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Report Highlights:

* Area under Bt cotton expands; NGO's decry government propaganda*, * Dairy majors want milk items kept out of trade pact with New Zealand*, * Cadbury Kraft India one of fastest growing operations for Kraft globally*, * Court stays export allocation of non-basmati rice*, * State NOD for GM crop trial hits research, says Biotech body*, * Food inflation at 29-mth low of 7.33 percent*, * Food Security Bill to be tabled in Parliament by December*, * Government to undertake studies on food grain storage, transportation*, * Food ministry against wheat export*, * Retail leaders moot segment-wise FDI*, * Soy bean acreage exceeds target*, * Deficit in rainfall rises to 4 percent, fuels kharif sowing fears*.

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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AREA UNDER BT COTTON EXPANDS; NGO'S DECRY GOVERNMENT PROPAGANDA

Government estimates 11.14 million hectare under cotton cultivation. Out of it 9.85 million hectare is estimated under Bt cotton, with Maharashtra, Gujarat and Andhra Pradesh being the top cotton producers. Even as the Government maintains that cotton production is up, several NGOs assert that yields are declining and pesticide usage has shot up with the emergence of pest resistance, and newer pests and diseases. (Source: The Hindu, 07/27/11)

DAIRY MAJORS WANT MILK ITEMS KEPT OUT OF TRADE PACT WITH NEW ZEALAND

The domestic dairy industry has opposed inclusion of milk products within the ambit of the proposed India-New Zealand Free Trade Agreement (FTA). "We want Chapter 4 (of the Customs Tariff dealing with dairy produce) to be kept out of the FTA. Any plan to grant New Zealand preferential access to the Indian dairy market in exchange for a more liberal visa and employment regime for our professionals is totally unacceptable," said Managing Director, Gujarat Cooperative Milk Marketing Federation (AMUL). (Source: Business Line, 07/27/11)

CADBURY KRAFT INDIA ONE OF FASTEST GROWING OPERATIONS FOR KRAFT GLOBALLY

Chicago-headquartered Kraft Foods, which acquired Cadbury last January for $18.9 billion, is earning a double bonanza from British chocolate maker's Indian operations. Not only is Cadbury Kraft India one of the fastest growing operations for Kraft globally, revenues spurted by 40% in January-March 2011 quarter, the domestic business is proving to be a ripe hunting ground for talent. (Source: Economic times, 07/27/11)

COURT STAYS EXPORT ALLOCATION OF NON-BASMATI RICE

The Delhi High Court has stayed the allotment of export quotas to individual firms against the recent Directorate-General of Foreign Trade (DGFT) notification detailing the norms for shipping out 1 million tons of non-basmati rice. "It is directed that no allotment of quota shall be made till the next date of hearing," a division bench of the Court said in its order on Tuesday, while issuing a show cause to the DGFT for reply by August 10. The DGFT, however, on Wednesday, went ahead with allocation of quotas to individual exporters in terms of its notification, dated July 19. "The DGFT has presumably not received a certified copy of the Court order, though the latter very clearly stays the allocation process," said an exporter, who did not succeed in getting a quota. (Source: Business Line, 07/28/11)

STATE NOD FOR GM CROP TRIAL HITS RESEARCH, SAYS BIOTECH BODY

With the Genetic Engineering Approval Committee (GEAC) making it mandatory for the agri bio-tech companies to get no-objection certificate (NOC) from the states prior to the launch of any trial of GM crops has been termed as 'regressive' by a consortium Association of Bio-tech Led Enterprises - Agriculture Group (ABLE-AG) consisting of 12 companies has also said that getting nod from the states has put back research in genetically modified (GM) crops by many years. (Source: Financial Express, 07/28/2011)

FOOD INFLATION AT 29-MTH LOW OF 7.33 PERCENT

Food inflation fell to a 29-month low of 7.33 percent for the week ended July 16 as protein-based items saw moderation in rate of price rise. However, policy makers and experts cautioned against inflationary pressures that forced Reserve Bank of India to go for aggressive measures. The decline in food inflation, compared to 7.58 percent in the previous week, was also attributed to high base effect of 18.56 percent a year ago. (Source: Business Standard, 07/29/11)

FOOD SECURITY BILL TO BE TABLED IN PARLIAMENT BY DECEMBER

The much-touted National Food Security Bill aimed at providing food grains at subsidized price to the poor may be introduced in Parliament by December this year said, K V Thomas, Union minister of state for consumer affairs and food. The empowered group of ministers had approved the draft Bill which was now before the law ministry. (Source: Financial Express, 07/29/2011)

GOVERNMENT TO UNDERTAKE STUDIES ON FOOD GRAIN STORAGE, TRANSPORTATION

The Union Government is planning to create a special purpose vehicle to undertake studies of food grain storage handling and transportation. The Planning Commission will do a comprehensive study to suggest measures to create modern food-grain storage infrastructure in the country, said Prof K.V. Thomas, Minister of State, Consumer Affairs. Delivering his inaugural address at the two-day conference on Building warehousing competitiveness, organized by the Confederation of Indian Industry (CII), the Minister said Rs 20 billion from the corpus of Rural Infrastructure Development Fund would be allocated to create warehousing facilities across States to increasing warehousing capacity in a focused manner. (Source: Business Line, 07/29/11)

FOOD MINISTRY AGAINST WHEAT EXPORT

India's food ministry will oppose a proposal to export wheat as it prefers to distribute the excess to the poor within the country, K.V. Thomas, Union minister of state (independent charge) for consumer affairs, food and public distribution, said on Thursday. (Source: Mint 07/29/2011)

RETAIL LEADERS MOOT SEGMENT-WISE FDI

Segment-wise FDI in the food and non-food segment is important for the retail sector, said Future Group CEO Kishore Biyani at a close gathering of top industry retailers, which was attended by the who's who of Indian retail. This meeting follows the government's consent to 51% foreign investment in multi-brand retail, that will open up the sector to international retail giants like Walmart, Carrefour, Tesco and others who have already inked partnerships with top domestic retailers. (Source: Financial Express, 07/29/2011)

SOY BEAN ACREAGE EXCEEDS TARGET

The Soybean Processors Association of India says that the area planted under soybean in India has exceeded a government target. Farmers have planted soybean to 9.78 million hectares, more than the target of 9.31 million hectares. "Soybean crop conditions are satisfactory," the group said. (Source: Financial Express, 07/29/2011)

DEFICIT IN RAINFALL RISES TO 4 PERCENT, FUELS KHARIF SOWING FEARS

Monsoon slipped into the worry zone with vast regions getting deficient rainfall in the week to July 27, a period which is crucial with Kharif sowing peaking in many parts of the country. About 15.50 million hectare of paddy had been sown by July 22, which is less than half the acreage last year. The deficient rainfall in the peak sowing time can affect farm performance. (Source: Economic Times, 07/29/11)

NEWS IN DETAIL:

AREA UNDER BT COTTON EXPANDS; NGOS DECRY GOVERNMENT PROPAGANDA

While the Centre on Monday said the area under Bt cotton is estimated to have expanded to 90 per cent of the total area sown under cotton in 2010-11, several non-government organisations alleged that the government had deliberately promoted the genetically-modified seed as part of a strategy.

According to the latest figures released by the Union Agriculture Ministry, of the 111.42 lakh hectare under cotton cultivation, 98.54 lakh hectare is under Bt cotton, with Maharashtra, Gujarat and Andhra Pradesh being the top cotton producers.

Even as the Government maintains that cotton production is up, several NGOs assert that yields are declining and pesticide usage has shot up with the emergence of pest resistance, and newer pests and diseases. “This is not to be welcomed because the wider the spread of Bacillus thuringiensis (Bt) gene, the faster will be the build-up of resistance in the pest (bollworm). The approach should have been to use a mix of strategy to control the pest,” said scientist and convener of Gene Campaign Suman Sahai.

Dr. Sahai said the Government had enabled a virtual monopoly for Monsanto's Bt gene. “This [monopoly] does not bode well for India to be independent in its cotton cultivation. Pushing out traditional varieties is not a good idea because they contain many more genes than only the insect-resistant one. As climate change hits us, we will be looking for many types of genes that are likely to be found in the traditional varieties.”

“It is well-known that the Government made available only Bt cotton seeds under the Prime Minister's package for farmers in the suicide-prone Vidarbha region,” said a Wardha-based NGO's chairperson Vibha Gupta, bemoaning that government depots in the region hold no cotton seeds other than Monsanto's Bt variety. “The gene pool of indigenous cotton with laboratories has drastically shrunk. Rain-fed/dry farmers are the worst hit.”

Alliance for Sustainable and Holistic Agriculture's Kavitha Kuruganti said the Central Institute for Cotton Research, Nagpur, figures showed that value of insecticide usage in cotton was Rs.597 crore in 2002, the year Bt cotton was officially approved. In 2010, it had reached Rs.880 crore, even though Bt cotton was brought in on the claim that insecticide usage would come down with the technology.

Government data shows that of the 39.32 lakh hectare under cotton in Maharashtra, 36.21 lakh hectare is under the production of genetically-modified cotton. In Andhra Pradesh, out of 17.84 lakh hectare, 17.50 hectare is under Bt cotton, while out of 26.33 lakh hectare in Gujarat, 21.33 lakh hectare is under Bt cotton. Punjab sowed 5.30 lakh hectare of cotton in 2010-11, of which 5.10 lakh hectare are under Bt cotton, while Haryana cultivated 4.92 lakh hectare, of which 4.70 lakh hectare are under Bt cotton. Though their contribution to cotton production is very low, Orissa and Uttar Pradesh do not grow Bt cotton.

DAIRY MAJORS WANT MILK ITEMS KEPT OUT OF TRADE PACT WITH NEW ZEALAND

The domestic dairy industry has opposed inclusion of milk products within the ambit of the proposed India-New Zealand Free Trade Agreement (FTA).

“We want Chapter 4 (of the Customs Tariff dealing with dairy produce) to be kept out of the FTA. Any plan to grant New Zealand preferential access to the Indian dairy market in exchange for a more liberal visa and employment regime for our professionals is totally unacceptable,” said Mr R.S. Sodhi, Managing Director, Gujarat Cooperative Milk Marketing Federation (Amul).

New Zealand's population of 43 lakh, he noted, is less than Ahmedabad's and its 12,000-odd dairy farmers are a fraction of the 15 crore small, marginal and landless milk producers in India. “It is not desirable that the Government barters the interests of millions of poor milk producers to gain visa access for a handful of professionals”, Mr Sodhi added.

New Zealand, which exports 95 per cent of its milk production, today controls over 35 per cent of the global trade in dairy products. Opening up the Indian market for Fonterra, New Zealand's dairy monopoly and the world's top exporter, is said to have figured prominently in discussions over a bilateral FTA during the Prime Minister, Mr John Key's five-day India visit late last month.

TRQ limit

Dairy imports into India are currently governed by a tariff rate quota (TRQ) mechanism. Under it, up to 30,000 tonnes of milk powder and 15,000 tonnes of butter oil/milk fat are importable at zero duty. Imports beyond these quotas attract higher basic customs duty – 60 per cent for powder and 30 per cent in the case of butter oil/milk fat.

One of the suggestions apparently being mooted now is to raise the TRQ limit by an additional 15,000 tonnes in respect of milk powder, which will make possible imports of up to 45,000 tonnes at zero duty.

Need for imports?

“It is one thing to import for meeting temporary supply shortfalls and quite another to become permanently import-dependent, which is what an FTA may result in. There is enough milk in the country. What we require is not imports, but organised efforts at procuring and marketing this milk”, noted Mr R.G. Chandramogan, Managing Director of Hatsun Agro Product Ltd, the country's largest private sector milk handler.

His counterpart at the Delhi-based Sterling Agro Industries Ltd, Mr Kuldeep Saluja, claimed there is no need to import any quantity beyond the existing TRQ levels. During 2010-11, India imported 30,000 tonnes of powder, as against which it exported 70,000 tonnes (28,000 tonnes of powder and 15,000 tonnes of casein equivalent to 42,000 tonnes of powder).

“In all, we were a net exporter to the tune of 40,000 tonnes. For this fiscal, however, the Government has banned all exports of powder and casein, which means we will be a net importer of 30,000 tonnes. The case for any additional imports arises only if exports are allowed again,” he pointed out.

According to Mr Saluja, the landed price of imported skimmed milk powder from New Zealand would currently be around $ 3400 a tonne or Rs 151 a kg. After adding port handling and other charges, it would cost Rs 165, which is below the Rs 180 price for domestically manufactured powder.

The same is the case in butter oil, where the imported material would cost $ 4700 a tonne or Rs 255 a kg after adding all expenses. This is as compared with the ruling Rs 265-plus price of ghee here.

CADBURY KRAFT INDIA ONE OF FASTEST GROWING OPERATIONS FOR KRAFT GLOBALLY

Chicago-headquartered Kraft Foods, which acquired Cadbury last January for $18.9 billion, is earning a double bonanza from British chocolate maker's Indian operations.

Not only is Cadbury Kraft India one of the fastest growing operations for Kraft globally, revenues spurted by 40% in January-March 2011 quarter, the domestic business is proving to be a ripe hunting ground for talent.
Within a year-and-a-half of acquiring Cadbury, the $50 billion Kraft has picked up 21 managers for global and regional roles from the Indian affiliate.

COURT STAYS EXPORT ALLOCATION OF NON-BASMATI RICE

The Delhi High Court has stayed the allotment of export quotas to individual firms against the recent Directorate-General of Foreign Trade (DGFT) notification detailing the norms for shipping out 10 lakh tonnes (lt) of non-basmati rice.

“It is directed that no allotment of quota shall be made till the next date of hearing,” a division bench of the Court said in its order on Tuesday, while issuing a show cause to the DGFT for reply by August 10.

The DGFT, however, on Wednesday, went ahead with allocation of quotas to individual exporters in terms of its notification, dated July 19. The total 10 lt exportable quantity has been divided among 82 firms. The allotments, against applications invited through e-mail on July 21 and 22, were made on a first-come-first-serve basis and subject to a maximum individual quota of 12,500 tonnes.

“The DGFT has presumably not received a certified copy of the Court order, though the latter very clearly stays the allocation process,” said an exporter, who did not succeed in getting a quota.

SIMILAR SOUNDING NAMES

The list of 82 successful allottees include Adani Wilmar, State Trading Corporation of India and Marubeni India Pvt. Ltd, besides a host of firms with similar sounding names: LMJ Overseas Ltd, LMJ Commercials Pvt Ltd, LMJ Logistics Ltd, LMJ Construction Pvt Ltd and LMJ Services Ltd; LGW Ltd and LGW Industries; and ETC Commodities (India) Pvt Ltd and ETC Agro Processing (India) Pvt Ltd. All of them have bagged export quotas of 12,500 tonnes each.

The DGFT notification seeking inviting applications for export quotas had led to an estimated 1,000 intents being received within five minutes of the window opening at 1000 hours on July 21. On the whole, some 7,500 applications were received by the time DGFT closed its window the following day at 1700 hours.

The process of e-mail applications and selection of allottees on a first-cum-first-serve basis came under criticism from many exporters, especially the unsuccessful ones. The All-India Rice Exporters' Association claimed that it was prone to faulty quota allocation since the generation, transmission and receipt of applications was dependent upon server speeds and internet connection efficiencies, “which are beyond the control of the general applicant”.

According to Mr Tejinder Narang, a grain trade analyst, the major flaw in the DGFT's quota allocation process was the absence of upfront financial commitments.

“The notification gives a successful allottee three weeks to submit a bank guarantee for 10 per cent of the value of exports, whereas this should have been made a condition precedent to the allocation itself. It would have ensured participation from only genuine exporters, while keeping out non-serious players out to only sell their quotas at a premium,” he said.

In fact, the 82 successful allottees include even firms in the business of aluminium, antique arts and carpets.

STATE NOD FOR GM CROP TRIAL HITS RESEARCH, SAYS BIOTECH BODY

With the Genetic Engineering Approval Committee (GEAC) making it mandatory for the agri bio-tech companies to get no-objection certificate (NOC) from the states prior to the launch of any trial of GM crops has been termed as ‘regressive’ by a consortium Association of Bio-tech Led Enterprises - Agriculture Group (ABLE-AG) consisting of 12 companies has also said that getting nod from the states has put back research in genetically modified (GM) crops by many years.

“There is no way we can conduct any field trial this kharif season and because of ambiguity on the part of the government on GM crops, the research has come to a standstill for the last 13 months,” VR Kaundinya, Chairman, ABLE-AG said.

The government has put an indefinite moratorium on the commercial introduction BT brinjal.
However, Kaundinya said that the association has approached many state governments regarding trial of GM crops. “Andhra Pradesh has agreed to discuss the issue of field trial of GM crops with us besides Punjab and Haryana and other states,” he noted.
M Vinod Kumar, Manager, Regulatory Affairs with syngenta said there is no provision on the environmental laws which allows states governments to issue NOC for trial of GM crops.

Karnataka agriculture minister Umesh Katti recently stated that the government would not allow further trials of GM crops in the state after the allegation that Bt maize and Bt paddy trials was being conducted in Bijapur and Koppal.
Chief Secretary S V Ranganath cancelled a meeting he had convened on July 20 at Vidhana Soudha to discuss requests from University of Agricultural Sciences, Raichur, ABLE-AG and other agencies seeking NOC from the state government for

undertaking trial and research on biosafety evaluation of GM crops.

Former union environment and forests minister Jairam Ramesh in March had asked the GEAC to immediately withdraw its permission to Monsanto for field trials of Bt maize in Bihar. Ramesh's move came after Bihar Chief Minister Nitish Kumar told him that he was opposed to field trials of Bt maize.Jairam had asked the GEAC to give state government at least one month to agree or disagree on field trials for GM crops, given the fact that agriculture is a State subject. "In fact, ideally, prior approval of the State concerned should be taken before allowing such trials,"he had stated.

Bt brinjal was the first and maize is the second food crop for which the GEAC had given permission for field trials. As many as eight GM crops (maize, rice, vegetables etc) are under trials.

FOOD INFLATION AT 29-MTH LOW OF 7.33%

Food inflation fell to a 29-month low of 7.33 per cent for the week ended July 16 as protein-based items saw moderation in rate of price rise. However, policy makers and experts cautioned against inflationary pressures that forced RBI to go for aggressive measures.

The decline in food inflation, compared to 7.58 per cent in the previous week, was also attributed to high base effect of 18.56 per cent a year ago.

Inflation fell to its lowest since February 28, 2009, when it stood at 6.71 per cent. This could be credited to the fall in inflation in fruits and protein-based items like egg, meat & fish and milk.

However, inflation in vegetables has been on the rise, leaping to 10.55 per cent compared to 4.31 per cent for the week ended July 9.

This rising trend can be tracked from June 18 when vegetable inflation was at (-) 10.08 per cent.

Among vegetables, potato saw a jump in inflation to 10.55 per cent from 4.20 per cent.

This effect was not visible in the overall food inflation due to low weights of these items in the overall food index.
Fuel and power inflation remained steady at 12.12 per cent. However, Finance Minister Pranab Mukherjee cautioned against reading too much into fall in food inflation. "These weekly figures fluctuate mainly on the base (effect).

Therefore, they do not show any definitive trend... there is still inflationary pressure (in the economy),&" he said.
Siddharth Shankar, director in financial services firm KASSA, also did not seem impressed by the falling numbers. "The food inflation number falling is due to base effect but if we compare this week with previous week, on a sequential basis, it has gone up.&"

Despite falling food inflation, experts said overall rate of price rise may not see any dampening effect as non-food items are witnessing price pressures. Overall food inflation stood at 9.44 per cent in June.

To tame high inflation, the RBI had created a stir in industry sentiment on Tuesday by increasing repo (short-term lending) rate by 50 basis points. In its monetary review, the apex bank had pointed to risks on the food inflation front "stemming from the monsoon performance, higher minimum support prices and inadequate supply response pertaining to protein-rich items".

FOOD SECURITY BILL TO BE TABLED IN PARLIAMENT BY DECEMBER

The much-touted National Food Security Bill aimed at providing foodgrains at subsidised price to the poor may be be introduced in Parliament by December this year said, K V Thomas, Union minister of state for consumer affairs and food. The empowered group of ministers had approved the draft Bill which was now before the law ministry.
"Once that is done, it has to go to the Cabinet. We will also discuss with the chief ministers, because they are the implementing agencies". Speaking to reporters on the sidelines of a CII seminar he said, "What I propose is to introduce the Bill by this December so that it can be implemented from next year".

With the modernisation of the food storage centres by state governments the Centre is also looking to increasing the country's annual production of foodgrains from the present 55 million tonne to 60 million tonne.Besides, the ministry was also aiming to increasing the food subsidy from the present R60,000 crore to R1 lakh crore, he said.
Earlier delivering a speech at the CII-Institute of Logistics seminar on building warehousing competitiveness-the key to logistics success, he said with a view to providing a much-needed facelift to the warehouses, a slew of diversification of services have been kickstarted on a wide scale aimed at improving the agro-supply chain.

The vendor managed inventory (VNI) enabling large and small foothold of distribution centres and newer techniques of building warehouses such as huge distribution centres of over 2 laks sq-ft at optimum cost, were the key projects towards achieving optimisation at the storage places. The government was also into introduction of warehouse management system (WMS) and bar-coding via radio frequency.

"The new generation warehouse is key to getting the right product to the right place at the right time at the right cost", Thomas said adding, "introduction of automated storage and retrieval system have dramatically enhanced productivity and reduced manual workforce".

He said the Union government has plans to create a special purpose vehicle (SPV) to undertake studies on foodgrain storage handling and transportation. Besides, the Planning Commission is also doing a comprehensive study to suggest measures for creation of modern foodgrain storage infrastructure in the country. Over 40% of the agri-warehouses are organised with players such as Food Corporation of India, Central Warehousing Corporation and State Warehousing Corporation, unlike the highly fragmented industrial warehousing sector.

Through public private partnership, 16.6 million tonne of storage capacity is being created by Food Corporation of India (FCI), under the Public Enterprises Guarantee Scheme in 19 states. "The total storage capacity available with FCI is 3.3 million tonnes, CWC 1 million tonne and SWC's 2.2 million tonne", he said. Currently,the gap in the warehousing is estimated at 32 million tonne and the present capacity is of order of 6.2 million tonne. With a view to developing the warehousing sector, the Centre had introduced a negotiable warehouse receipt system in the country.
"The biggest challenge is modernisation of infrastructure and delivering the most efficient service in terms of time vis-a-vis what the private sector is doing. PPP is the key today. The efficiency of the private sector and the fundamentals of the public sector can be combined and the risks can be shared", Thomas said. The logistic market is valued at R 5.6 trillion in 2010 and would be reaching R17 trillion by 2015.

GOVERNMENT TO UNDETAKE STUDIES ON FOOD GRAIN STORAGE, TRANSPORTATION

The Union Government is planning to create a special purpose vehicle to undertake studies of food grain storage handling and transportation.

The Planning Commission will do a comprehensive study to suggest measures to create modern food-grain storage infrastructure in the country, said Prof K.V. Thomas, Minister of State, Consumer Affairs, Food and Public Distribution.

Funds for warehousing

Delivering his inaugural address at the two-day conference on Building warehousing competitiveness, organised here by the Confederation of Indian Industry, the Minister said Rs 2,000 crore from the corpus of Rural Infrastructure Development Fund would be allocated to create warehousing facilities across States to increasing warehousing capacity in a focussed manner.

To lure investment

Stressing on the need to encourage more investment in the warehousing sector, Prof Thomas said the biggest challenge is modernisation of infrastructure and delivering the most efficient service in terms of time, and "public-private partnership is the key for that". The efficiency of the private sector and the fundamentals of the public sector can be combined and the risk is shared, he said.

According to Mr R. Dinesh, Event Chairman and Joint Managing Director of TVS & Sons Ltd, warehousing accounts for about 20 per cent of the domestic logistics market and is expected to grow at a rate of 35-40 per cent annually, displaying high potential for growth over the next few years.

“It is imperative for the warehousing sector to not only modernise but also adopt best practices to achieve a world-class infrastructure platform,” he said.

In his address, Mr Dilraj Singh Gandhi, Principal Consultant, PricewaterhouseCoopers, said from a mere combination of transportation and storage services logistics is fast emerging as a strategic function that involves end-to-end solutions that improve efficiencies.

Global initiatives

Talking about the Global initiatives for efficient logistics, Mr Mark Drabenstott, Secretary General, Global Coalition for Efficient Logistics, said GCEL is conducting a rigorous shipment efficiency assessment in many nations across the globe.

The survey is designed to span the entire shipment flow, thus yielding an in-depth understanding of the strengths and bottlenecks in a particular country's logistics pipelines.

As a result, the findings provide a useful road map to overcome the weaknesses, reduce time and costs, expand trade and ultimately fuel sustained economic growth, he said.

FOOD MINISTRY AGAINST WHEAT EXPORTS

India’s food ministry will oppose a proposal to export wheat as it prefers to distribute the excess to the poor within the country, K.V. Thomas, Union minister of state (independent charge) for consumer affairs, food and public distribution, said on Thursday.

“We want the wheat produced by our farmers to be distributed here first,” Thomas said, quashing expectations that wheat exports could be allowed soon.

Thomas said that the empowered group of ministers, which met earlier this month, has deferred a decision on lifting the ban on wheat exports.

Some reports had said the Congress-led United Progressive Alliance (UPA) has agreed in principle to allow wheat exports to reduce stocks.

“The government is distributing 5 million tonnes (mt) wheat to below poverty line (BPL) families, 5 mt to above poverty line (APL) families and another 5mt to the 150 poorest districts from the stocks,” the minister said. “We are also supplying extra wheat under the open market schemes to the states at the minimum support price (MSP) rates.”
Some officials in the government had said that the government could offer a subsidy to wheat exporters. But a senior official said it could only be a small one, and, therefore, wheat exports were not feasible given the current price differential between Indian and overseas wheat.

Instead, the government might consider allowing another 1 mt of rice to be exported as demand is strong in the international market at current prices, the same official said.

India’s domestic wheat prices are higher than international rates by around $100 (Rs. 4,410) per tonne and exports can be possible only with the help of subsidies to the same extent, traders said.

Wheat is currently trading at around $244 per tonne in the Black Sea region, while Food Corporation of India (FCI) wheat at economic cost is at $359 per tonne, showing a gap of more than $100.

Economic cost is the price of the foodgrain plus transport, pilferage, storage and other charges built over the years. The current spot price of wheat and rice are slightly lower than FCI's economic cost.

"I don't think there is a possibility of wheat exports at the current rates. Black Sea region has come out with huge stocks as Russia and Ukraine have opened up wheat exports, so prices have fallen," said Amit Takkar, president of Emmsons International Ltd, a commodity trading firm.

"The situation for wheat exports will be bleak even if a subsidy is given, as the news of the subsidy will make the foreign market lessen prices further," said Mohammad Suhail of Al- Khair Exports.

FCI has rice and wheat stocks of 45.9 mt, as against a buffer norm plus strategic reserve requirement of 25 mt, its website shows. The surplus is the result of last three years' build-up, owing to the government's policy of conserving physical stocks.

A large amount of the stock lies in the open and with the rabi harvest of rice due in three months, the need to reduce old stocks is urgent. Yet, effective steps such as timely exports and buying of grain futures is still not seen as a priority in the government.

Traders said distributing the grain to the poor would come with its own challenges given the problems faced by the public distribution system.

The government allowed export of 1 mt of non-basmati rice on 11 July. Traders said rice exports had better prospects as Indian prices were lower than international rates. However, an official in the government said earlier this week that the Delhi high court had stayed quotas allocated to rice exporters by the Directorate General of Foreign Trade. Thai rice is around $555 per tonne, higher than the FCI economic cost of $477-489 per tonne.

Traders said wheat exports may also be difficult as India is returning to the foreign market after a gap of four years, while rice traders already have relationships with basmati buyers who are also interested in buying non-basmati varieties.

They said demand for Indian rice is good in the Middle East, South Africa and South Asia which is why many traders were keen to export.

"Those who have been exporting basmati rice have been getting lots of inquiries," said Ashok Aggarwal of the Rice Millers' Association.

Meanwhile, rice exporters are displeased with the government's minimum export price (MEP) of $400 per tonne, which they say will push overseas clients to lower their bids to those levels.

"When others are selling at over $500 internationally, how come we are offering our rice at $400?" said Vijay Setia, president of the All India Rice Exporters' Association, which has asked the government to revise the MEP. "It has given the world the impression that Indian rice is cheaper than $400.

RETAIL LEADERS MOOT SEGMENT-WISE FDI

Segment-wise FDI in the food and non-food segment is important for the retail sector, said Future Group CEO Kishore Biyani at a close gathering of top industry retailers, which was attended by the who's who of Indian retail.
Biyani said, "FDI should be looked at differently for food and non-food sectors, where the social and political implications are relatively insignificant. If some sections want to restrict the inflow of foreign retail, they should not restrict the availability of foreign funds, both equity and debt."

This meeting follows the government's consent to 51% foreign investment in multi-brand retail, that will open up the sector to international retail giants like Walmart, Carrefour, Tesco and others who have already inked partnerships with top domestic retailers.

The retail sector's need for an industry status was also stressed upon at the event, attended by Ajit Joshi, CEO of Infiniti Retail, Bijou Kurien, president & CEO, Reliance Retail—Lifestyle, Gaurav Mahajan, COO of Westside, Thomas Verghese, CEO of Aditya Birla Retail, among others.

Biyani said, "The retail real estate scenario is likely to worsen over the next 2-3 years, with declining returns and short-term focus of developers."

The panel agreed that it was difficult managing the retail business in the absence of an industry status due to conflicting rules and lack of information. They hoped that the introduction of GST would help the industry to serve better. Retail industry leaders further pointed out that the most significant challenge was the dearth of good quality retail space.

SOYBEAN ACREAGE EXCEEDS TARGET

The area planted under soybean in India has exceeded a government target, the Soybean Processors Association of India said on Thursday. Farmers have planted soybean to 9.78 million hectares, more than the target of 9.31 million hectares, it said. "Soybean crop conditions are satisfactory," the group said.

DEFICIT IN RAINFALL RISES TO 4 PERCENT, FUELS KHARIF SOWING FEARS

Monsoon slipped into the worry zone with vast regions getting deficient rainfall in the week to July 27, a period which is crucial with Kharif sowing peaking in many parts of the country.

The drop in the rainfall during the week widened the deficit for the entire monsoon season (June-September) to 4% below normal, from 1% below normal at the beginning of the week.

About 155 lakh hectare of paddy had been sown by July 22, which is less than half the acreage last year. The deficient rainfall in the peak sowing time can affect farm performance.

Almost the entire Indo-Gangetic belt, comprising the agriculturally important Bihar, Uttar Pradesh, Punjab and Haryana, received deficient (-20% to -50%) or scanty (-60% to -99%) rainfall during the week.

Most of the southern peninsula, including states such as Maharashtra, Kerela, and parts of Madhya Pradesh and Andhra Pradesh, also received deficient rainfall.

Experts are divided on the impact of deficient rains during half of July.

"The effect of deficient rains in places like Punjab, Haryana and Western UP will have little impact on output as they are heavily irrigated," said Y K Alagh, Former Minister of Science and Technology-Met Department.

"Also, if rains have been normal or better so far, a week of deficient rainfall will have limited impact," he added.

From June 1 to July 20, 22 of the 36 subdivisions received normal (+19% to -19%) rainfall, and only 6 witnessed deficiency.

Sunil Sinha, senior economist with the ratings agency CRISIL, is not so dismissive.

"Although comparisons with last years bumper crop may be misleading, any deficiency in rainfall will certainly have an adverse impact on agricultural output," said Sinha, adding "output will be impacted specially if areas like non-coastal parts of Maharashtra and Andhra Pradesh with poor irrigation are hit."

The area sown this year has also fallen for most crops compared to last year. As on July 22, pulses and coarse cereals have fallen from 57 ha and 141ha to 44ha and 125 ha, respectively.

The government is optimistic about the agricultural outlook for this year, after a record harvest in the current season.

"Krishi Bhawan is still very optimistic about getting a record paddy crop, reasonable output for pulses and soya," said Alagh.

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