



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 2/27/2009

GAIN Report Number: IN9029

India

Agricultural Situation

Weekly Highlights & Hot Bites, #9

2009

Approved by:

Holly Higgins
U.S. Embassy

Prepared by:

A. Govindan, Santosh Singh, Deepa Dhankhar, Amit Aradhey

Report Highlights:

Restrictions on wheat may go, *Cheaper food items keep inflation rate down*, *India-ASEAN FTA likely to get delayed further*, *India, New Zealand to begin talks on FTA soon*, *Imposition of stock limits for sugar for a period of four months*, *MAHYCO gets ready for Bt rice, wheat nod*, *Pressure mounts for raising import duty on milk powder*, *Egg exports dip 70 percent on bird flu outbreaks*, *Indian Grape Processing Board established*, *Unethical blending of edible oils worries solvent extractors*.

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.

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.

RESTRICTIONS ON WHEAT MAY GO

From a massive shortage, it is now a problem of plenty. "Too much (wheat) stock is a problem for this country today," Agriculture Minister Sharad Pawar informed Rajya Sabha (Upper House of the Parliament). He said that against the buffer norm of 4 million tons [on April 1], the buffer stock this year is around 13 million tons. "In fact, the serious problem I am facing is what to do with this, how to dispose of it," he added. The excess stocks have prompted the government to consider removing within next ten days the restrictions imposed on wheat two years ago, when the country was facing a shortage. (Source: Hindustan Times, 02/21/09)

CHEAPER FOOD ITEMS KEEP INFLATION RATE DOWN

The wholesale Price Index-based inflation, at 3.36 percent for the week that ended February 14, 2009, was way below the previous week's 3.92 percent. Most products, including food and manufactured items, turned cheaper during the latest reported week, resulting in a dip in the year-to-year headline inflation rate. The inflation rate was 5.66 percent during the corresponding week of 2008. The 'Food Articles' group index declined by 0.3 percent due to lower inflation in corn, barley, fruits and vegetables, eggs, condiments and spices and mutton. However, the inflation rate moved up in the case of pigeon pea, fish, millet, and black matpe. (Source: Business Lines, 02/27/09)

INDIA-ASEAN FTA LIKELY TO GET DELAYED FURTHER

The final texts of the India-ASEAN Free Trade Agreement (FTA) and the India-Korea Comprehensive Economic Partnership Agreement are unlikely to get cleared by the Union Cabinet before elections, official sources said. The Commerce Ministry had forwarded the final texts of agreements to be taken up at the Cabinet meetings so that the agreements can be signed on the sidelines of ASEAN summit in Thailand on February 27 to March 1. The Commerce Ministry was also eager to ensure that India sends the right signals to the world by bringing the agreements into force, especially during the recession and the consequent protectionist methods adopted by many countries. However, sources said, since there is a growing trend of protectionism in many countries, this was not the best time for the UPA government to open up India's markets for cheap imports from any country that would hurt the domestic industry. The government was also worried about political fallouts of signing an FTA just before national elections, they said. (Source: Financial Express, 02/24/09)

INDIA, NEW ZEALAND TO BEGIN TALKS ON FTA SOON

India and New Zealand would kick start negotiations soon to give an early impetus to the process of a Free Trade Agreement – as the joint study group commissioned by them highlighted the need for tapping the full bilateral trade potentials to the hilt. Announcing this at a joint news conference with the visiting Trade Minister of New Zealand, Mr. Tim Groser, Indian Commerce and Industry Minister, Mr. Kamal Nath, said the volume of bilateral trade

was close to \$500 million in 2007-08, and amounted to \$394 million in the first seven months of the 2008-09 fiscal (Apr-Mar), with the bilateral trade surplus in favor of New Zealand. Major items of imports from New Zealand include coal, wool, wood, raw hides and skins. On WTO talks, Mr. Nath said the Doha round of trade talks must be targeted for completion this year, as at this juncture a rule-based system was crucial for the global economy. The New Zealand Trade Minister also echoed the urgency of wrapping up negotiations faster now before the global crisis became stronger. (Source: Business Line, 02/21/09)

IMPOSITION OF STOCK LIMITS FOR SUGAR FOR A PERIOD OF FOUR MONTHS

The Union Cabinet has decided to impose stock holding limits and turnover limits for sugar for a period of four months from February 15, 2009. This is expected to help the government to tackle the problem of rising prices and improve the availability of sugar by taking action against hoarders. (Source: Press Information Bureau, 02/23/09)

MAHYCO GETS READY FOR BT RICE, WHEAT NOD

Anticipating approval from the Genetic Engineering Approval Committee (GEAC) for commercial cultivation of Bt egg plant, the Maharashtra Hybrid Seed Company Limited (Mahyco) is getting ready to go commercial with Bt varieties of staple crops such as rice, wheat and some vegetables. Among vegetables, Mahyco is targeting okra, chilies and tomato as having good potential for commercialization. The company started working on Bt rice in 2002/03, and expects GEAC approval soon. After Bt cotton, Bt eggplant is the second crop in India that is likely to be approved by the government for commercial cultivation. (Source: Business line, 02/26/09)

PRESSURE MOUNTS FOR RAISING IMPORT DUTY ON MILK POWDER

With the European Union (EU) announcing a second round of export subsidies on dairy products, pressure is mounting on the government to raise import duties on butter oil and skimmed milk powder (SMP). Imported butter oil is already arriving in India due to a sharp decline in international prices. The butter oil, mainly of New Zealand origin, is contracted at \$1,650 – 1,700 / ton (cost and freight). According to traders, the cost of New Zealand origin butter oil is much lower than the current domestic market prices for ghee (clarified butter). Butter oil imports attract a 35.2 percent duty, including a basic rate of 30 percent and a special additional duty of four percent. Imported products will sell cheaper in the Indian market even after adding these duties. (Source: The Business Line, 02/21/09)

EGG EXPORTS DIP 70 PERCENT ON BIRD FLU OUTBREAKS

According to trade sources, India's egg exports dropped over 70 percent year-on-year to six billion eggs in 2008, as the demand for the country's poultry products fell sharply due to successive bird flu outbreaks. A Senior Manager from Venkateshwara Hatcheries has said that the poultry sector has incurred huge losses because egg exports have been badly affected after the bird flu. The egg exports to various international markets are down by almost a quarter. The Treasurer of the Poultry Federation of India remarked that the Indian poultry sector has incurred losses mainly because the country is under a single poultry zone. Therefore, if any part of India is hit by bird flu, the whole country gets affected. (Source: The Business Standard, 02/20/09)

INDIAN GRAPE PROCESSING BOARD ESTABLISHED

The Indian Grape Processing Board (IGPB) has been established and was launched by the Minister for Food Processing Industries. The Board will primarily work towards promotion of the wine industry in the country. The Central Ministry had accorded approval to the formation of the IGPB on January 2. The Board will act as an independent and autonomous body, which will set standards and promote the Indian wine industry. The IGPB will also advise the wine growers across the country and will collaborate with the central and state governments on commercial, regulatory and technical issues related to the wine industry. (Source: The Business Line, 02/27/09)

UNETHICAL BLENDING OF EDIBLE OILS WORRIES SOLVENT EXTRACTORS

According to the Solvent Extractors' Association of India, some manufacturers are resorting to "unethical blending" of edible oils. "The price of most of the edible oils is ruling very low. RBD (Refined, deodorized and bleached) palmolein rules at Rs 32,600 a ton in the domestic edible oil market. In contrast, refined sunflower oil costs Rs 44,500, refined soy oil Rs 43,000 and refined groundnut oil Rs 55,000 a ton. RBD palmolein has become the cheapest oil in the market, pulling down the prices of other oils. The wide price difference between domestically produced oils and RBD palmolein is creating a serious problem, as unofficially palmolein is blended into other oils on a large-scale and sold as domestic oil," said the association President, Mr. Ashok Sethia. Edible oil producers are allowed to blend different oils but they would have to declare how much percentage of blending of other oil has taken place in a particular brand of oil. Usually, RBD palmolein is blended with sunflower, mustard and soy oil. (Source: Business Line, 02/24/09)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

| REPORT # | SUBJECT | DATE SUBMITTED |
|----------|---|----------------|
| IN9026 | Weekly Highlights & Hot Bites, #8 | 02/20/09 |
| IN9028 | Cotton and Products: Quarterly Update - March | 02/26/09 |

WE ARE ON THE NET

Visit our headquarter's home page at 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@fas.usda.gov