

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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: 2/4/2011

GAIN Report Number: IN1110

India

Post: New Delhi

Weekly Highlight and Hot Bites No. 5

Report Categories:

Agriculture in the News

Approved By:

Thom Wright

Prepared By:

Santosh Singh, Ritambhara Singh

Report Highlights:

Government must heed RBI's warning on inflation, *Food inflation spurts again, crosses 17 percent*, *Government revises 2009/10 economy growth to 8 percent*, *Corn output may reach record on higher area*, *Cotton export quota allocation leads to chaos*, *Ethiopia invites Indians for pulse farming*, *India's Agriculture Minister sees no need for FDI in Indian agriculture*, *India flashes wait sign for Wal-Mart, TESCO*, *India's Minister for Micro, Small and Medium Enterprises promises infrastructure support to leather industry*.

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.

GOVERNMENT MUST HEED RBI'S WARNING ON INFLATION

The Reserve Bank of India (RBI) Governor warned that inflation was here to stay due to a variety of factors, both domestic and global. The RBI's objective is to curb inflation which is spilling over from food to manufacturing, but the monetary tools for controlling inflation are limited when it is caused mainly due to high food prices – particularly for perishable items of daily consumption like fruits, vegetables, milk, egg and fish. The RBI chief stressed the need for actions to increase the output of these products whose demand is rising due to changing consumption patterns, reflecting increasing incomes. Food imports are not an easy option given that global food prices have risen by 25 percent in December according to FAO. (Source: [Deccan Chronicle](#), 01/27/2011)

FOOD INFLATION SPURTS AGAIN, CROSSES 17 PERCENT

Food inflation shot up again in late January due to high onions and vegetable prices, putting more pressure on the UPA government. The latest data released by the government shows food price inflation rising to 17.05 percent in the week ending January 22 compared to the previous week's 15.57 percent. Economists said that the latest spurt in food inflation was surprising as vegetable and onion prices had shown signs of moderating since mid-December when food inflation had shot up to 18.32 percent. Finance Minister Pranab Mukherjee said that efforts were being made both from the demand and supply side to moderate price pressure. (Source: [Times of India](#), 02/04/2011)

GOVERNMENT REVISES 2009/10 ECONOMIC GROWTH TO 8 PERCENT

The latest official estimates reveal that the Indian economy grew at 8 percent during the Indian fiscal year 2009/10 (April/March), higher than the earlier estimate of 7.4 percent, largely due to stronger performance in the manufacturing and service sectors. Per capita incomes also increased by 14.5 percent to Rs. 46,492 in 2009/10 compared to Rs. 40,605 a year ago. (Source: [Hindustan Times](#), 02/01/2011)

CORN OUTPUT MAY REACH RECORD ON HIGHER AREA

The President of the Indian Maize development Association, Dr. Sain Dass said that corn output in 2010/11 may exceed 20 million ton from 16.7 million ton a year ago, and higher than the previous record of 19.7 million tons in 2008/09. The production increase is due to increased area under corn in response to rising corn prices, as well as corn's lower water requirements relative to rice. Farmers in south India are increasingly shifting from winter sown rice to corn due to water problems. India's corn exports may reach 3.0 million tons this season, which may drive global

corn prices lower. India exports corn mostly to animal feed makers in Malaysia, Indonesia, Vietnam and Thailand. Dr. Dass believes that corn production in India will double to 40 million tons in next 8 to 10 years as area under high-yielding varieties of corn increases. (Source: [Financial Express](#), 02/03/2011)

COTTON EXPORT QUOTA ALLOCATION LEADS TO CHAOS

India's cotton exports have gotten into a mess, risking their image as a reliable supplier to the global market due to the manner in which the export quotas have been administered. Due to objections from a section of the industry against the way export quotas were handled by the Textile Commissioner's Office, the government transferred the responsibility of quota allocation to the Directorate General of Foreign Trade. However, DGFT's procedure for handling export quotas has taken more criticism as their system has led to price escalations following a mad scramble for export quota. Against the meager export quota of 1.9 million bales, DGFT has received as many as 928 applications for a quantity of 300 million bales, of which about 700 applicants had applied for less than 500 bales quota. A substantial portion of the applicants were speculative in nature leading to a flourishing trade in export quotas to reap profits. (Source: [Hindu Business Line](#), 01/29/2011)

ETHIOPIA INVITES INDIANS FOR PULSE FARMING

After Latin American countries like Argentina and Uruguay, Ethiopia has also invited Indian farmers for taking up commercial farming of pulses in African nation. Ethiopian minister of Agriculture Tafera Derbew said that Indian farmers can avail the opportunity of vast farming land set aside by African country for commercial farming and grow pulses and edible oil crops for export back to India. The Indian Minister of Food and Public Distribution, K.V.Thomas, has requested the Ethiopian Minister to set up a single window system for various clearances to Indian entrepreneurs for taking up commercial farming in the African country. If this deal materializes it would help India to a large extent, as close to 50% of edible oil consumption and about 15% pulses consumption in the country are imported. India is the world's largest producer, consumer and importer of pulses. It imports about 1.5 – 2 million ton of pulses mainly pigeon pea and black gram from countries including Myanmar, Kenya, Tanzania, Mozambique.

India is the largest foreign investor in Ethiopia with approved investment of \$ 4.4 billion, out of which 40% investment is in the field of commercial agriculture. Ethiopia will also hold Indian Africa Forum Summit in May 2011 to strengthen bilateral cooperation. (Source: [The financial express](#), 02/04/2011)

INDIA'S AGRICULTURE MINISTER SEES NO NEED FOR FDI IN INDIAN AGRICULTURE

India's Agriculture Minister, Sharad Pawar said that there is no need to encourage Foreign Direct Investment (FDI) in the farm sector as large numbers of farm holdings in India are small in size. "FDI In agriculture is not required. We have about 82-86 per cent farmers whose holding is below two hectares," Mr. Pawar said after the annual general meeting of Indian Council of Agricultural Research on February 3, 2011. However, Mr. Pawar welcomed FDI in the food-processing sector, which has come under his charge recently. "We will welcome FDI in cold chains and agro processing units but not in farming", he said. (Source: [The Hindu](#), 02/03/2011)

INDIA FLASHES WAIT SIGN FOR WAL-MART, TESCO

India's Commerce and Industry Minister Anand Sharma has asked global retail chains not to rush the government into allowing foreign direct investment (FDI) in multi-brand retail. The minister, who met the global CEOs of retailers such as Wal-Mart, Tesco and Carrefour on the sidelines of the World Economic Forum meeting in Davos, said the government would take a decision in due course. In the meantime, the retail chains should invest in back-end infrastructure, he said. Pointing out that he could not set any timeline for a decision on allowing FDI in multi-brand retail, Sharma said such decisions took time in a democracy as the government had to take everyone on board. In July last year, the government had floated a discussion paper on liberalizing the politically-sensitive multi-brand retail. The sector, employing over 33 million people, is dominated by mom-and-pop stores. The Indian government allows 100 per cent FDI in single-brand retail and 51 per cent in cash-and-carry stores. (Source: [Business Standard](#), 01/30/2011)

INDIA'S MINISTER FOR MICRO, SMALL AND MEDIUM ENTERPRISES PROMISES INFRASTRUCTURE SUPPORT TO LEATHER INDUSTRY

India's Minister for Micro, Small and Medium Enterprises (MSMEs), Mr. Virbhadra Singh assured the leather industry of centre's support in infrastructure and technology development. Delivering the inaugural address at the India International Leather Fair (IILF), Mr. Singh said that MSMEs are the drivers of the economy accounting for 60 per cent of the jobs generated and 40 per cent of exports.

Nearly 70 per cent of the \$3.4-billion leather industry is in the small scale sector. Mr. Salman Khurshid, the Minister for Water Resources and Minority Affairs, lauded the leather industry's support in generating jobs for women and minority sections. It illustrates the inclusive growth that is needed for a sustainable economy. IILF, the annual flagship event of the leather industry is the largest fair in Asia with participants from 19 countries and the domestic industry showcasing leather products, equipment and services. (Source: [The Hindu Business Line](#), 02/01/2011)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN1108	Weekly Hot Bites, #3	01/21/2011

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