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Report Highlights:

Import duty on wheat likely, * Maran rules out ban on cotton export*, *Make changes in edible oil import duty: SEA*, *Govt. raises support price for pulses to perk up production*, *Ethanol blending scheme trips on pricing hurdle*, *Export of oilmeals during April – May 2010 is down by 9 percent-SEA*, *Animal health business set to take wings*, * Rain may set over Maharashtra, Andhra in 2-3 days*.

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.

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IMPORT DUTY ON WHEAT LIKELY

The government is likely to consider imposition of import duties on wheat later this month. A government official said that the Empowered Group of Ministers on Food will examine the proposal of imposing reasonable tariffs as the stock level of wheat in the country has risen to an abnormally high level. Wheat stocks with the Food Corporation of India are currently estimated at 35 million tons against the buffer stock norms of 4 million tons. The government had allowed wheat imports at zero duty since November 2009. The recent spurt in wheat prices has increased the demand for imported wheat from Australia from millers in the southern states. A commerce ministry official stated that there is a growing demand from some industry associations for imposition of duties on wheat imports. (Source: Economic Times 6/7/2010)

MARAN RULES OUT BAN ON COTTON EXPORT

The Union Textile Minister Dayanidhi Maran ruled out blanket ban on cotton exports but hinted at a possible increase in export duties. In view of increasing cotton prices in the domestic market, the government has recently imposed a number of export restrictions (including levy of duty, export licensing, etc) to contain cotton prices in the domestic market. (Source Financial Express 6/10/2010)

MAKE CHANGES IN EDIBLE OIL IMPORT DUTY: SEA

In the face of high edible oil imports, the consequent fall in prices of oilseeds, poor domestic crushing of oilseeds and fear of a decline in area sown to soybeans this kharif season, representatives from oilseed industries met agriculture ministry officials to discuss oilseed output in the country, and

demand for the imposition of a 10 percent import duty on crude oil as well as raising the duty on refined oil to 17.5 percent. Industry also requested to change the tariff value to protect them from excessive imports of edible oils.

(Source: Business Standard, 06/09/10).

GOVT RAISES SUPPORT PRICE FOR PULSES TO PERK UP PRODUCTION

The centre took a bold initiative to promote pulse production by raising their Minimum Support Price (MSP) by 14 to 30 percent even as it effectively pegged the support price for paddy at the same level as last year. The government perhaps believes that the hike in the support price would lead to higher acreage under pulses and thus improve availability in the coming season. Pulses were a major contributor to inflation, with prices rising 31 percent, contributing significantly to the overall annual food inflation that touched 16.74 percent for the week ended May 28. With regard to pulses, India holds a unique record of being the largest producer, importer and consumer in the world. Among coarse cereals, Finger millet is the biggest gainer with MSP being hiked 5.4 percent. Cotton growers face a double whammy of getting no raise in the support price for two consecutive years and facing a price squeeze as the centre has slapped a duty on the exports. (Source: Business Line June 11, 2010)

ETHANOL BLENDING SCHEME TRIPS ON PRICING HURDLE

The government's much-vaunted Ethanol Blending Programme (EBP) continues to take fire despite a group of ministers (GoM), headed by the finance minister, endorsing a price of Rs 27 per litre last month. The Cabinet is yet to take a decision on the contentious issue and consequently, the "interim" price for ethanol is yet to be officially notified. Ironically, food and agriculture minister pre-emptively indicated that the "long-term" price was likely to be lower than Rs 27/litre. He also urged the sugar industry to produce more ethanol to fetch "a good price." The inordinate delay over starting the new supply contracts for the much vaunted EBP comes even as questions have begun to arise from various quarters over the basis on which both the government and the industry have projected sugar output close to 25 million tons in 2010-11. (Source: Economic Times, 06/03/10).

EXPORT OF OILMEALS DURING APRIL – MAY 2010 IS DOWN BY 9 PERCENT-SEA

According to the Solvent Extractors' Association (SEA) of India, export of oilmeals during May 2010 is reported at 173,604 tons compared to 178,350 tons in May 2009 (down 3 percent). The overall export of oilmeals for April-May 2010 is reported at 377,950 tons compared to 416,935 tons (down 9 percent) due to lower crushing in the last few months. During the current oil year, starting from November 2009 to March 2010, export of oilmeals declined continuously due to steady decreases in

meat production and a reduced demand for compound feeds, which has contributed to lower consumption of soya meal and other oilmeals, reflecting lower exports from India. However, exports have revived to some extent in last two months due to the revival of the economy and demand in South East Asian Countries. (Source: SEA Press Release, 06/07/10)

ANIMAL HEALTH BUSINESS SET TO TAKE WINGS

Global integration is taking place in the \$19 billion animal health sector. Multinational animal health players are rapidly expanding their wings in India. Some Multinationals who have shown their presence in India are Provimi, Merck, Virbac, Pfizer, etc. Now, the 2000 crore animal health industry in India is calling for an independent regulatory authority. Industry insiders feel that given the right impetus, the animal health industry has a potential to grow three fold. They also feel that the unorganized sector could add another Rs 1000 crore to the existing size of the industry. Given the different dynamics, bio-security and traceability issues related to the sector, the industry wants a separate dedicated cell in the Drug- Controller General of India (DCGI). (Source: The Hindu Business Line 6/7/2010)

RAIN MAY SET OVER MAHARASHTRA, ANDHRA IN 2-3 DAYS

The Indian Metrological department update said that the southwest monsoon is set to advance over central Maharashtra and more parts of Karnataka and Andhra Pradesh in the next 2-3 days. The monsoon rains normally cover India entirely by June 30th. Anticipating timely and normal monsoon rains, paddy and pulses planting till date is up six percent and 19 percent respectively over the same period last year. (Source: Business Standard 6/9/2010)

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REPORT #	SUBJECT	DATE SUBMITTED
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IN1049	Exports of cotton allowed under license	06/04/2010

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