

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

Wholesale index not in sync with zooming food prices, *Norms to ease wheat import hinge on paddy output*, *Amul cuts butter supplies by 25 percent*, *Drought to keep India's cooking oil imports at record*, *Peanut exports to EU decline sharply on strict quality norms*, *Indian tea exports likely to drop on pesticide norms*.

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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WHOLESALE INDEX NOT IN SYNC WITH ZOOMING FOOD PRICES

Inflation in food items climbed to record levels. Vegetable prices surged 45 percent lead by potatoes' 75 percent increase and onions' 10 percent. Rice prices rose 17 percent, pulses 21 percent, milk 10 percent and sugar 43 percent among others on a year-on-year basis. However, the Wholesale Price Index-based headline inflation continued to provide comfort to the government, inching up marginally from .12 percent to 0.37 for the week ending September 12. Headline inflation has failed to capture the sharp increase in food items. Data for the latest week showed that the wholesale price index for food articles rose by 15.64 percent compared with the previous week's 15.4 percent year-on-year basis. (Source: Business Line, 09/25/09)

NORMS TO EASE WHEAT IMPORT HINGE ON PADDY OUTPUT

The government will consider easing plant quarantine restrictions currently applicable to wheat imports once a clear picture emerges on the size of the paddy crop due for harvest next month. Despite comfortable wheat and rice stocks with the government (31.6 million tons of wheat and 18.5 million tons of rice on July 31), there is a view within the government favoring imports to forestall any possibility of price increases on account of the likely decline in rice production by 10 million tons or more this year. One way to do this is to encourage flour mills in the south to import wheat rather than source it from north. At prevailing price parities, wheat imports are possible. While southern mills are currently sourcing ordinary milling quality domestic wheat at around Rs. 13,700 (\$285) per ton, Black sea origin wheat can be imported at below \$200 per ton (C&F), while the landed price of Australian Prime White in Chennai would be roughly \$260 per ton. However, imports may not be possible in the current quarantine regime. "The call to be taken is whether or not to restore the July 3, 2006, relaxations [on quarantine norms]. The decision ultimately will have to be a political one," sources said. (Source: Business Line, 09/24/09)

AMUL CUTS BUTTER SUPPLIES BY 25 PERCENT

Low milk production has led the country's top butter producer 'Amul' to cut supplies by 25 percent. The shortage is so acute that even marginal players like Britannia, Mother Dairy, and Verka are not able to fill in the void left by Amul. Milk production usually rises post monsoon season, but may see a shortfall this year owing to delayed monsoon. Major producers of dairy

products are witnessing a rise in demand for dairy products but are unable to meet it. The situation is severe in the northern states where demand for milk fat shoots up ahead of the festive season. Some dairy companies feel that they may need to import butter-oil to meet the demand for butter and ghee. (Source: The Economic Times, 09/22/09)

DROUGHT TO KEEP INDIA'S COOKING OIL IMPORTS AT RECORD

According to the Solvent Extractors' Association (SEA), India may import record volumes of vegetable oil for a second year (November 2009-October 2010) after a drought in almost half the country damaged oilseed crops. Imports in the marketing year starting November 01 may rise as much as 6 percent to 8.5 million tons, with palm oil likely to account for more than 80 per cent of the total purchases. Production of India's monsoon-sown oilseeds, mainly peanuts, may drop as much as 1.5 million tons after the weakest rainfall in at least seven years forced farmers to plant fewer acres. The import taps are open, and shortages will be met through imports, the association said. India abolished the import duty on crude palm oil in April last year, and in March lifted a 20 percent tax on crude soybean oil purchases. Refined edible oils are taxed at 7.5 percent. (Source: Business Standard, 09/23/09)

PEANUT EXPORTS TO EU DECLINE SHARPLY ON STRICT QUALITY NORMS

Peanut shipments nosedived 94 percent to the European Union (EU) in the first five months of the current financial year (April-March). This is due to exporters' strict adherence to quality norms intended to raise the Indian commodity to global standards. During the five-month period ending August, total peanut shipments to the EU fell to 758 tons from 12,051 tons in the corresponding period last year. India exports 250,000-275,000 tons of peanuts of which 12 percent are exported to EU. About 90 per cent of the peanuts shipped to the EU are used for direct human consumption while 10 per cent are consumed as a mix for bird food. The Indian exporters lowered their overseas supplies amid apprehension that the consignments might be rejected if the commodity does not meet global standards. (Source: Business Standard, 09/23/09)

INDIAN TEA EXPORTS LIKELY TO DROP ON PESTICIDE NORMS

The tea industry in India could hit a road block as a commonly used pesticide 'Endosulphan' is likely to face a global ban after the Stockholm Convention in Geneva next month. The Indian tea industry, which has not sounded alarm signals yet, is already looking for alternatives. Exports might receive a setback in the European market if traces of endosulphan are found in

the commodity. Meanwhile, the National MRL Committee on tea, set up by the Tea Board, is talking to pesticide manufacturers to find and register efficient molecules effective for tea. The Indian tea industry is confident of its crop acceptance across the world but is concerned about pest management post-endosulphan ban. To establish tea as a safe health drink, the industry is pushing the Food and Agriculture Organization of the United Nations to consider residual limits in brew and not in black tea. (Source: The Financial Express, 09/22/09)

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