

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 5/13/2011

GAIN Report Number: IN1146

India

Post: New Delhi

Weekly Highlights and Hot Bites No. 19

Report Categories:

Agriculture in the News

Approved By:

Thom Wright

Prepared By:

Santosh Singh, Amit Aradhey, Ritambhara Singh, Shubhi
Mishra, Radha Mani

Report Highlights:

GM Crop: Panel to review field trials, *Normal monsoon unlikely to cool down inflation: Economists*, *Check government grain buys, use cash transfers or food coupons: Study*, *IMF revises India's growth outlook for 2011*, *High inflation posing risks to growth: Subbarao*, *India takes measures to promote piggery in Northeastern states*, *New Zealand to let Indian professionals in if it gets access to Indian dairy market*, *Bumper corn crop in Bihar pulls down poultry feed prices*, *Fruits and vegetables output to rise 5%, prices may stabilize*, *Indian households get new socio economic classifications*, *ITC plans premium entry to mass market*, *Ethanol is sweet for sugar firms as crude prices zoom*, *Oilseed output to hit 30 million tons*, *Monsoon likely to set in over Kerala on June 1*.

General Information:

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.

GM CROP: PANEL TO REVIEW FIELD TRIALS

On the directives of the Supreme Court of India, the environment ministry will review all existing field trials of genetically modified crops in India for safety and the protocols of safety adopted by the trial agencies. The Supreme Court directive was issued on a petition from an activist alleging that the field trials being conducted by various companies after getting approval from the Genetic Engineering Appraisal Committee had contaminated local vegetation and sought to stay on field trials. Currently, field trials on several GM crops like rice, tomato, maize, cotton and egg plant are ongoing in different parts of the country. The Environment ministry is setting up a committee to review the field trials, which is likely to be comprised of representatives from civil society as well as GM experts. (Source: [Hindustan Times](#), 05/12/2011)

NORMAL MONSOON UNLIKELY TO COOL DOWN INFLATION: ECONOMISTS

Some economists are of the view that the prospects for a good agricultural production following the forecast for normal 2011 monsoon may not provide any relief to policy makers in bringing down high prices. With the current strong demand-driven inflation, increased rural incomes from a good agricultural harvest could only aggravate the underlying price pressures. Some believe that downward pressure on inflation due to increased food supply could be offset by the rise in demand for consumer goods in rural India. (Source: [Financial Express](#), 05/11/2011)

CHECK GOVERNMENT GRAIN BUYS, USE CASH TRANSFERS OR FOOD COUPONS: STUDY

An International Food Policy Research Institute (IFPRI) study warns that massive government grain procurement to meet the needs of the proposed 'National Food Security' law could drive out the private sector and have larger implications on the domestic market. Apart from impacting export prospects and food grain prices in the open market, rising government procurement will increase the cost of procurement, transportation and distribution. The study suggested that government should avoid huge government purchase and instead explore cash transfers and food coupons. (Source: [Economic Times](#), 05/11/2011)

IMF REVISES INDIA'S GROWTH OUTLOOK FOR 2011

The International Monetary Fund (IMF) revised India's growth outlook downwards for 2011 to around 8 percent on the back of high inflation and overall global economic outlook, clouded by rising commodity prices led by oil. Mr. Anoop Singh, IMF Director said "In 2011, the pace and composition of growth will continue to show notable differences across Asia. China and India are expected to lead the rest of the region with China growing by 9.5 percent and India by 8 percent'.

(Source: [Asian Age](#), 05/10/2011)

HIGH INFLATION POSING RISKS TO GROWTH: SUBBARAO

In a presentation on May 3 to the Inter Ministerial Group (IMG) on inflation, D. Subbarao, Governor, Reserve Bank of India (RBI) said that "The current high level of inflation is posing significant risks to future growth and it is imperative to bring it down even if it means sacrificing some growth in the short term". The RBI, in its credit policy statement on May 3, reduced growth estimates to 8 percent, as it increased the policy rates for the ninth time in over a year. It decided to go for a sharper-than-expected 50 basis points rise in the policy rates to leash in inflation. Mr. Subbarao explained that experience in India as well as globally suggested that in the long run, there was no trade-off between growth and inflation. He said that any attempt to push growth above the potential level would only lead to higher inflation, but with no durable growth or employment gain. He however emphasized that containing inflation was imperative to sustain growth over the medium term. (Source: [Business Standard](#), 05/07/2011)

INDIA TAKES MEASURES TO PROMOTE PIGGERY IN NORTHEASTERN STATES

The eight Northeastern states of India account for 28% of the country's pig population. However, due to increased demand for pork and pork products, the region is unable to meet consumer demand and most of the time buys pork meat from the rest of the country. With the efforts of the National Research Centre on Pig (NRCP) through the cross breeding of exotic varieties such as Hampshire and Duroc and Indigenous types like Ghungro and Mehlaya local, new varieties are being developed that are expected to give better income to farmers. Due to rising consumption of pork meat, the pig population witnessed a decline in growth rates from 32.69% in 1961-1971 to 5.70% in 1991-2001, which was a cause of concern. The decline was attributed to a preference for pork and high pressure on the available population. (Source: [Financial Express](#), 05/10/2011)

NEW ZEALAND TO LET INDIAN PROFESSIONALS IN IF IT GETS ACCESS TO INDIAN DAIRY MARKET

New Zealand has offered to open its doors wider for well-qualified and skilled Indian professionals and service providers as part of the bilateral Free Trade Agreement (FTA) being negotiated. However, New Zealand wants access to India's dairy market in turn in the FTA. "We are absolutely aware of the sensitivities that you have in your agriculture sector. But there is scope to work around it," country's trade minister Tim Groser said. New Zealand could export high-end dairy products and also share technology, he said. (Source: [Economic Times](#), 05/11/2011)

BUMPER CORN CROP IN BIHAR PULLS DOWN POULTRY FEED PRICES

The bumper corn (maize) crop in Bihar, one of the major corn growing states in India (contributing 10% to country's corn production), has pulled down poultry feed prices significantly (11%) in first two weeks of May. Besides corn, the price of soybean meal has also declined. Correspondingly, the price of poultry feed constituted from corn and soybean meal is also expected to come down. Maize is grown in Bihar during both rabi and kharif seasons. With the country expected to produce 20.23 million tons of maize during the Agricultural Year (July 2010-June 2011) as per the third advance food grain estimates (released by the Government of India) against 16.72 million tons in 2009-10, prices are expected to stabilize during next few months. The poultry industry believes that low prices will bring down the cost of poultry production and will provide huge relief to the poultry farmers. (Source: [Financial Express](#), 05/11/2011)

FRUITS & VEGETABLES OUTPUT TO RISE 5%, PRICES MAY STABILIZE

Production of major fruits and vegetables is expected to be good in 2010-2011, which could exert a downward pressure on prices. According to the first advanced estimates of horticulture crops for 2010-2011 released recently, output of potato is projected at 40.2 million tons (mt), up 10 per cent from last year, and output of onion at 13.1 mt, up 7.8 percent. Last year, onion prices flared up after production slumped 10.3 percent to 12.15 mt. However, most experts believe prices should remain stable this year because of higher output. Overall, the country is expected to produce 141.1 mt of vegetables, up 5.21 per cent. Last year the country produced 134.1 mt of vegetables. Overall, production of major fruits in the country is estimated to be around 75.22 mt. Area under fruits has also risen by 2.05 percent. (Source: [Business Standard](#), 05/08/2011)

INDIAN HOUSEHOLDS GET NEW SOCIO ECONOMIC CLASSIFICATIONS

The socio economic classification (SEC), which is like the census for advertisers in India and is used to classify and target consumers based on certain parameters, has been remodeled by the Media Research Users Council (MRUC) and the Market Research Society of India (MRSI). The new system brings both urban and rural consumers to one table and classifies households by using two parameters — educational qualifications of the chief wage earner in the household; and the number of assets owned. Based on these parameters each household will be classified in one of 12 SEC groups. Experts suggest the new system will run parallel to the old system before seeing acceptance. (Source: [Hindustan Times](#), 05/08/2011)

ITC PLANS PREMIUM ENTRY TO MASS MARKET

ITC, the famous Indian conglomerate wants to replicate its top-down strategy-of entering a segment with a top-end brand and then launching one or more mass products-to grow its personal care and food businesses. According to Brand strategist Harish Bijoor "Most of the FMCG companies that have taken a top-down approach have failed because they take the same premium brand into the mass market with little difference in business plans. ITC needs to segregate its product strategy, pricing mechanism, advertising and branding, distribution and even packaging to garner faster market share." ITC entered the food business in 2001 with premium ready-to-eat brand 'Kitchens of India' and in 2003 launched the 'Aashirvaad' range of ready meals at a price range of Rs. 35-50. (Source: [Economic Times](#), 05/09/2011)

ETHANOL IS SWEET FOR SUGAR FIRMS AS CRUDE PRICES ZOOM

Sugar mills in both the private and co-operative sector are reaping a windfall from the production and sale of ethanol as public sector oil companies tap into bio-fuels to contain losses from soaring crude prices. According to the Ethanol Manufacturers' Association of India, India's public sector oil companies have purchased 300 million liters of ethanol for blending with petrol. The Public Sector Units are committed to lifting 710 million liters of ethanol till October 31, 2011. With crude oil prices hovering above \$100 per barrel, the central government wants 5 per cent of ethanol to be blended with petrol. This would be increased to 10 percent and later on to 20 percent. Last year, PSU oil companies and sugar mills agreed on a price of Rs 27 per liter of ethanol. At present the sugar industry estimates that 800 million liters of ethanol would be required if 5 percent of petrol is blended with bio-fuel. ((Source: [Tribune India](#), 05/12/2011)

OILSEED OUTPUT TO HIT 30 MILLION TONS

India's oilseeds output is estimated to hit a record high of 30.25 million tons for the year 2010-11. The growth in production is attributed to a favorable monsoon, increased yields (950-1,050 kg per hectare, the highest in the last three years) and a marginal increase in oilseeds acreage. Higher output might also help ease inflation and bring down edible oil prices. According to the revised production estimates for 2010-11 released by the Ministry of Agriculture, oilseed production will touch 30.25 million tons, up from 27.8 million tons. According to the Solvent Extractors' Association of India (SEA), "Indian edible oil imports may drop to around 8.5 million tons against 9.2 million tons imported last year. Capacity utilization has improved due to higher domestic output. Presently, millers are operating at a capacity utilization of around 65-70 percent against 40-50 percent last year." Government estimates said soybean production will touch 12.59 million tons, while groundnuts would cross the 7 million tons mark this year. (Source: [Business Standard](#), 05/12/2011)

MONSOON LIKELY TO SET IN OVER KERALA ON JUNE 1

The monsoon is likely to set in on June 1 this year. It is expected to arrive in the Andamans by next week and is likely to set in Kerala by the last week of this month, according to the Indian meteorological department. In Maharashtra, it should arrive around June 10, the normal date, with a plus or minus four days. The onset is likely to be between May 31 and June 2. IMD had announced that Kerala, Delhi and many other parts of the country will have new onset dates, but it will not change for Kerala. (Source: [Indian Express](#), 05/08/2011)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

| REPORT # | SUBJECT | DATE SUBMITTED |
|-----------------|---|-----------------------|
| IN1144 | Weekly Hot Bites, #18 | 05/06/2011 |
| IN1145 | FSSAI Releases Revised Draft Regulation on Food Recall Procedures | 05/06/2011 |

WE ARE ON THE NET

Visit our headquarters' 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