Ministers continued to spar over the wheat export ban as well as the import of wheat if the procurement by government agencies failed again this year. "India will allow wheat exports if this year's harvest is good," Agriculture Minister said. "We should not hesitate to import," he added. (Source: Times of India, 02/22/07)

MANDIS' LOSS IS FARMERS' GAIN

With the advent of direct fruit and vegetable procurement by retail chain giants such as Reliance and ITC from farmers, crop arrivals to traditional mandies (wholesale markets) are being effected. Farmers are beneficiaries in the process as they are able to get assured and better prices for their produce by gaining from the margins initially shared by a number of middlemen in the procurement process. Fruit and vegetable arrivals at the Azadpur market in Delhi (Asia's biggest fruit and vegetable wholesale market) have fallen by 37 percent from January 1, 2006 to February 18, 2007. The growing organized retail industry is thus shaking the existing traditional markets and impacting buying habits. (Source: Business Standard, 02/21/07)

SMALL BUSINESSES PROTEST WAL-MART'S INDIA ENTRY

Statewide federations of small businesses are protesting against the entry of Wal-Mart in India. According to the Federation of Associations of Maharashtra (FAM), Wal-Mart is the biggest monopoly player in the world and is well known for displacing small retailers, violating labour laws and exploiting its suppliers. Local companies like Reliance and Subhiksha are also considered to be in direct competition with the small local stores. Other trade associations, including hawker unions, cooperative stores, and labour unions have joined the protest with FAM. The India FDI Watch Campaign feels that all sections of society, who are likely to be impacted by the retail giants' entry, should protest. Reliance, Wal-Mart, Birlas, Tesco and Carrefoure are targeting a $300 billion Indian retail market, which is expected to double by 2015. (Source: Business Standard, 02/22/07)

WTO TALKS: EU ASKS INDIA TO BE READY FOR SACRIFICE ...

The European Union (EU) has asked India to be prepared to open its market further for industrial goods, in return for a deal on agriculture in the Doha Round of WTO negotiations. "We accept that it is a development round but developing countries too will have to make contribution for its successful completion. They will have to take cuts in import duties on industrial products," Director General of Trade for European Commission, David O' Sullivan said. When asked whether the U.S. and the EU would expect a tradeoff between agriculture and industry from India, he said, give-and-take would form the underlying principle of any deal between WTO members. The EU also wants India to commit to market access in services like retail, financial services and telecom that are of interest to developing countries. (Source: Business Standard, 02/19/07)

...INDIA FEELS DOHA ROUND MOVING AWAY FROM GOAL

India said the proposals for reduction of tariffs on industrial goods, submitted by developed countries in the last few months at the WTO, undermine the goal of promoting development that the Doha round of talks had started out with. "Proposals by developed countries have not only flouted the less-than-full reciprocity mandate but seem to be looking at effacing the Doha Round's development dimension, a Ministry of Commerce and Industry statement said. The statement said the formula suggested by developed countries sought to bring down duties in developing countries by 66 percent, while they would bring their own duties down by just 33 percent. (Source: Financial Express, 02/23/07)

GOVERNMENT BEGINS REGISTRATION OF PROTECT PLANT VARIETIES

The government on February 20, 2007, launched the registration of plant varieties under the country's *sui generis* (self-evolved) legislation for plant varietal protection. This will act as a patent for crop varieties evolved by plant breeders and seed firms. This also fulfills one of the major obligations under the Trade Related Intellectual Property System (TRIPs) agreement of the WTO, which requires all signatories to provide for patenting of plant varieties or enacting their own law for such protection. India had opted for the latter and had passed the Protection of Plant Varieties and Farmers' Rights Act (PPV&FR), 2001. The Rules under the Act were notified in 2003. The PPV&FR Authority, set up for registering plant varieties, had finalized registration procedures and guidelines. The Authority would start accepting applications for registration of 12 crop varieties from May 20, 2007, which include rice, wheat, corn, sorghum, pearl millet, chickpea, pigeon pea, mung beans, urad (black matpe), lentil, peas, and kidney bean. Launching the registration program, Agriculture Minister Pawar said the Indian seed sector would benefit from this. The registration norms developed by the Authority are based on the concept of distinctiveness, uniformity, and stability, besides novelty, of a new variety as per the UPOV, the global convention of plant germplasm protection. The Geographical Indications Law also enables countries to protect their unique plant wealth. (Source: Business Standard, 02/21/07)

Post Comment: The Protection of Plant Varieties and Farmers; Right Act, 2001 and Rules and other particulars are available at: http://www.plantauthority.in/download.htm

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REPORT #	SUBJECT	DATE SUBMITTED
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IN7011	Weekly Highlights & Hot Bites, #7	02/16/07
IN7012	India: Grain and Feed: Annual	02/21/07
IN7013	FAIRS Product Specific: Notification on Export Ban of Milk/Milk Products	02/23/07

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