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Global Agricultural Information Network

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Report Highlights:

Wheat exports ban unlikely to go, *Food for thought: Rs.1.1 trillion subsidy*, *Inflation will be down to 7 percent by fiscal-end, says Prime Minister*, *Jan inflation eases to 8.23 percent on cheaper pulses, sugar*, *Poultry products get cheaper*, *Food Ministry to seek nod for sugar export*, *Rise in fertilizer subsidy payout expected this fiscal*, *U.S. imports challenge biodiesel industry*, *Government mulls raising livestock yield by allotting larger area for fodder crop*, *Fresh US \$ 110 million sops for exporters of struggling sector*, *Japan, India sign free Trade Pact: will scrap tariffs on 94% of goods*, *Ban on onion exports lifted*.

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.

WHEAT EXPORTS BAN UNLIKELY TO GO

India, which is heading towards a record wheat output this year, is unlikely to lift its export ban on grains (wheat, rice and pulses) on fears of tightening global supply owing to concerns on Chinese wheat crop. Although the situation provides a window of opportunity to India, which has suspended wheat exports since 2007, domestic industry experts and analysts feel that the government will not allow exports until the entire crop is harvested and marketed in June 2011. While the commerce ministry is pushing for exports of wheat, the agriculture ministry is against such a move as they do not want to risk a move when crop is at the growing stage. There are also concerns that with global wheat prices very firm, domestic prices could flare up if exports happen. (Source: [Financial Express](#), 02/15/2011)

FOOD FOR THOUGHT: RS. 1.1 TRILLION SUBSIDY

The Ministry of Food has estimated that the total food subsidy bill will balloon to Rs. 1.1 trillion (\$24.6 billion) if the National Advisory Council (NAC) recommendations are incorporated into the proposed National Food Security Bill. The subsidy bill in the initial phase will be Rs. 930 billion. However, NAC had estimated a total subsidy bill in the initial phase at Rs. 718 billion and Rs. 799 billion in the final phase. There is a disagreement between the government and the NAC on the extent of legal guarantees, population coverage etc. While the NAC recommended that legal the entitlement of 35 kg of food grain per family should be guaranteed to 90 percent of the population, the government wants to limit the entitlement to the population below the poverty line - 46 percent of the rural population and 28 percent of the urban population. Coverage for the population above poverty line should not be a legal entitlement but depend on grain availability. The government will face a mammoth challenge if the NAC recommendations become law, wherein the government's grain procurement may have to be doubled from the current levels and storage capacities enhanced. (Source: [Times of India](#), 02/16/2011)

INFLATION WILL BE DOWN TO 7 PERCENT BY FISCAL-END, SAYS PRIME MINISTER

The Prime Minister, Dr. Manmohan Singh, assured the nation that inflation should be down to 7 percent by the end of the fiscal year and that more reforms were on the way in the forthcoming (2011-12) Budget. While addressing a roundtable of editors from the electronic media on February 16, the Prime Minister said that the Government is trying to strike a balance between growth and inflation despite it having no control over international events, which were partly the reason for the price rise. He said inflation, particularly food inflation, has been a major concern in the past few months, but the Government's effort was to deal with the situation without hurting growth, which he pegged at around 8.5 percent for the entire fiscal. (Source: [Hindu Business Line](#), 02/17/2011)

JANUARY INFLATION EASES TO 8.23 PERCENT ON CHEAPER PULSES, SUGAR

According to the data released by the Government on February 14, inflation based on the annual Wholesale Price Index (WPI), eased in January to 8.23 percent as compared to 8.43 percent reported in December. The latest data showed the annual food inflation rate in January 2011 eased to 15.65 percent in comparison to 20.19 percent in January 2010. The Finance Minister, Mr. Pranab Mukherjee, said he hopes inflation will ease to 7 percent by the end of the fiscal year in late March, but rising global commodity prices pose a risk to the target. According to the latest data, this fall in the inflation estimate for January has been mainly due to declining sugar, pulses, wheat and potato. However, vegetable and fruit prices continued to remain high. (Source: [Hindu Business Line](#), 02/15/2011)

POULTRY PRODUCTS GET CHEAPER

The price of poultry products (especially eggs) have declined significantly during the last few weeks. According to Poultry Federation of India (PFI) data, wholesale egg prices in Delhi declined to Rs.2.19 per piece as compared to Rs.3.15 per piece in January. Similarly, wholesale broiler prices have declined to Rs.64/kg in comparison to Rs.70/kg during January. After a decline in vegetable prices in the recent weeks, the demand of poultry products has declined, pushing down egg and broiler prices. (Source: [Financial Express](#), 02/17/2011)

FOOD MINISTRY TO SEEK NOD FOR SUGAR EXPORT

Under pressure from various quarters and buoyed by higher estimates of sugarcane production, the food ministry is now set to fast-track the process of seeking sugar export approval from an empowered group of ministers (EGoM) headed by the Finance Minister. The second advance estimates of farm production, released by the agriculture ministry last week, pegged cane output for the current season at 336.7 million tons, 11.8 million tons higher than the first advance estimates. A notification was issued on January 1 to allow 500,000 tons of sugar exports under the open general license, as the government's sugar production estimate of 24 million tons pegged on a sugarcane crop of 324.9 million tons was seen as adequate. However, surging food inflation caused the government to route the export decision through an EGoM. Firm international prices and comfortable sugar stock positions should give an opportunity for the country to export over a million tons during the current year. (Source: [Business Standard](#), 02/14/2011)

RISE IN FERTILISER SUBSIDY PAYOUT EXPECTED THIS FISCAL

The subsidy bill in FY 2011 is expected to rise sharply to Rs 800-830 billion compared with Rs. 499 billion from the budget estimate due to a rise in demand and higher prices. The higher demand for fertilizers this fiscal year is attributed to a better monsoon than last year. The revised estimate amounts to around 8 percent of the fiscal deficit pegged for the current fiscal year. The total subsidy payout on fertilizers in 2009-10 stood at Rs 530 billion, which was lower than the Rs 766 billion in 2008-09. The Budget estimates for 2011-2012 will not be increased as sharply. Indeed, it could be lowered by Rs 300 billion, owing to the likely inclusion of urea under the Nutrient Based Subsidy (NBS) regime from April 1. (Source: [Business Standard](#), 02/16/2011)

US IMPORTS CHALLENGE BIODIESEL INDUSTRY

Already under pressure for delayed blending, the domestic biodiesel industry is facing another challenge in the form of imports from the United States. Last July, a shipment of 20,000 tons biodiesel from the U.S. reached India. Another shipment of same quantity, at a price of less than

\$1,000 per ton (at least \$100 cheaper to the domestic price of \$900), is on its way to the Visakhapatnam port. The industry is already struggling since blending has not been launched and competition from imported biodiesel will further aggravate the situation. According to the biodiesel industry, the U.S. subsidizes biodiesel to the extent of \$300 per ton by way of blending credit. The traders in the USA avail the said benefits and are able to ship biodiesel at a price below cost. Once the second shipment arrives sometime this month, the industry plans to make a plea to the ministries of finance and commerce to take measures against imports. Industry officials said that while the government wants to encourage domestic value addition, in the case of biodiesel, the feed stock (such as fatty acids) import duty has been kept at 80 percent and finished product biodiesel can be brought in at an import duty of 2.5 percent. (Source: [Business Standard](#), 02/16/2011)

GOVERNMENT MULLS RAISING LIVESTOCK YIELD BY ALLOTING LARGER AREA FOR FODDER CROP

The government is working on a plan to increase the area under fodder crops, which it hopes will help raise livestock yields. The proposal is likely to be included in the Union Budget for 2011. The initiative, to be jointly implemented by the Centre and the state governments, is aimed at bringing down prices of livestock products, especially dairy products, which have soared since the drought of 2008. The guidelines of the new plan are likely to be ready by March and will replace the Centre's six-year-old fodder development scheme under which fodder cultivation has not increased much. Official data puts it at an estimated 10 million hectares, or 5 percent of the country's arable area. The policy will focus on millet, coarse cereals, fodder seeds and fodder crops in select dryland districts of Rajasthan, Gujarat, Chhattisgarh and MP. (Source: [Economic Times](#), 02/17/2011)

FRESH US\$ 110 MILLION SOPS FOR EXPORTERS OF STRUGGLING SECTORS

Exports have grown by 29.5 percent in the first nine months of the current Indian fiscal year, but 617 products from different sectors, including, agriculture are yet to recover fully. The Government of India (GOI) announced a US \$110 Million (Rs.500 crore) annual incentive package for exports of products still struggling to make an impact on the global market. Farm exports also got a boost with incentives at 5% export value under the Vishesh Krishi and Gram Udyog Yojana. Commerce Secretary Mr.Rahul Khullar confirmed that the export incentives announced last January and March will continue. The GOI is confident that the target of \$200 billion for merchandise export would be met during the current financial year. (Source: [Economic Times](#), 02/12/2011)

JAPAN, INDIA SIGN FREE TRADE PACT: WILL SCRAP TARIFFS ON 94% OF GOODS

Japan's Foreign Minister Seiji Maehara and Indian commerce minister Anand Sharma signed a deal to boost two-way trade. The total benefit added up to 900 billion yen (\$10.7 billion) in 2009, which is less than 1% of Japan's total foreign trade. By signing the free trade pact, the two nations pledged to scrap tariffs on 94% of goods within a decade. Japan hopes to get legislative approval on the pact by this summer and will immediately reduce tariffs to zero on almost all industrial products imported from India. Other tariff reductions will also include foodstuffs like curry ingredients, pepper and tea. India has already signed a free trade deal with Japan's export rival South Korea. (Source: [Livemint](#), 02/17/2011)

BAN ON ONION EXPORTS LIFTED

An empowered group of ministers on food headed by Finance Minister Pranab Mukherjee decided to lift the ban on onion exports. This ban was imposed in the last week of December when onion price rose up to Rs.70-80 (US\$ 1.5-1.7) per kg due to a disruption of supplies. The government

fixed a higher base price as a precautionary measure against the future possibility of price rises. Onion prices started to decline since middle of January after the arrival of late kharif crop. (Source: [Financial Express](#), 02/18/2011)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN1112	Weekly Hot Bites, #6	2/11/2011
IN1113	FSSAI Publishes "Food Safety and Standard Rules, 2011"	2/16/2011

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