

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary - Public

Clearance Office: All - FAS

Date: 4/17/2009

GAIN Report Number: IN9054

India

Post: New Delhi

Weekly Highlights and Hot Bites No. 16

Report Categories:

Agriculture in the News

Approved By:

Holly Higgins

Prepared By:

A. Govindan, Santosh Singh, Deepa Dhankhar, Amit Aradhey, Sayed Sarwer Hussain

Report Highlights:

Inflation slips despite higher food prices, *Trading firms likely to export two million tons of wheat*, *FCI rice buy may top 30 million tons*, *UK's United Biscuits bakes India entry*, *Biotech Authority Bill next session*, *Bt Brinjal may be released commercially by year-end*, *US welcomes Indian technology proposal on climate deal*, *Poultry feed prices rise steadily*, *Carrefour firms up plans for India operations*, *Leather industry to miss export target*, *EU alert on Indian shrimp exports*, *Vegetable oil imports in March up 28 percent*, *BANGLADESH: Rice import drops to one-third in 9 months*, *BANGLADESH: BB Governor hopeful of 6 percent growth despite grim WB, IMF forecast*.

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.

INFLATION SLIPS DESPITE HIGHER FOOD PRICES

The rate of inflation slipped further to a new three decade low to 0.18 percent during the week ended April 4 from 0.26 percent the previous week and 7.71 percent a year ago, despite higher prices of food articles such as vegetables, pulses, cereals, tea, coffee, tobacco, soft drinks and liquor. The lower rate of inflation was mainly due to the higher base effect coupled with softening in the prices of certain manufactured products such as metals. With industry pressing for a further easing of interest rates when the Reserve Bank of India unveils its annual credit and monetary policy on April 21, the current price situation presents a delicate choice to the apex bank as, despite a decline in the Wholesale Price Index – based inflation, food prices have been on the rise, going up by 1.2 percent on weekly basis and 7.29 percent on a yearly basis. (Source: Hindu, 04/17/09)

TRADING FIRMS LIKELY TO EXPORT TWO MILLION TONS OF WHEAT

Sitting on stocks of more than 15 million tons of wheat, the Indian government may soon allow public sector trading firms – State Trading Corporation of India, MMTC, and PEC – to export two million tons of wheat, according to official sources. "These three public sector units may be allowed to export 2 million tons of wheat after May 15," a senior government official said. Each of these trading firms may get to export about 65[0],000 tons of wheat, the official said, adding the notification would be issued after the elections. The Commerce Ministry last month suggested to the Food Ministry that it would be better to allow the government-owned trading firms to export wheat, instead of private firms, to avoid controversy. (Source: Business Standard, 04/15/09)

FCI RICE BUY MAY TOP 30 MILLION TONS

The government expects rice procurement to cross 30 million tons by the end of the current

season in September as it has purchased over 50 percent of the paddy arriving in *mandis* (grain markets). "If the current trend continues, we will have 20 percent more rice than last year and that will come to about 34.2 million tons," a senior government official said. The daily procurement of rice is more than 60,000 tons, the official said. According to the latest Food Corporation of India data, rice procurement increased by 20 percent to 26.47 million tons since October 2008, including 8.4 million tons levy rice received from millers. It was 21.8 million tons during the corresponding period of last marketing year. (Source: Business Line, 04/11/09)

UK'S UNITED BISCUITS BAKES INDIA ENTRY

UK's United Biscuits, the world's third largest biscuit company, is exploring manufacturing and marketing opportunities to tap the Rs. 60 billion (\$1.2 billion) plus organized biscuits market in India. The biscuit and snacks maker with estimated revenues of \$1.6 billion, which owns brands such as McVitie's, Jacobs, Skips and Hula Hoops, is in exploratory talks with several biscuit companies, including Parle Products, said a person familiar with the development. He said United Biscuits is not looking at an outright financial investment or stake acquisition. Instead it is keen on manufacturing, marketing and distribution tie-ups that will allow its products to reach the consumer as soon as it starts operation. Parle Products' Arup Chauhan denied the development. "We are not in talks with United Biscuits," he said. (Source: Economic Times, 04/13/09)

BIOTECH AUTHORITY BILL NEXT SESSION

According to Professor M.S. Swaminathan, the draft bill to set up the National Biotech Regulatory Authority is likely to be introduced in the next parliamentary session under the new government to be formed after the parliamentary elections are over in May. Speaking at an interactive session on the 'Second Green Revolution' organized by the Indian Chambers of Commerce, he said that the draft bill is seeking to set up a statutory, autonomous and professionally run body which would help assess risk and leverage the potential of biotechnology, and instill confidence among people. (Source: Business line, 04/11/09)

BT BRINJAL MAY BE RELEASED COMMERCIALY BY YEAR-END

Bt brinjal (egg plant), India's first genetically modified edible product, is in the final stage of approval from the Genetic Engineering Approval Committee (GEAC). A senior executive of the Maharashtra Hybrid Seed Company (Mahyco), the developers of Bt brinjal, informed that the Review Committee on Genetic Modification has already approved the field trial data and found the product absolutely safe. The company has applied for the commercial release of Bt brinjal

seeds to the GEAC and hopes for approval by end of this year. (Source: Business Standard, 04/15/09)

US WELCOMES INDIAN TECHNOLOGY PROPOSAL ON CLIMATE DEAL

At the UN conference on Climate Change in Bonn, the U.S. President's Deputy Special Envoy for Climate Change said that there was enormous opportunity for common work between India and the U.S. over efforts to combat climate change. He welcomed an Indian proposal to the UNFCCC seeking to establish a series of Climate Innovation Centers, each focusing on key technological products that would help countries mitigate green house gas emissions or adapt the impact of climate change. The Indian delegation to the Bonn Conference highlighted technology transfer as a key Indian demand, arguing that technology is the only way to achieve the high impact changes required. (Source: Economic Times, 04/11/09)

POULTRY FEED PRICES RISE STEADILY

Poultry feed prices have been rising steadily during the last few months due to the significant rise in soybean meal prices along with the likelihood of a rise in corn prices because of lower output. The high poultry feed prices could increase poultry prices, which coupled with the slowdown in demand during summer could adversely affect the poultry industry. According to trade sources, soybean meal prices in Delhi market have increased by 60 percent to INR 22,800 (USD 463) per ton this week from INR 13,000 (USD 269) per ton in October 2008. Similarly, maize in the state of Bihar is now selling at INR 8,800 (USD 179) per ton against INR 7,000 (USD 176) per ton during the same period of last year. The huge fluctuations in feed prices are not only impacting poultry farmers but also feed manufacturers, prompting the Poultry Federation of India (PFI) to renew its call for control on soybean meal exports. (Source: The Financial Express, 04/17/09)

CARREFOUR FIRMS UP PLANS FOR INDIA OPERATIONS

The French retail chain Carrefour SA plans to open its first wholesale cash and carry outlet in India by early 2010. The company held a meeting with over 600 suppliers recently as a part of its plans to open its cash and carry stores in India. This meeting had three objectives, to introduce the group and its project to India, to return on the concept of the cash and carry store and to present the working specifications and the mode of the collaboration with suppliers. The Managing Director of Carrefour India said that the meeting was intended as a way of building relations and opening business opportunities for suppliers in the company's global sourcing network. (Source: The Business Line, 04/16/09)

LEATHER INDUSTRY TO MISS EXPORT TARGET

The global financial crisis has had a severe impact on India's labor intensive export sectors.

The leather industry is set to miss its export target of USD four billion due to the global meltdown and fall in export orders. Leather exports are likely to remain flat or show some marginal growth for the financial year 2008/09, compared to the previous year. According to data released by the Council of Leather Exports, the export of leather and leather products between April 2008 and February 2009 stood at \$3.38 billion. Therefore, about 85 percent of the export target of USD four billion has been achieved by February 2009. Furthermore, the leather industry expects 2009/10 to remain flat, although market sentiments seem to be improving in several export markets. (Source: The Indian Express, 04/15/09)

EU ALERT ON INDIAN SHRIMP EXPORTS

The Standing Committee on the Food Chain and Animal Health of the European Commission which met last week, exchanged views over a decision to impose emergency measures on crustaceans imported from India for human consumption. Earlier, a draft legislation was produced in March on the same issue and if this legislation is accepted all crustacean imports from India would have to be accompanied by an analytical test result showing that the exported product is free from nitrofurans residues. The meetings were the outcome of an inspection visit to India which revealed shortcomings with regard to residue control systems in live animals and products. However, recognizing the gravity of the situation, the Government of India has quickly raised sufficient safeguards to protect the country's marine exports.

According to the Marine Products Exports Development Authority (MPEDA), six new laboratories have been established and only tested consignments would be permitted for export. (Source: The Business Line, 04/13/09)

VEGETABLE OIL IMPORTS IN MARCH UP 28 PERCENT

According to the Solvent Extractors Association (SEA) of India, vegetable oil imports in March, increased to 641,000 tons (609,000 tons edible and 32,000 tons non-edible oil), compared to 502,000 tons (422,000 tons edible and 81,000 tons non-edible oil) imported for the corresponding period last year. Total vegetable oil imports during the first five months of the oil year (Nov-Oct) were up by 58 percent at 3.6 million tons as compared to last year. With lower international prices and a zero custom duty on imports, the consumption of edible oils has also increased substantially, added the SEA. Domestic oil availability has been reduced due to the lower kharif crop and the current rapeseed-mustard and sunflower crop has not been fully marketed due to anticipation of higher prices. Notably, imports of crude sunflower oil have increased to 286,000 tons as compared to zero imports last year. The share of

imported refined oils has jumped sharply to 27 percent from 4 percent over the last year, hitting domestic refiners, leading to less capacity utilization in the country. (Source: Economic Times and Business Line, 04/16/09)

BANGLADESH: RICE IMPORT DROPS TO ONE-THIRD IN 9 MONTHS

Rice imports in the first nine months of the current fiscal year has dropped to one third of last year due to an increase in production of rice and a price fall. According to Bangladesh Bank statistics, a total of 626,000 tons of rice was imported from July to March in the current fiscal year while it was 1.95 million tons during the same period last year. The fall in imports was about 216 percent. Sources at the Food Ministry said, if imports of 500,000 tons of rice from India through a government-to-government agreement is not counted, the import figure comes down further. February food stocks in government godowns is over 1.3 million tons while the amount was 600,000 tons during the same period last year. However, though rice imports have decreased, the import of wheat has risen this year. The import of wheat stands at 1.49 million tons from July to March this year while it was 1.29 million tons during the same period last year. (Source: The daily Star 04/05/09)

BANGLADESH: BB GOVERNOR HOPEFUL OF 6 PERCENT GROWTH DESPITE GRIM WB, IMF FORECAST

The Bangladesh Bank governor rejected a grim growth prognosis by the World Bank and the International Monetary Fund (IMF) saying that the economy is poised to grow around six percent this fiscal despite the global meltdown. The World Bank said Bangladesh would clock 4.5 per cent growth in the current financial year - the lowest in seven years-while the IMF put the figure at around 5.0-5.5 per cent for 2009 as the economy is mired by the global recession. Both the multilateral agencies have said that the global economic recession was having a knock-on effect on Bangladesh's two main economic levers-exports and remittances - with recovery unlikely before 2011. But the central bank governor came out strongly in favor of a robust growth at around 6.0 percent in the 2008-09 fiscal year provided the overall economic trend continues and the country does not face any major disasters during the three remaining months of the current fiscal year. (Source: Financial Express, 04/08/09)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

| REPORT # | SUBJECT | DATE SUBMITTED |
|-----------------|---|-----------------------|
| IN9050 | Weekly Highlights & Hot Bites, #15 | 04/08/09 |
| IN9051 | Oilseeds and Products: Annual | 04/16/09 |
| IN9052 | FAIRS: GOI Regulates the Import of Equine Species of Animals into India | 04/15/09 |

WE ARE ON THE NET

Visit our headquarter's 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