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GAIN Report

Global Agricultural Information Network

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Report Highlights:

*Minimum support prices of most *kharif* crops may go up by 15-17%*, *Wheat procurement target of 26 million achieved*,
Forecast of GDP growth may be lowered, *Food inflation falls to two-week low on cheaper pulses and wheat*, *Wal-
mart, Carrefour may get India access in 2012*, *Indian coffee exports rise on bigger harvest*, *FDI in multi-product retails
may help tackle inflation: Ministerial Panel*, *Competition panel studying whether cartelization led to rise in food prices*,
Crop losses rising as nearly 40 percent of pesticides spurious: ICAR, *Much awaited southwest monsoon sets in over
Kerala, 3 days before normal*.

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.

MINIMUM SUPPORT PRICES OF MOST KHARIF CROPS MAY GO UP BY 15-17%

The central government is set to announce significant hikes, ranging from 15 to 17 percent, in the minimum support prices (MSP) of most crops to be planted in the ensuing kharif (fall/early winter harvested) season. The higher MSPs are to compensate the farmers for the surge in the cost of cultivation but is likely to further fuel inflationary pressures. The Commission for Agricultural Costs and Prices (CACPC) has recommended a 16 percent increase in the MSP of rice, 17 percent for oilseeds, 10-12 percent in seed cotton and about 11.4 for coarse grains (corn, sorghum, millets). A ministry of agriculture source said that farmers have been facing cost escalation due to higher labor wages, fertilizer prices, and an expected upward revision in diesel prices is likely to further add to their problems. (Source: [Hindu Business Line](#), 05/31/2011)

WHEAT PROCUREMENT TARGET OF 26 MILLION ACHIEVED

Government purchases of wheat from farmers reached the target 26 million tons on May 31, 2011. This record procurement was realized nearly a month before the end of the procurement season. Government procurement in the key states of Punjab, Haryana and Madhya Pradesh is winding down but will continue till the end of June in Rajasthan, Uttar Pradesh and a few other states. In anticipation of a bumper crop, the government had set up a target of 26 million tons at the beginning of the season. The government announced a bonus of Rs. 500 per metric tons above the minimum support price of Rs. 11,200 per ton, while the government of Madhya Pradesh declared an additional bonus of Rs. 1000 per ton; which has helped in higher government procurement. (Source: [Financial Express](#), 06/01/2011)

FORECAST OF GDP GROWTH MAY BE LOWERED

The Finance Ministry is planning to lower its GDP growth forecast of 9 percent for the current financial year. The downward revision may come in the wake of rising global commodity prices and high inflation. Finance Minister, Mr. Pranab Mukherjee, stated that high inflation and any further rise in crude oil prices may pull down India's economic growth to 8 percent in 2011-12 from a projected 9 percent. Economists have cautioned that risks to inflation were rising from the demand side and fuel prices, which might even catapult it to double digits as the current financial year advanced. (Source: [Business Standard](#), 05/28/2011)

FOOD INFLATION FALLS TO TWO-WEEK LOW ON CHEAPER PULSES AND WHEAT

India's food inflation dropped marginally to 8.06% in the week ending May 21 from 8.55% in the previous week. This decline is attributed mainly to cheaper pulses, wheat and some vegetables. Food inflation slowed to a two-week low as supplies from the winter harvest increased. Food costs are being replaced by manufacturing and fuel prices. Farm output is expected to climb to a record this year because of adequate rains. Finance Minister, Mr. Pranab Mukherjee stated "If the declining trend in food items and non-food primary items continues, then perhaps it will be possible to have a moderate rate of inflation." (Source: [Financial Express](#), 06/03/2011)

WAL-MART, CARREFOUR MAY GET INDIA ACCESS IN 2012

India will announce new rules for foreign investment in retail by April 2012, paving the way for companies such as Wal-Mart Stores Inc. (WMT) and Carrefour SA (CA) to open stores, Junior Trade Minister Jyotiraditya Scindia said in an interview. Indian law limits foreign retail investment to ownership of wholesale stores or 51 per cent holdings in single-brand shops. The government prohibition is meant to protect local store owners in the second-fastest growing major economy. (Source: The Hindu Business Line & [The Indian Urban Infrastructure Review](#), 05/28/2011)

INDIAN COFFEE EXPORTS RISE ON BIGGER HARVEST

Coffee exports from India, Asia's third-biggest producer, surged 44% in eight months (October 2010- May 2011) on a bigger crop, and as high prices spurred sales by growers, the Karnataka state run Coffee Board said. According to the Coffee Board, shipments increased to 247,372 tons between October 1 and May 31, from 171,704 tons a year earlier, the board said in an e-mailed statement on Wednesday. Exports were valued at \$716.8 million, almost double the \$364.3 million a year earlier. India's shipments since January 2011 jumped to 181,308 tons valued at \$559.1 million, compared with 127,160 tons worth \$268.9 million a year earlier, according to the Coffee Board. Italy and Russia are among the buyers of Indian coffee. (Source: [Financial Express](#), 06/02/2011)

FDI IN MULTI-PRODUCT RETAIL MAY HELP TACKLE INFLATION: MINISTERIAL PANEL

India should allow foreign direct investment (FDI) in multi-product retail and such a move can be an "effective inflation busting measure", the inter-ministerial group (IMG) on inflation has recommended. Noting that the potential benefit of this move could be enormous, the IMG headed by Dr Kaushik Basu, Chief Economic Advisor to the Finance Ministry, has, however, called for allowing the entry of FDI into this sector in a properly regulated fashion. Currently, India does not permit FDI in multi-product retail. Dr. Basu highlighted that India's retail sector continues to be primitive and that there was evidence of large losses that occur as products pass through the supply chain from farm to the retail customer. He pointed out that share of organized retail in India to the total retail trade is just over 4 per cent. This compares unfavorably with 66 per cent for Japan, 20 per cent for China, 55 per cent for Malaysia and 30 per cent for Indonesia. (Source: [The Hindu Business Line](#), 05/28/2011)

COMPETITION PANEL STUDYING WHETHER CARTELISATION LED TO RISE IN FOOD PRICES

In the backdrop of rising prices of food articles, the Competition Commission of India (CCI) has initiated a thorough "market study" into the agriculture sector to determine whether possible cartelization has been the cause for it or not. Though the commission is not conducting a probe into the matter yet, it could order an investigation under the Competition Act if the study throws up some indicative patterns in the food chain especially procurement. Apart from this the commission has also started similar studies into the steel and paper sectors as well. These initiatives form a part of CCI's suo moto practice. (Source: [Financial Express](#), 06/03/2011)

CROP LOSSES RISING AS NEARLY 40 PERCENT OF PESTICIDES SPURIOUS: ICAR

The rising sale of spurious pesticides in the country is resulting in crop damage, top agricultural scientists said on Wednesday. S. Ayyappan, director general, Indian Council of Agricultural Research (ICAR), said around 40 percent of pesticides used in the country is spurious. "Research and development needs to be given a boost in this field (pesticides) and for this the main participation should come from the private sector, and a science-led, technology-based agriculture is the need of the hour," Ayyappan said at a seminar titled 'Strategic pesticides use to enhance agricultural production and food security'. India produces about 80,000 tons of pesticides annually and the total market for pesticides in the country is estimated to be around Rs 70 billion. According to an estimate, the spurious pesticides market is estimated to be around Rs 30 billion and its adverse impact of crops is yet to be ascertained by the government agencies. (Source: [Financial Express](#), 06/02/2011)

MUCH AWAITED SOUTHWEST MONSOON SETS IN OVER KERALA, 3 DAYS BEFORE NORMAL

After some initial hiccups, the much awaited southwest monsoon raced ahead and set in over Kerala on Sunday — three days before the normal date of June 1. The system set in over most parts of Kerala and covered most of the south of the Arabian Sea and some parts of Tamil Nadu, the south of the Bay of Bengal and the south of the Andaman Sea, the Indian Meteorological Department (IMD) said in a bulletin. Conditions were favorable for further advance of the system, it said. In its annual pre-monsoon forecast for the four-month season issued earlier on April 19, the IMD had stated that rainfall during the season was “most likely” to be normal this year, at 98 per cent of the long period average (LPA), with a model error of plus or minus five per cent. (Source: [Hindu](#), 05/30/2011)

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REPORT #	SUBJECT	DATE SUBMITTED
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IN1151	Temporary Guidelines for Clearing Imported Alcoholic Beverages	06/03/2011

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