

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

**Date:** 6/4/2010

**GAIN Report Number:** IN1048

## India

**Post:** New Delhi

### Weekly Highlights and Hot Bites No. 22

#### Report Categories:

Agriculture in the News

#### Approved By:

Holly Higgins

#### Prepared By:

Santosh Singh, Amit Aradhey, Shubhi Mishra, Radha Mani

#### Report Highlights:

\*Pakistan, Bangladesh want India to honor cotton contracts\*, \*Government sets rice output target at 100 million tons\*, \*Decision on sugar import duty in a week: Pawar\*, \*Climate change failed two crop cycles\*, \*Import duty exemption hits Karnataka oil mills\*, \*Hailstorm destroys apple crop in HP\*, \*Grape seizures at EU port: India sends delegation to sort out\*, \*Bharti retail to double store count by year-end\*, \*Big retailer proves a boon to small food processing vendors\*, \*High prices may boost pulse sowing by 20%\*, \*Water level in reservoirs better than 2009\*.

## **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.

## **PAKISTAN, BANGLADESH WANT INDIA TO HONOR COTTON CONTRACTS**

Pakistan and Bangladesh have demanded that the cotton contracts made by Indian exporters before exports were suspended last month should be honored. Many of these contracts have a penalty clause which makes exporters liable to pay fines if they can not honor the contracts. The Textile Ministry suspended exports of cotton on April 19 following representation from the domestic textile industry. On May 21, the Ministry of Commerce listed the suspension by moving cotton to the restricted list, wherein exports will be allowed through a license issued by the Directorate General of Foreign Trade, Ministry of Commerce. A ministry official said that the government is exploring ways to allow old contracts and quantities to be allowed for exports. (Source: Economic Times, 06/02/2010)

## **GOVERNMENT SETS RICE OUTPUT TARGET AT 100 MILLION TONS**

The government of India has set a target of producing 100 million tons of rice in the 2010/11 agriculture crop year (June/May) by bringing more area under hybrid seeds. The minister plans to promote hybrid rice aggressively for better area coverage in the states of Chhattisgarh, Madhya Pradesh, Jharkhand, Uttar Pradesh, Assam, Orissa and West Bengal. Besides the government initiative to promote hybrid rice seeds, the forecast for a normal monsoon has raised the Ministry of Agriculture's expectations of the rice crop for the forthcoming season. Due to the drought of last year, India's rice production in 2009/10 dipped to 89.31 million tons from 99.18 million tons in 2008/09. (Source: Economic Times, 06/03/2010)

## **DECISION ON SUGAR IMPORT DUTY IN A WEEK: PAWAR**

The government may consider taking a decision on imposing an import duty on sugar within a week," Agriculture Minister Sharad Pawar said when asked whether the government was

considering an import duty on sugar. The industry has been demanding an import duty on refined sugar as prices have fallen in the domestic market by about 30 percent in the last four months.

Sugar prices, which were nearly Rs 50 a kg in mid-January, have declined to Rs 32-33 a kg in the national capital. Current policy is set to allow the duty-free import of both white and raw sugar until December 2010. Asked when the government would announce a support price of kharif crops, Pawar said the minimum support price (MSP) would be announced in the next 7-10 days.

Asked about the proposed increase in rates at which the Centre buys levy sugar (meant for ration shops) from mills, he said the food ministry had sent the proposal to the finance ministry in this regard. The average price of levy sugar currently is Rs 13.22 a kg, while the central issue price of levy sugar is Rs 13.50 a kg. (Source: Business Standard, 06/04/10)

### **CLIMATE CHANGE FAILED TWO CROP CYCLES**

For the first time, the Indian Council of Agricultural Research (ICAR) said there was empirical evidence to show that a change in weather patterns affected at least two cropping cycles in recent years. Rising temperatures and an unpredictable monsoon are two major threats looming over farms, evidence culled from long-term ICAR studies suggests. The ICAR also said the apple belts of Himachal Pradesh were shifting upwards due to warmer temperatures between November and March.

A 22 percent rain deficiency last year cut rice output by 14 percent and sugar by 13 percent. The monsoon is vital for maintaining levels in 81 centrally monitored reservoirs, and is critical for irrigation, power and drinking. (Source: Hindustan Times, 06/03/10)

### **IMPORT DUTY EXEMPTION HITS KARNATAKA OIL MILLS**

More than 150 small and medium-scale oil mills in central Karnataka have shut shop in the last one-and-a-half years, following losses of more than Rs 2.5 billion, leading to job losses for hundreds of workers in the rich oilseed belt. The current delivery cost of imported edible oil is Rs 420 for a 10 kg pack vis-à-vis Rs 440-460 per 10 kg pack for locally produced oil. This mismatch between cost and earnings has made oil extraction unviable for domestic producers. Zero import duty on crude edible oil and a very nominal duty on refined palmolein have favored imports over domestic oils at the expense of Indian oilseed producers and crushers. Oilseed stocks (over 18 million tons) were at a record high on April 1, 2010 due to reduced crushing during. The oil mills want the government to immediately re-impose an import duty of at least 30 percent on edible oil, so that imported oil becomes costlier than domestically produced oil.

(Source: Business Standard, 05/25/10)

### **HAILSTORM DESTROYS APPLE CROP IN HP**

Last week's hailstorms in many parts of Himachal Pradesh (HP) have damaged apple crops. Over

50% of apple bloom in 70% of the total apple crop in the hill state were destroyed. The main varieties of apple that have suffered heavy losses were "Royal Delicious" and "Red Royal". Apple arrivals usually start in August and peak around November. Fruits growers say that in addition to the apple crop, the apricot and almond crops were also affected by the hailstorm. (Source: Financial Express, 06/06/2010)

### **GRAPE SEIZURES AT EU PORT: INDIA SENDS DELEGATION TO SORT OUT**

The Commerce Ministry of India has sent a delegation to Rotterdam to try and convince officials at the European port that Indian table grapes were wrongly seized over the alleged presence of chemical preservatives. The delegation will also report on how many containers of table grapes are actually languishing in the port. On May 15, Commerce Secretary Dr. Rahul Khullar said that the government will take measures to resolve the matter within a week's time. (Source: Mint, 05/28/2010)

### **BHARTI RETAIL TO DOUBLE STORE COUNT BY YEAR- END**

Bharti, the owner of Easy Day Stores, is on an expansion spree after mostly restricting its presence to Punjab for almost 3 years. The retail arm of Bharti group, which has joint venture with Wal-Mart in the cash and carry wholesale segment, plans to have 125 Easy Day supermarkets and 13 Easy Day hypermarkets by the end of the year. Bharti's wholesale partner Wal-Mart is spending millions to shop its way into India's lucrative retail market, which is growing at a 13-14% annual rate. Meanwhile, buoyed by a pick up in consumer demand after last year's slowdown and reasonable property rentals, other retailers and cash and carry players are also ready with a second wave of expansion. (Source: Economic Times, 06/01/2010)

### **BIG RETAILER PROVES A BOON TO SMALL FOOD PROCESSING VENDORS**

While organized retail is considered by some as a threat to small stand alone outlets, retailers' private brands have come as a boon for small vendors in the food and beverages processing sector. Retailer's annual contract manufacturing orders to vendors run in millions. The trend has also worked as a catalyst for vendors in attracting FMCG companies to them; companies are now hiring the same vendors as employed by retailers. For instance HUL's newly launched Knorr noodles is manufactured by Magic Foods, a vendor of future group. (Source: Business Standards, 06/02/2010)

### **HIGH PRICES MAY BOOST PULSE SOWING BY 20%**

Indian farmers are likely to expand cultivation of kharif pulses by 15 to 20% in 2010-11. Farmers are expected to be lured by record high prices of pulses last year, though rains will be a key

factor, industry officials said. Pigeon peas, black gram, and green gram are key pulses grown in the summer season. India's monsoon rains are forecast to be normal with 98% of the long average period. The monsoon rains have hit the country's southern coast as scheduled, said the Chief of the weather office. The Agriculture Department in Mumbai this year has launched a special program called Maharashtra Pulses Mission to increase the area under pulses cultivation. (Source: Financial Express, 06/02/2010)

### **WATER LEVEL IN RESERVOIRS BETTER THAN 2009**

The four-month monsoon season in India is starting this year with rather comfortable water level in India's 81-odd major reservoirs, a big departure from the last year when reservoir levels dropped to record lows. Water in India's main 81 major reservoirs not only provides irrigation to vast tracts of farmlands, but is also the main source of power and electricity. (Source: Financial Express, 06/02/2010)

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

<b>REPORT #</b>	<b>SUBJECT</b>	<b>DATE SUBMITTED</b>
IN1047	Weekly Hot Bites, #21	05/27/2010

### **WE ARE ON THE NET**

Visit our headquarters' home page at [www.fas.usda.gov](http://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](mailto:Agnewdelhi@fas.usda.gov)