

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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**Date:** 3/25/2011

**GAIN Report Number:** IN1126

## India

**Post:** New Delhi

### Weekly Highlights and Hot Bites No. 12

**Report Categories:**

Agriculture in the News

**Approved By:**

Thom Wright

**Prepared By:**

Santosh Singh, Ritambhara Singh, Shubhi Mishra, Amit  
Aradhey

**Report Highlights:**

\*Government to Tighten Screw on FDI in Seed Sector\*, \*FCI Begins Lifting of Wheat, Targets Record 26 Million Ton Purchase\*, \*500,000 tons of sugar export and equal quantity of pulses import gets centre's nod\*, \*India to run checks on food imports for now\*, \*Modern food chains ride on low prices to eat into market pie\*, \*Government to woo private sector in agri-supply chain\*, \*India's food inflation returns to double digits at 10.05%\*, \*Indian Maize Development Association rues withdrawal of Bt-maize (corn) field trials\*, \* Indian Government mulls law to stop food wastage\*.

### **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 to Tighten Screw on FDI in Seed Sector**

The government is considering to end the automatic approval of foreign direct investment (FDI) in seed development, animal husbandry, and aquaculture. This has been triggered by concerns over the quality of genetically modified and hybrid seeds present in the food chain. FDI approval for these areas will have to undergo scrutiny from the Foreign Investment Promotion Board. In 1980, the government had allowed 100 percent FDI in seed sector paving the way for the entry of several global seed companies in India. However, foreign companies dealing with GM seed have to be scrutinized by the Ministry of Agriculture. (Source: Business Standard 3/22/2011, LINK: [Government to tighten screw on FDI](#) )

### **FCI Begins Lifting of Wheat, Targets Record 26 Million Ton Purchase**

With the government anticipating a record wheat crop this season, the Food Corporation of India (FCI) has begun wheat buying from farmers in Madhya Pradesh, and will begin purchasing in the major growing states of Punjab and Haryana starting on April 1. Earlier the government had estimated record wheat production of 81.47 million tons in 2010/11. The government has hiked this year's procurement target to a new high of 26 million tons compared to 22.5 million tons last year. The FCI is facing an acute shortage of storage space and has initiated measures to move 2.4 million tons of existing wheat stocks from Punjab and Haryana and 0.8 million tons from other states to southern and western states to create space for the new crop. (Source: Financial Express 3/22/2011, LINK: [FCI begins lifting of wheat](#) )

### **500,000 tons of sugar export and equal quantity of pulses import gets centre's nod**

After a delay of almost three months, the government finally allowed the export of 500,000 tons of sugar under open general licence (OGL). The EGoM, headed by finance minister Pranab Mukherjee, decided to allow normal sugar exports not exceeding 500,000 tons. India's sugar production is estimated at 24.5 million tons for the 2011-12 sugar year (October-September) against 18.8 million tons in previous year. The annual demand is pegged at 22 million tons. The EGoM also decided to allow state-owned trading firms to import 500,000 tons of pulses for 2011-12, but withdrew the 15 percent subsidy to cover possible losses for offloading the imported pulses in the domestic market, officials added. India is a net importer of pulses, as production is estimated at 16.5 million tons this year, while demand is 18-19 million tons. It also extended the stock-holding limit on sugar, edible oils and pulses

till September, a step aimed at controlling inflation.

(Source: Business-standard, 03/23/11, LINK: [500,000 tons of sugar export & equal quantity of pulses import gets centre's nod](#))

### **India to run checks on food imports for now**

With the possible risk of radiation in Japan, India has put all the food imports from Japan under a compulsory radiation check but hasn't banned them. Among food items, sugar confectionery imports worth \$550,000 last year was at the top of the chart, followed by fish and fish preparations at \$490,000. Fruit and vegetable preparations (\$240,000), beverages and spirits (\$150,000) were among other food items from Japan. According to sources, radiation checks on food will lead to an approximately five day delay for various foods, but could get worse if government decides to bring other items also under radiation check. (Source: Times of India March 24, 2011, LINK: [India to run checks on food imports for now](#))

### **Modern food chains ride on low prices to eat into market pie**

With persistent high food inflation and rising overheads such as rent and wages, traditional eateries have been put at a disadvantage. Eating houses that traditionally catered to the Indian middle class are losing customers to modern food chains that source cheaper inputs and pavement stalls that have lower overheads. Modern food chains also benefits from economies of scale and have year-round contracts for most of their ingredients. The Federation of Hotel and Restaurant Associations of India has been lobbying the government for industry status to help make it sustainable.

(Source: Mint March 24, 2011, LINK: [Modern food chains ride on low prices to eat into market pie](#))

### **Government to woo private sector in agri-supply chain**

The Government of India will soon invite participation from the private sector in the agricultural supply chain to develop the market in strategic manner. The objective of this exercise is to eliminate existing marketing inefficiencies and improve remuneration to farmers for their produce through a provision for efficient supply chains and a reduction of intermediation in the marketing system. The Model Agricultural Produce Marketing Act of 2003 was introduced to all the states or Union Territories for their adoption and constant encouragement of facilitating adequate investment for the development of marketing infrastructure and supply chain including that by the private sector.

(Source: Economic Times March 20, 2011, LINK: [Government to woo private sector in agri-supply chain](#))

### **India's food inflation returns to double digits at 10.05%**

India's food inflation surged yet again to double digits at 10.05% for the week ending on March 12 from 9.42% in the previous week as prices of fruits, vegetables and protein-rich edibles (egg, meat and fish) continued to surge. Surging crude oil prices have further increased inflationary pressure. India's central bank (known as the Reserve Bank of India) has raised the interest raised eight times in last one year to control inflationary pressures. There is a possibility that the bank may hike its key policy rates yet again during national monetary policy review due in May 2011. (Source: [The Hindu](#) and [The Financial](#))

[Express](#), 03/25/2011).

### **Indian Maize Development Association rues withdrawal of Bt-maize (corn) field trials**

The Indian Maize Development Association (IMDA) has expressed concern over the government's move to withdraw field trials for Bt-maize (corn), stating that the move could threaten the crop's overall development and hit small farmers. An IMDA statement said, "We have achieved higher productivity in maize through the introduction of a single cross hybrid. The next frontier is transgenic maize that can help reduce cost of cultivation and address problems of maize, 80% of which is grown in rain-fed areas." The field trial of Bt-maize by the US based company Monsanto was stopped at the Indian Agricultural Research Institute (IARI) campus in Samastipur district in the state of Bihar, following strong opposition from Bihar's chief minister. (Source: [Business Standard](#), 03/21/2011)

### **Indian Government mulls law to stop food wastage**

India's food ministry has begun discussions to look into options to regulate food wastage, especially in luxurious marriages and other social events. The thinking comes as the government is trying to reconcile varying view points on the proposed legislation on food security, and also to support its food entitlement program for the poor. The Department of Food is of the view that if it improves the efficiency of the PDS, reduces leakage in the pre-harvest, storage and transportation stages and cuts wastage, the government would be able to provide foodgrains as a legal entitlement to the poor. (Source: [The Mint](#), 03/22/2011)

### **Ban on pulses export extended till March 2012**

The ban on export of pulses has been extended by one more year till March 2012, even as the country is likely to import 3.40 million tons to match the enhanced demand. The period of validity of prohibition on exports of pulses is extended up to March 31, 2012," a Directorate General of Foreign Trade (DGFT) notification said. The ban was to expire on March 31. The restriction was imposed in June 2006 to augment domestic supply and check prices of the commodity. Wholesale price based inflation in the pulses segment in February 2011 stood at 1.89 percent, down from 12.72 percent in the same month last year. However, the prohibition will not apply to export of Kabuli Chana and 10,000 tons of organic pulses during 2011-12, DGFT said. The production of pulses during 2011-12 as per the Second Advance Estimates of the Agriculture Ministry is put at 16.51 million tons. To augment domestic availability of pulses, the government has permitted its imports at zero duty up to March 31, 2012. (Source: Business Standard, 03/24/11, LINK: [Ban on pulses export extended till March 2012](#))

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