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GAIN Report

Global Agricultural Information Network

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Report Highlights:

Declining yields fuel food inflation, *Ministry gears up for food bill*, *Selective rice exports allowed subject to floor price of \$850/ton*, *India set for record wheat, pulses and maize output*, *The Supreme Court asked the Government to remove food, soft drink co agents from scientific panels*, *India's GDP set to grow 8.6 percent in 2010-11*, *Perishable goods cost retail sector USD 110 million a year*, *Metro to open 50 wholesale stores in next five years in India*, *Brace up for reduction in sops, Pranab tells exporters*.

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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DECLINING YIELDS FUEL FOOD INFLATION

The recent spike in food inflation caused by runaway vegetable prices has been spurred by stagnating or declining yield of key fruits and vegetables. The latest figures published by the ministry of agriculture indicates that the per hectare yields of key vegetables like potato and onions have been steadily declining over a period of time. Yields of key fruits like mango, grapes and apples have also declined. Experts say that the declining yields would put upward pressure on prices of these perishable commodities. (Source: [Financial Express](#), 02/09/2011)

MINISTRY GEARS UP FOR FOOD BILL

Even as the government continues to grapple over the proposed National Food Security Bill, the ministry of food has started working on modalities for augmenting procurement and storage capacities after the proposed bill is enacted. The key challenge is to enhance storage capacities from the current level of 43 million tons to 60 million tons. The Food Minister said that the National Advisory Council (NAC) and the government are still working on the proposed bill, and his ministry has to ensure that all infrastructure and required food grains are available for successful implementation of the bill. The state governments have been asked to address the core issue of plugging the loopholes of the public distribution system. (Source: [Financial Express](#), 02/08/2011)

SELECTIVE RICE EXPORTS ALLOWED SUBJECT TO FLOOR PRICE OF \$ 850/TON

The Empowered Group of Ministers on food allowed exports of 3 premium non-basmati rice varieties grown in south India subject to an export quota of 150,000 metric tons and the minimum export price of \$850/ton. The decision has been welcomed by the domestic rice industry. However, a section of the industry is not happy with non-inclusion of other premium non-basmati varieties, who allege that the decision is political as the varieties approved for exports are grown in the states of Kerala and Tamil Nadu where elections are to be held mid-year. (Source: [Economic Times](#), 02/10/2011)

INDIA SET FOR RECORD WHEAT, PULSES & MAIZE OUTPUT

According to the second advance estimates of the Ministry of Agriculture, India is likely to produce 232.07 million tons of food grains in Indian crop year (June/May), an increase of 6.4 percent over

drought-hit 2009/10. Wheat production is forecast to reach a record 81.47 million tons, pulses will increase to a record 16.51 million tons, and maize production is estimated at a record 20.3 million tons. Cotton will also see a record output of 33.9 million bales, although this is partly due to a change in the estimation method. Traditionally ministry of agriculture estimates were below the Cotton Advisory Board (CAB) estimates but the revised methodology has raised the ministry of agriculture's estimate higher than the CAB's 2010/11 production estimate of 32.9 million bales. Agriculture Minister Sharad Pawar said that the agricultural growth for the current year is estimated at 5.4 percent despite significant crop damage due to drought in east India which had a significant impact on paddy production. He expects that the higher production will help ease food prices in the next few months. ([Hindu Business Line](#), 02/10/2011)

THE SUPREME COURT ASKED THE GOVERNMENT TO REMOVE FOOD, SOFT DRINK CO AGENTS FROM SCIENTIFIC PANELS

The Supreme Court asked the Government of India to remove persons linked to food and soft drink companies from the statutory panels tasked to enforce safety and standards on edible items, including products of these firms. A Bench of Justices felt that company representatives on scientific panels was a clear breach of the mandate under Section 13(1) of the Food Safety and Standards Act, 2006. It asked the Food Safety and Standards Authority of India (FSSAI) to rectify the mistake and re-constitute the panels with independent scientific experts within two weeks and report back to the court. The FSSAI had set up eight panels for laying down science based standards for articles of food and to regulate their manufacture, storage, distribution, sale and import, and to ensure availability of safe and wholesome food for human consumption.

A petition by Non Government Organization called 'Centre for Public Interest Litigation' through counsel Prashant Bhushan had alleged glaring conflict of interest as the panels included employees/officials of food item manufacturers like Coca Cola, Pepsi Co, Hindustan Unilever, Marico, Britannia, ITC, Nestle India, Hind Agro Industries, GSK Consumer Healthcare and Food Safety Solutions and International. (Source: [The Times of India](#), 02/09/2011)

INDIA'S GDP SET TO GROW 8.6 PERCENT IN 2010-11

The government of India has tweaked up the economic growth rate for the current fiscal year (April 2010-March 2011), sending a mild note of cheer to an economy worried by prospects of a slowdown. India's gross domestic product (GDP) would grow by 8.6% in 2010-11, marginally above its original 8.5% estimate, buoyed by a strong rebound in the farm sector, the government said. But rising prices and volatility in foreign institutional investment (FII) remain key worries.

India's GDP grew 8.9% during the first six months of this fiscal year, making it the second fastest growing economy in the world, next only to China's estimated 9 % growth in 2010. According to the data released, agriculture and allied activities are projected to grow by 5.4 % this fiscal, as against 0.4 per cent a year ago making a huge stride. (Source: [The Hindustan Times](#), and [The Hindu](#), 02/08/2011)

PERISHABLE GOODS COST RETAIL SECTOR USD 110 MILLION A YEAR

In India the size of the perishable segment is estimated at \$3 million in the \$28 billion organized retail industry. Due to the shrinkages and wastages, the perishable products category, which includes fruits,

vegetables, fish, meat and poultry, accounts for an annual loss of Rs 500 crore (USD 110 Million). Wastage is acute at the farm level, prompting top retailers to demand that the government do away with farm-gate licenses, so that retailers can buy directly from farmers, making the supply chain more efficient. At the farm level, wastage is about 15% of the total produce, and at the transportation level, about 25%. Supply chain inefficiencies lead to more wastage and pose hurdles in the path of profitability, according to the retailers active in market improved transportation, refrigerated vans and pre-cooling chambers can bring down the wastage by about 40%. (Source: [Financial Express](#), 02/07/2011)

METRO TO OPEN 50 WHOLESALE STORES IN NEXT FIVE YEARS IN INDIA

During his first visit to India, Eckhard Cordes, CEO of Metro AG said that the company plans to open as many as 50 wholesale stores in the next five years in India. India, along with China and Russia, will be one of the top three markets for the German retailer in the coming years. Metro has six wholesale stores in India since it became the first overseas retailer to open such a store in 2003. The world's biggest retailer, Wal-Mart, has already opened five wholesale stores in India and, plans to open as many as 12 wholesale stores in the country in 2011. India has potential for a large number of wholesale stores, also known as cash-and-carry stores, as the country has an estimated 12 million mom-and-pop outlets that the modern wholesalers can cater to. Wholesale stores in India can sell their goods only to retailers and other establishments such as hotels and restaurants. (Source: [Livemint](#), 02/10/2011)

BRACE UP FOR REDUCTION IN SOPS, PRANAB TELLS EXPORTERS

Unveiling the report of the task force on reducing transaction costs for exporters, Union Finance Minister asked exporters to 'fight their own battle' and stop asking for sops and incentives from the government while becoming more innovate and productive. Overseas shipments have already reached \$164.70 billion during April-December 2010-11 and according to Commerce Ministry's assessment they may touch \$215-220 billion. Referring to the high transaction cost for exports, estimated at 7-10 percent of the cargo value, the government was committed to help reduce the same. With exports entering the negative zone in October 2008 due to the economic slowdown, the government had given several fiscal sops such as a 2 percent interest subsidy and incentives for exporting products to select markets. With the implementation of new measures and further issues pertaining to filing of a single running bond for all custom locations and refund of service tax in the form of All Industry Service Tax rate, which are likely to be implemented in the near future, the transaction cost will be mitigated by around Rs 21 billion. (Source: [Hindu](#), 02/09/2011)

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