

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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### Weekly Highlights and Hot Bites No. 18

**Report Categories:**

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**Approved By:**

Thom Wright

**Prepared By:**

Santosh Singh, Amit Aradhey, Shubhi Mishra

**Report Highlights:**

\*India, European Union discuss all aspects of proposed FTA\*, \*Australia to consider agri concerns in FTA\*, \*Government to offload additional 3 million tons of grain for the PDS\*, \*AP fixes royalty for Monsanto cotton seed\*, \*India has no middle class?\*, \*BJP to oppose pesticides Bill\*, \*Organized rural retail faces speed bumps\*.

## **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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## **INDIA, EUROPEAN UNION DISCUSS ALL ASPECTS OF PROPOSED FTA**

The ninth round of talks on the proposed free trade agreement between India and the European Union (EU) concluded in Brussels on Monday. The EU Trade Directorate revealed that the chief negotiators discussed all aspects of the proposed deal and the technical discussions focused on rules of origin, trade facilitation, trade defense instruments, tariffs and procurements. Earlier in the year, the EU Commissioner for Trade met with his counterpart in Delhi, with both sides agreeing to conclude the negotiations by October, ahead of the India-EU summit. A team of senior officials from EU are expected to visit India in May to take the talks forward. (Source: Business Standard 5/1/10)

## **AUSTRALIA TO CONSIDER AGRI CONCERNS IN FTA**

Australia took a significant step towards inking its FTA with India by assuring the Government of India that the Australian government will take into account India's agriculture concerns in the trade agreement. The Australian trade minister said that agricultural business and food processing are the key areas for trade between the two countries. Although the Minister declined to give a time frame for the FTO to materialize, he expects that the two countries will push for an early conclusion. Australia's trade with India has grown at an average of 25 percent over the last five years, and India is the sixth largest trading partner for Australia. (Source: Financial Express, 05/4/10)

## **GOVERNMENT TO OFFLOAD ADDITIONAL 3 MILLION TONS OF GRAIN FOR THE PDS**

On April 5, 2010, an Empowered Group of Ministers (EGoM) decided to offload an additional 3.0 million tons of wheat and rice from the government's food grain stocks through the public distribution system (PDS). The grains will be distributed over a period of six months at a cheap

price in order to contain high food inflation. Wheat will be sold at Rs. 8.42 per kg, and rice will be sold at Rs. 11.85 per kg. The move is estimated to cost the government exchequer around Rs. 20 billion, but will help clear warehouses and storage space for the new wheat crop being marketed now. The EGoM also ruled out allowing wheat exports for now. (Source: The Economic Times, 05/06/10)

### **AP FIXES ROYALTY FOR MONSANTO COTTON SEED**

The Andhra Pradesh state government has fixed the trait value for Bollgard (BG) II at Rs. 90 and Bollgard (BG) I at Rs. 50 per 450 gram packet. On April 24, 2010, the state government issued an order fixing the BG-II seed price at Rs. 750 per packet and BG-I price at Rs. 650 per packet and non-GM hybrid seed at Rs. 500 per packet, unchanged from last year. Although the order avoided assigning trait values, it refers to an earlier letter from the Agricultural Commissioner to the government proposing trait values for BG-I and BG-II for the upcoming season. The Agricultural Commissioner's letter provides a detailed argument supporting its decision to keep the seed price unchanged from last year, increase the revenue share of the seed companies and seed producers, and reduce the trait value. Keeping in view Monsanto's ongoing case in the Andhra Pradesh High Court that contested the state's role in fixing trait values, the state government has tried to build a strong case to defend its decision to fix trait values. (Source: Business Line, 05/04/10)

### **INDIA HAS NO MIDDLE CLASS?**

Economist Nancy Birdsall, president of the Centre for Global Development, has proposed a new international definition of what constitutes the middle class in a developing country in the forthcoming World Bank publication "Equity in Globalizing World". Birdsall defines middle class in the developing world to include people with an income above \$10 a day, but excluding the top 5% of that country. By this definition, even urban India alone has no middle class; everyone at over \$10 a day is in the top 5% of the country. In socio-political terms, the middle class is traditionally the segment of society with a degree of economic security that allows it to uphold the rule of law, invest and desire stability. China has a small middle class (35% of the population), South Africa (7%), Russia (30%) and Brazil (19%). However, people in developing countries living on even \$10 a day still have extremely low social indicators. (Source: The Times of India, 05/06/10)

### **BJP TO OPPOSE PESTICIDES BILL**

The Bhartiya Janta Party (BJP) has decided to oppose the Pesticide Bill which was introduced in the Rajya Sabha in 2008, but was then referred to the standing committee on agriculture which was then headed by Samajwadi party's Mohan Singh. The bill was scheduled to be taken up for consideration on May 5 and was opposed by the BJP on the ground that certain clauses had been

inserted in it under pressure from the West without factoring in its consequences for indigenous research and development of the pesticide sector. Additionally, the party opposes the clause on "data exclusivity," which it claims was brought in under American pressure. The bill seeks to regulate the import, manufacture, export, sale, transport, distribution, quality and use of pesticides in a safe and judicious manner with a view to preventing their risks to human beings, animals and the environment. (Source: Economic Times, 5/5/10)

### **ORGANIZED RURAL RETAIL FACES SPEED BUMPS**

Major players like ITC, DSCL, Godrej and Triveni, are not expanding their Rural Retail Business while many other players are shutting down or downsizing, leaving is a question mark on this business format. Organized Rural Retail has proven to be a highly volatile concept due to its dependence on volatile agricultural incomes. Apart from these constraints, Rural Retail also lacks infrastructure and faces tough competition from local kirana stores, which are able to supply goods at much lower prices. However some industry players see Rural Retail as a growth opportunity and are looking at the long term potential. There are approximately 10,000 villages in India with access to organized retail services out of 600,000 villages. (Source: Business Standard, 5/5/10)

### **RECENT REPORTS SUBMITTED BY FAS/NEW DELHI**

<b>REPORT #</b>	<b>SUBJECT</b>	<b>DATE SUBMITTED</b>
IN1037	Weekly Hot Bites, #17	04/30/2010
IN1038	Coffee - ANNUAL	05/04/2010

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