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Report Highlights:

New FTA policy: Everything or nothing, *Rising food inflation a worry: Pranab*, *Inflation climbs to 10.16 pc*, *CM Group asks government to buy land abroad to grow pulses and oilseeds*, * Pulse push unlikely to yield result soon*, *Indian import of sensitive items up 40.5 % to Rs 65, 564 crore*, *Import of vegetable oils- Nov.’09 to May’10 – down by 4 percent*, *Road to riches: better connectivity changes rural landscape*, *Shrimp exporters hope to gain from U.S. oil spill damage*

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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NEW FTA POLICY: EVERYTHING OR NOTHING

India is going to take up an "everything or nothing" approach when it negotiates bilateral trade and investment treaties in the future. The government is unhappy with its Free Trade Agreement partners who backtrack on promises to amplify the scope of these agreements with liberalization of trade. The GOI has decided not to enter into an agreement unless talks on services and goods are concluded simultaneously. According to the Ministry of Commerce, any future trade agreement has to be a single undertaking and must include a list of commitments to reduce tariffs for goods as well as liberalize trade in services. Under India's early harvest agreement with Thailand in 2005, the two countries decided to cut duties on only 82 products, with a commitment that more products would be added to the list. According to trade analysts, there has been no progress since then. Currently India is negotiating FTA's with European Union, Japan, and Australia. India and Canada are expected to discuss a comprehensive economic partnership agreement when Prime Ministers of the two countries meet ahead of the G-20 meeting in Canada. (Source : Financial Express, 11 June. 2010)

RISING FOOD INFLATION A WORRY: PRANAB

Union Finance Minister Pranab Mukherjee said that food inflation will continue to rise until the middle of July, but that things will improve with the onset of monsoon. The food inflation rate has grown from 9.8 percent in March to double digits. Rising food inflation is a matter of concern for the government, and efforts are on to improve the supply through imports. (Source: Hindu 6/15/2010)

INFLATION CLIMBS TO 10.16 PC

Driven by spiraling prices of essential items, inflation surged into double digits at 10.16 percent in may, the highest in the last 19 months. Soaring inflation, according to the analysts, may prompt the Reserve Bank to tighten liquidity at its quarterly monetary policy review schedule next month. The essential items which have become expensive include pulses, vegetables and sugar. As per the provisional data the previous high of 10.72 percent was witnessed in the last week of October 2008. (Source: The Tribune June 15, 2010)

CM GROUP ASKS GOVERNMENT TO BUY LAND ABROAD TO GROW PULSES AND OILSEEDS

With the prices of pulses skyrocketing, a Working Group of State Chief Ministers has suggested that the central government should encourage Indian companies to buy land abroad to grow pulses and oilseeds to meet domestic demand. Indian companies can be encouraged to buy land in countries like Canada, Myanmar, Australia and Argentina for producing pulses under long term supply contracts to Indian canalizing agencies. The same arrangements can be made for buying land from ASEAN countries for securing oilseed supplies. Domestic production of pulses and oilseeds is short by about 25 percent and 50 percent, respectively, compared to the domestic demand, which is met through imports that costs about Rs. 300 billion ($6.7 billion) annually. (Source: Indian Express 6/15/2010)

PULSE PUSH UNLIKELY TO YIELD RESULT SOON

The government's effort to boost production of pulses are unlikely to bear fruit and the country will have to depend on imports for at least another decade. The government has made an eight fold increase in funds under various schemes for supporting pulse production in 2010/11 to Rs. 837 crore ($181.9 million). India has been importing 2-3 million tons of pulses annually to meet about one fifth of the domestic demand. The government has targets to increase pulse production by 2 million tons by 2012 by increasing yields from 0.6 tons per hectare to 0.8 tons per hectares. However, demand is also set to grow exponentially – 19.9 million tons in 2012, and 23.8 million tons by 2020. The shortfall in domestic production will have to be met by increasing imports. (Source: Economic Times 6/10/2010)

INDIAN IMPORT OF SENSITIVE ITEMS UP 40.5 % TO RS. 65, 564 CRORE

Indian imports of sensitive items grew by 40.5 per cent in 2009-10 to Rs. 65,564 crore ($14.25 billion) mainly due to a surge in the imports of edible oils, pulses, milk, food grains and rubber. Edible oil imports grew by 63.3 percent, and pulse, rubber and dairy imports increased by 59.1 per cent, 70.9 percent, and 273.9 percent respectively in the same period. The government permits duty –free import of pulses and edible oil to ensure domestic availability and to rein in price rise.

IMPORT OF VEGETABLE OILS- NOV.'09 TO MAY.'10 – DOWN BY 4 PERCENT

The Solvent Extractors' Association (SEA) of India has released data on vegetable oil imports (edible & non-edible) for the month of May 2010. Vegetable oil imports during May 2010 are reported at 558,765 tons, compared to 751,097 tons in May, 2009, (down by 26 percent). The overall import of vegetable oils during Nov.'09 to May'10 is reported at 4,849,438 tons compared to 5,043,185 tons, down by 4 percent. Current stocks in various ports of edible oils as of June 1,2010 are estimated at 550,000 tons (CPO 325,000 tons, RBD Palmolein 55,000 tons, Degummed Soybean Oil 110,000 tons and Crude Sunflower seed Oil 50,000 tons) as well as 525,000 tons in the pipeline. (Source: SEA Press Release, 06/15/10)

ROAD TO RICHES: BETTER CONNECTIVITY CHANGES RURAL LANDSCAPE

According to a recent Planning Commission report, better connectivity has pushed up agricultural incomes in rural India by 17.6% and income from non-farm activities by 12.11%. Roads helped farmers transition from traditional crops to marketable products like horticulture and off-season vegetables. The government has constructed about 18.240 kms of rural roads in 2009-10, increasing mobility in remote areas creating opportunities for trade. Wherever roads were constructed, both direct and indirect employment opportunities increased by 25.29%. In Bihar, the impact was clearly visible with employment increasing more than 70%. (Source: Economic Times June 10, 2010)

SHRIMP EXPORTERS HOPE TO GAIN FROM U.S. OIL SPILL DAMAGE

The Gulf of Mexico oil spill has created a surge of hope among Indian seafood exporters. Due to the spill, shrimp supply has weakened in the U.S. and prices have gone up by 40 per cent. According to market experts, prices may rise further and it may take months before the catch of fish and shrimp in the Gulf of Mexico reaches normal levels. The U.S. imports shrimp from Mexico, Brazil, India and South East Asian nations such as Vietnam and Taiwan. The Indian Seafood Exporters Association sees this situation as a chance for India to increase seafood exports. But the major benefit of this supply vacuum is likely to be taken by East Asian countries such as China, Taiwan and Vietnam, which have a price advantage from their production of low cost Vannamei grades. (Source: Business Standard, June 15, 2010)

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