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Report Highlights:
GDP growth rate to be 4.8 to 5.5% in 2009-10, *Labeling Norms: States urged not to pursue cases*, * Ban on export of edible oil extended for a year*, *Higher vegetable oil imports likely to upset rapeseed-mustard growers - Import duty scrapped*, * India wants its say in subsidy cut in cotton*, * Textile sector profitability hit as exports continue to drop*, * Import duty on raw and white sugar set to be scrapped…*, *… Industry opposes zero import duty on white sugar*, *ASEAN wants to're-engage' India on stalled FTA*, *Approval for Bt brinjal likely by end of the year*.

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.

GDP GROWTH RATE TO BE 4.8 TO 5.5% IN 2009-10

The country's GDP growth rate for 2009-10 (Apr-Mar) might be in the range of 4.8 to 5.5 percent, the Indian Council for Research on International Economic Relations (ICRIER) said, reflecting the likely intensification of the domestic economic slowdown. In a working paper, the economic policy think-tank has attributed the lower forecast for the next fiscal, when a new government assumes office, to the impact of the worst economic downturn since the Great Depression. For the current fiscal year, GDP growth has been pegged by ICRIER at 6.3 percent, lower than the projected 7.9 percent in a "no-shock" situation. The GDP forecast comes close on the heels of the International Monetary Fund's projection that India's GDP growth will slow down to 6.25 percent in 2008-09 and 5.25 percent in 2009-10, in the wake of the "deteriorating global outlook". (Source: Business Line, 03/25/09)

LABELING NORMS: STATES URGED NOT TO PURSUE CASES

The government had requested state governments not to book cases for violation of provisions of the notification on nutritional labeling of packaged foods during the initial period of three months. The Additional Secretary in the Ministry of Health said in a letter addressed to all state authorities that it is essential that this regulation is carefully enforced through persuasion and education of the manufacturers. On September 19, 2008, the Ministry had notified the Prevention of Food Adulteration (5th Amendment) Rules, 2008, mandating packaged food manufacturers to declare on their product labels nutritional information to enable consumers to make 'informed' choices while purchasing. (Source: The Business Line, 03/22/09)

BAN ON EXPORT OF EDIBLE OIL EXTENDED FOR A YEAR

The government on March 17, 2009, extended the ban on the export of edible oils by one year. The ban was imposed on March 18, 2008 for a year in a bid to check spiraling prices of edible oil in the domestic market fueling inflation. According to a notification issued by the Directorate General of Foreign Trade (DGFT), the ban will continue up to March 16, 2010. An exemption from the ban given to non-edible oils like castor oil and tree-borne oils like Mahua, however, will continue, the notification added. (Source: Economic Times, 03/18/09)

HIGHER VEGETABLE OIL IMPORTS LIKELY TO UPSET RAPESEED-MUSTARD GROWERS - IMPORT DUTY SCRAPPED

On March 24, 2009, Ministry of Finance, GOI, through an official notification has scrapped the import duty on crude soy oil (http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k9/cs27-2k9.htm), bringing it at par with crude palm oil. According to industry sources, duty free imports of crude soy oil and low global prices will increase March vegetable oil imports by 19.5 percent from the year ago level and increase total vegetable oil imports for MY 2008-09 by 11 percent at 7 million tons. With an inducement to import more, there is likelihood of building up large inventories leading to a subsequent glut. Per industry sources, with the continuing low import duty regime on edible oils, prices of mustard/rapeseed may dip below its Minimum Support Price (Rs 18,300 per ton). With current prices of rapeseed/mustard at Rs 20,000 per ton, the gross realization from processing one quintal of mustard works out to be Rs 2,280 per ton, preventing millers to pay more than Rs 21,500 per ton for mustard seeds. (Source: Financial Express and Business Line, 03/21/09)

INDIA WANTS ITS SAY IN SUBSIDY CUT IN COTTON

India wants to be included in the meetings the United States has been holding with African cotton producing countries on subsidy cuts as part of the ongoing Doha round of multilateral talks at the World Trade Organization. Addressing a seminar on the threat to multilateralism in the evolving global scenario, Mr. R Gopalan, Additional Secretary Commerce said that India wants to be the part of the discussion as it is the second largest cotton producing country in the world. (Source: Economic Times, 03/21/09)

TEXTILE SECTOR PROFITABILITY HIT AS EXPORTS CONTINUE TO DROP

The Indian textile sector, the country's largest employer after agriculture, continues to take a pounding amid worsening export performance. The Confederation of the Indian Textile Industry estimates that about 175 textile and clothing firms reported the cumulative losses at around Rs. 5.4

billion in the third quarter of this fiscal year 2008/09 (April/March) against a profit of Rs. 3.7 billion in the corresponding period of 2007/08. During the second quarter of the current fiscal year, the loss was estimated at Rs. 1.3 billion (vs. a profit of Rs. 5.2 billion last year), while the first quarter had reported a profit of Rs. 0.4 billion (vs. Rs. 4.5 billion profit last year). According to industry sources, erosion of profit is expected to further worsen in the fourth quarter. India's exports to its largest market, the United States, continues to take a hit, even as other Asian countries have managed to get their act together and register an increase in their exports despite the ongoing recession. (Source: Business Line, 3/26/09)

IMPORT DUTY ON RAW AND WHITE SUGAR SET TO BE SCRAPPED …

The Food Ministry has forwarded a proposal to slash the import duty on both raw as well as white sugar to zero for the Cabinet's consideration. Official sources report that the proposal has received approval from the Election Commission, but they are not sure whether it would be taken up by the cabinet immediately as the Minister is busy with the election campaign and will not be back until the third week of April. Currently, imports of raw and white sugar attracts an import duty of 60 percent. However, mills are allowed to import raw sugar at zero duty against an advance license subject to fulfillment of an obligation to re-export one ton of white sugar for imports of every 1.05 tons of raw sugar within the stipulated 24 months period. The proposal now under consideration will allow duty free raw sugar imports without any re-export obligation. For white sugar, the duty free imports will be restricted to only the four government parastatals and subject to a cap of 1.0 million tons. (Source: Business Line, 03/26/09)

… INDUSTRY OPPOSES ZERO IMPORT DUTY ON WHITE SUGAR

The Indian Sugar Mills Association (ISMA) opposes the duty free import of white sugar, claiming that the local mills are incurring losses despite higher sugar prices. Sugar production costs have been pushed up due to significantly higher cane prices, and lower sugar recovery from cane during the current season. The poor availability of cane resulting in lower crushing duration has also pushed the cost of production. The President of ISMA believes that allowing white sugar imports at zero duty would result in growers planting less area. If imports lead to lower sugar prices, growers will not plant any cane in the post monsoon season. A better policy would be to continue with the raw sugar imports by mills at zero duty against an export obligation. (Source: Business Line, 03/24/09)

ASEAN WANTS TO 'RE-ENGAGE' INDIA ON STALLED FTA

The Association of South East Asian Nations (ASEAN) wants to 're-engage' India to resolve the "practical" issues stalling the signing of their free trade (FTA) pact. India's response to this offer is expected during the ASEAN-India meeting and the parallel East Asia Summit to be held in Thailand in April. Commerce and Industry Minister Kamal Nath is likely to represent Prime Minister Manmohan Singh in these meetings. The FTA was ready for signature by last December, but the relevant meetings were postponed because of Thailand's political crisis. And, this delay, compounded by the ASEAN's preferred timelines for cascading tariff cuts, has rendered the signing of an agreed draft contentious. India is unwilling to extend to the 10-nation ASEAN two sequential tariff cuts in a single financial year, first in June and later in January 2010. As a result, ASEAN was unable to press ahead with its plan to have the FTA signed last month. ASEAN, recognizing the substantive point about India's objection, is now ready to address "the issue at stake." (Source: Hindu, 03/25/09)

NOD FOR BT BRINJAL LIKELY BY END OF THE YEAR

The Executive Director of the National Seed Association of India believes that the approval for Bt brinjal (egg plant) will come by the end of this year. He reaffirmed that the government was committed to the cause of genetically engineered crops and would approve Bt brinjal once it completed all the trials and felt satisfied that it would not be detrimental to the interest of farmers. Mahyco, the local company that is developing Bt brinjal, has assigned the task of trials to UAS-Dharwad, TNAU-Coimbatore, and Indian Institute of Horticulture Research. (Source: Business Line, 03/27/09)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
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IN9042	FAIRS: GOI Further Defers Import Requirements for Raw Hides and Skins	03/27/09

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