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Report Highlights:

Only 41% of PDS grains reaching masses, *FCI set to meet record purchase target of 26 million tons wheat by May 31*,
Government targets record rice production in excess of 100 metric tons, *Food inflation dips to 18-month low*, *Food
expenses face a cut for lifestyle*, *Indian think tank pegs GDP growth rate at 8.8% this fiscal*, *Jump in milk powder
prices stymies demand*, *The organized dairy food market turning hot in India*, *Bharti Walmart to open 10 new cash and
carry stores in 2011*, *No-pesticide condition vexes guar gum exporters*, *Not enough fertilizer for sowing season*,
Future group enters elite gourmet retailing, *Food Ministry seeks delay in ethanol blending plan*, *India struggles to
perfect art of monsoon forecasting*.

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.

ONLY 41% OF PDS GRAINS REACHING MASSES

A World Bank report reveals that although India is spending over 2 percent of its Gross Domestic Product (GDP) on various social programs, including Public Distribution System (PDS) and the National Rural Employment Guarantee Program (NREGA), overall return in terms of poverty reduction have not reached their potential. The report is particularly critical of the PDS which covers 25 percent of the total household but its benefit to the poor have been limited by leakages and diversion of the subsidized food grains. Only 41 percent of the food grains released by the government through the PDS reaches the target families. (Source: [Tribune India](#), 05/23/2011)

FCI SET TO MEET RECORD PURCHASE TARGET OF 26 MILLION TONS WHEAT BY MAY 31

The government's Food Corporation of India (FCI) and other state agencies have already purchased 25.47 million tons of wheat by now, with procurement levels in all key states exceeding last year's level. The government raised the procurement target 16 percent over last year to a new record 26 million tons in anticipation of a bumper crop of over 84 million tons. FCI sources report that wheat procurement is set to reach the government target level by the end of May, nearly a month before the procurement season ends (June 30). (Source: [Financial Express](#), 05/25/2011)

GOVERNMENT TARGETS RECORD RICE PRODUCTION IN EXCESS OF 100 METRIC TONS

With the Indian Meteorological Department predicting a normal 2011 monsoon, the government is targeting a record rice production of over 100 million tons in the upcoming 2011/12 season. The recent widespread pre-monsoon rains across many parts of the country is expected to help the forthcoming kharif (fall) rice sowing as it would assist farmers in land preparation. The Ministry of Agriculture has also proposed a Rs. 1600/metric ton hike in the minimum support price for paddy (common variety) for the 2011/12 season over the Rs. 10,000/metric ton price for the current 2010/11 season. (Source: The Financial Express [Financial Express](#), 05/26/2011)

FOOD INFLATION DIPS TO 18-MONTH LOW

Food price inflation eased to an 18-month low of 7.47% in early May, slowing from the previous week's 7.70% driven largely by declining prices of pulses, wheat and vegetables. While food inflation has eased in recent months from double-digit levels, non-food manufactured inflation has remained sticky and has emerged as a policy challenge. Overall inflation as measured by the wholesale price index eased to 8.66% in April. Finance Minister, Mr. Pranab Mukherjee, did not give much credibility to the weekly or monthly fluctuations and said the government and the Reserve Bank of India are keeping a close watch. The RBI has raised interest rates nine times since March 2010 to tame inflation and economists say it is expected to raise rates by at least 25 basis points in its June policy review. The RBI is ready to sacrifice some growth to tame stubborn inflationary pressures in the economy. (Source: [Times of India](#), 05/20/2011)

FOOD EXPENSES FACE A CUT FOR LIFESTYLE

According to a Morgan Stanley report, Indian households are likely to cut back on consumption of food items to manage inflation but they may not compromise on spending towards lifestyle category. "The findings of the report indicate that there will be a slowdown in the consumption of food items and other staples over the next twelve months", said Mr. Ridham Desai, Research Head, Morgan Stanley. The report found that households expect inflation for their consumption basket to rise further. However, households are likely to cut back on consumption on grocery items. They may include food items, such as fruit and vegetables, beverages, meat and chicken. The study also highlights that rural India is steadily emerging as a focus areas for consumer companies and says the consumption habits for urban and rural India appear alike. (Source: Asian Age, 05/25/2011)

INDIAN THINK TANK PEGS GDP GROWTH RATE AT 8.8% THIS FISCAL

The Mumbai based Indian think tank, the Center for Monitoring Indian Economy (CMIE), has pegged real Gross Domestic Product to grow by 8.8% in Indian Financial Year (IFY) 2011-12 (April-March). The agricultural and allied sector is projected to grow by 3.3% and the industrial sector by 9.4% over the previous year. The CMIE also has expected that growth and inflation would remain high in IFY 2011-12. "We see significant new capacity additions in IFY 2011-12. Its corresponding new employment and higher wages is expected to drive capital formation and consumption growth in IFY2011-12," CMIE noted. (Source: The [Financial Express](#), 05/23/2011)

JUMP IN MILK POWDER PRICES STYMIES DEMAND

Prices of skimmed milk powder have increased by around 10-12 percent, making demand almost negligible this summer in India. The Dairy industry is not willing to buy milk powder at higher prices. While the domestic demand is laclustre, the ban on skimmed milk powder exports imposed in February 2011 has closed export avenues as well. The Government banned exports in order to control increasing milk prices. However, the prices have continued to rise. The combined effect of the export ban and lean domestic demand has led to lower sales of milk powder. Producers are apprehensive that they will have to cut the price soon as they cannot carry stocks for long. After imposing an export ban, the government in March allowed dairy industry to import 30, 000 tons of milk powder at nil duty. (Source: [Business Standard](#), 05/25/2011)

THE ORGANIZED DAIRY FOOD MARKET TURNING HOT IN INDIA

Currently, dairy products constitute about 35% of the total packaged food industry in India. About 37% of the milk sold is used for processing, with the organized dairy industry accounting for 20%, and the unorganized sector for 22%. With a projected growth rate of 15-20% over the next five years, processed dairy is catching the fancy of organized players, even as biggies Amul, Britannia, Mother Dairy and Nestle slug it out in the processed foods space with basic-to-special products. Newcomers are concentrating on high-end products to create differentiation and gain consumer top of mind. A number of international brands are riding on modern retail to reach out to India's consumers. Brands such as Grand Gouda, Zanetti Gorgonzala, Puccio Mozzarella Fior Late, Zanetti Pecorano Romano, Glac Brie, Glac Raclette, Holland Dairy Edam Ball, Le Gruyere Swiss Gruyere Aoc, Cheddar Fields Yellow Cheddar, Landana Gouda Olives & Tomato and Zanetti Parmigiano Reggiano are about to be introduced in the Future Group's gourmet stores. (Source: [Hindustan Times](#), 05/23/2011)

BHARTI WALMART TO OPEN 10 NEW CASH AND CARRY STORES IN 2011

Raj Jain, Managing Director and CEO, Bharti Walmart said that the group plans to open around 10 new cash- and- carry retail stores during 2011. Bharti Walmart is a joint venture between Bharti Enterprises and US-based retail giant Walmart that operates wholesale cash-and-carry stores in India under the Best price Modern wholesale Brand. Bharti Walmart launched its first Best Price Modern Wholesale cash-and-carry store in Amritsar in May 2009. A cash-and-carry store is spread across 50,000 and 100,000 square feet. At present, Best Price Modern Wholesale stores are located at Amritsar, Zirakpur, Jalandhar, Kota, Bhopal and Ludhiana.

(Source: [Hindustan Times](#), 05/25/2011)

NO-PESTICIDE CONDITION VEXES GUAR GUM EXPORTERS

Indian food-grade guar gum exports to the European Union is set to take a hit as the commerce ministry has directed exporters that there should be absolutely no pesticide content in the product. The move comes at a time when the industry is flooded with orders from EU countries and the export trend is quite positive. Till now, the commerce ministry had allowed 0.01 milligrams of pentachlorophenols (PCP), a pesticide, in a kg of food-grade guar gum. India is a leading exporter of guar gum. The country commands about 80% of the global production followed by Pakistan.

(Source: [Economic Times](#), 05/23/2011)

NOT ENOUGH FERTILIZER FOR SOWING SEASON

Just ahead of the summer sowing crop season, India is facing a shortfall of a key fertilizer it imports, which could hurt the country's farm sector, vital for two-thirds of the population. Moreover, the fertilizer in short supply, di-ammonium phosphate or DAP — is likely to cost Rs.600 (approx.US\$13) per ton more this year, which could push up food prices. The government is expected to modify the Fertilizer Control Order to help Indian importers to scout for new markets, as fertilizers shortfall can impact food production. (Source: [Hindustan Times](#), 05/25/2011)

FUTURE GROUP ENTERS ELITE GOURMET RETAILING

Future Group, which emerged as one of the country's largest retailer through a well-acclaimed discount strategy, is opening a gourmet food chain. The owner of Big Bazaar hypermarkets and Central destination malls will open the first all-new format of gourmet food store, Foodhall, in one of Mumbai's most luxurious shopping malls, Palladium, this week. The store is spread over 15,000 square feet. Foodhall is the fourth organized food retailing chain in Future Group's portfolio. Foodhall stores will serve high-margin fine foods and will completely steer clear of discounts and consumer promotions. The highlights of the stores will include live kitchens, a delicatessen, open spices, dedicated sections for bakery, confectionery, cold cuts and meats. (Source: [Economic Times](#), 05/23/2011)

FOOD MINISTRY SEEKS DELAY IN ETHANOL BLENDING PLAN

The food ministry is set to oppose the mandatory 5 percent ethanol blending program, fearing diversion of food grain for manufacture of ethanol. The food ministry is worried, as the government is likely to adopt the ambitious food security law proposed by the National Advisory Council. The Chaudhuri Committee, set up to suggest the pricing of ethanol for blending with fuel, has said in its interim report that enough ethanol may not be available for the blending program. The petroleum ministry was expected to soon send the report to the Cabinet Committee on Economic Affairs for a final decision after factoring in the dissent notes posted by some panel members, including sugar industry representatives. By end-April, oil companies have been able to secure only about 32 percent of the 1 billion liters of ethanol they need for the 5 percent blending norm despite the government approving an attractive interim price of around 27 a liter for ethanol. Tamil Nadu, which has a thriving alcohol industry which makes a large contribution to state revenue, has already banned ethanol supply to the ethanol blending program, while Bihar is understood to have "unofficially" discouraged it. (Source: [Economic Times](#), 05/24/2011)

INDIA STRUGGLES TO PERFECT ART OF MONSOON FORECASTING

This year, the country has forecast a normal monsoon. A normal monsoon brings a boost to farm incomes and so to demand -- for cars, motorcycles, consumer goods and even gold, which is used for investment. Scanty rainfall brings pressure on the government, as farmers demand higher prices and ask to waive loan repayments and electricity charges, impacting public finances. In 2009, the country suffered its worst drought since 1972 after initial forecasts had been for normal rains. Forecasts also have political implications given the farm sector employs two-thirds of India's 1.2 billion people, the single largest factor influencing politics, even though it only makes up 14.6 percent of the economy. But for many of India's farmers, the monsoon is still about studying wind direction and observing cloud patterns, with a dose of superstition thrown in. According to Indian weather officials, improving forecasting methods is a work in constant progress. "We have to bring in uncertainties of monsoon forecast to forefront to better understand complexities involved with the business of weather prediction," said Ajit Tyagi, India's weather office chief. (Source: [Reuters](#), 05/20/2011)

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