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Report Highlights:

Wheat scheme likely to be tweaked again, *Government to set volume limits on cotton exports*, *Subsidized items for the poor may soon include sugar, oil and pulses*, *Government opens debate on FDI in multi brand retail – releases discussion paper for stakeholders*, *Minister of Commerce Sharma says that Multi brand retail will bring more jobs*, *Food Processing can thrive with improved infrastructure, wastage cut*, *Coke and Pepsi join hands to establish the Indian Beverage Association*, *Sugar mills to consider new cane pricing formula*, *Export of oilmeals in first quarter down by 13 percent*.

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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WHEAT SCHEME LIKELY TO BE TWEAKED AGAIN

In a bid to clear massive government grain stocks, the government may rework the open market sales scheme (OMSS) for wheat once again. The new policy will likely declare a uniform wheat price for the country, pegged much lower than the market price to encourage higher off take. Earlier last week the government released 2 million tons of wheat in the market under the OMSS. The Food Corporation of India, the nodal government agency responsible for government procurement, storage and distribution, would sell wheat at an acquisition cost of 2008/09 plus freight charges from Ludhiana. However, with transportation and other charges added to the ex-Ludhiana price, OMSS wheat prices have ballooned for most states, making it difficult to sell wheat speedily thus far. (Source: Times of India, 07/02/2010 Times of India)

GOVERNMENT TO SET VOLUME LIMITS ON COTTON EXPORTS

The Commerce Secretary said that government will fix the quantum of cotton to be exported every year to end uncertainty on its availability for exports. Before the next season starts on October 1, the government will announce the volume that can be exported. The Commerce Ministry will fix the export quantity in discussion with Ministry of Agriculture and Ministry of Textiles after assessing the domestic cotton production and consumption situation. (Source: Financial Express, 07/03/2010 Financial Express)

SUBSIDIZED ITEMS FOR THE POOR MAY SOON INCLUDE SUGAR, OIL & PULSES

The government plans to expand the basket of subsidized food items supplied to the poor by adding edible oils, sugar and pulses to the existing basket of wheat and rice, so as to ensure complete nutrition to the deprived classes. The proposal is expected to be discussed at the July 24 meeting of the National Development Council, a body of state chief ministers chaired by the prime minister. The idea was advanced by National Advisory council, an influential advisory body to the government. The government is also considering providing direct subsidy to the poor through smart cards to effectively check pilferage of subsidized food items. (Source: Economic Times, 07/05/2010 Economic Times)

GOVERNMENT OPENS DEBATE ON FDI IN MULTI BRAND RETAIL – RELEASES DISCUSSION PAPER FOR STAKEHOLDERS

On July 6, the government took the first step towards opening up foreign direct investment (FDI) in multi brand retail with Department of Industrial policy and Promotion issuing a discussion paper on the issue for comments from the stakeholders. The paper stated that keeping in view the large requirement of funds for back-end infrastructure, there is a case for opening up of retail sector to FDI in calibrated manner. Interestingly the paper has not recommended a specific FDI ceiling and sought public opinion. Other issues up for debate include identifying location for such stores, local sourcing and rural job creation. (Source: Business Line, 07/07/2010 Business Line)

MINISTER OF COMMERCE SHARMA SAYS THAT MULTI BRAND RETAIL WILL BRING MORE JOBS

Commerce and Industry Minister, Anand Sharma is confident that the next few months of debate on the discussion paper on allowing FDI in multi brand retail will help skeptics understand the long tern benefits of the move. While opposition parties including Bhartiya Janata Parties and Left Parties have raised concerns over the impact on farmers, unorganized produce sellers and low income consumers, Minister Sharma said multi brand retail will transform rural economies and create new jobs. Besides generating job opportunities to the rural and urban youth, it will provide remunerative prices for the produce to the farmers. (Source: Indian Express, 07/08/2010 Indian Express)

FOOD PROCESSING CAN THRIVE WITH IMPROVED INFRASTRUCTURE, WASTAGE CUT

The Indian food processing industry which was growing at annual rate of 7 percent before 2005, is now growing at a rate of 15 per cent. Even though India is second largest food producer in the world, processing level of agriculture and allied commodities is only 6-8 per cent compared to 70-80 per cent in developed countries. According to the minister of food processing ministries, Mr. Subodh Kant Sahai '' There is a huge technological gap in the post harvest management and processing of agricultural produce. Around 30-35 % of the produce gets wasted annually due to lack of proper cold chain in India. Market –driven agriculture with strong backward linkages and the cold chain supply network can boost production and minimize wastages''. An investment in food processing sector can generate higher rate of employment than any other sector. The industry employs an estimated 1.6 million people, one-fifth of the country's industrial labors, and accounts for 14 per cent of the total industrial output. ITC, Dabur, Britannia, Parle, Amul, Godrej, and Venky's are the major Indian firms present in food processing, while multinationals like Wal-Mart, Nestle, Pepsi, Coke, Kellog's, Unilever and Glaxo have their operations in the country. (Source: Financial Express, 7/5/2010 Financial Express)

COKE AND PEPSI JOIN HANDS TO ESTABLISH THE INDIAN BEVERAGE ASSOCIATION

RIVALS Coca-cola and PepsiCo have come together along with other beverages makers and bottlers to form the Indian Beverage Association (IBA), which will be the industry's single point of interaction with the government and help companies, comply with food safety guidelines and other regulations. Juices maker Dabur, packaging company Tetra pak, bottling companies Pearl drinks and Bengal Beverages, energy drink maker Red Bull, and drip and sprinkler systems firm Jain Irrigation Systems too have joined the association, while about 30-40 others including Bisleri International, Parle Agro, Amul, Godrej, bottlers, vendors and suppliers are expected to join in due course. The Indian Soft Drinks Manufacturers Association (ISMDA), represented by the two cola companies, is also being merged with the IBA. The IBA is being set up on the lines of the global organizations such as American Beverage Association (ABA) and British Soft Drinks Association. The IBA will help members deal with challenges like complying with food safety authority guidelines, double taxation, Value Added Tax, state-level controversies like allegations of water depletion (as in the case with Coca-Cola and PepsiCo), sugar imports, spurious drinks and more. Juice makers expect the IBA to help them expand their market. (Source: Economic Times, 07/05/2010 Economic Times)

SUGAR MILLS TO CONSIDER NEW CANE PRICING FORMULA

Private sugar mills, for the first time, are apparently willing to consider a cane pricing formula that would entail sharing two-thirds of their realizations from not just sugar, but even molasses and surplus bagasse, with farmers. According to sources, the proposal was slated to be discussed at an internal committee meeting of the Indian Sugar Mills Association (ISMA). The private sugar mills also wanted the government to free them from all levy and release mechanism obligations and allow prices of all their products to be market-determined. Once that happens, cane prices can be fixed based on a transparent formula acceptable to growers as well", the official added. (Source: Business Line, 07/08/2010 Business Line)

EXPORT OF OILMEALS IN FIRST QUARTER DOWN BY 13 PERCENT

According to the Solvent Extractors' Association (SEA) of India has just compiled the export data for export of oilmeals for the month of June 2010. The export during June 2010 is reported to 158,750 tons compared to 197,593 tons in June 2009. The overall export of oilmeals for April-June 2010 is reported at 536,700 tons compared to 614,528 tons. During current oil year, starting from November 2009 to June 2010, export of oilmeals declined continuously due to steady decreased in production of meat and partly due to reduction demand for compound feeds and crisis in the livestock industry, which has contributed to lower consumption of soya meal and other oilmeals. The fall in international prices and lower realization coupled with lower crushing and disparity in last few months also contributed to the decline in oilmeal exports from India. (Source: SEA Press Release, 07/07/2010)

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