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GAIN Report

Global Agricultural Information Network

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Report Highlights:

Vegetable oil import slips 4.4 percent in December, *Food inflation eases to 15.52 percent*,
Sugar industry worried after Cabinet reshuffle, *Government considering decision on FDI Retail
in India*, *Starbucks comes to India*, Government begins issuing release orders for export of 1.9
million bales of cotton*, *80-90 percent rabi crop damage in the Indian State of Madhya Pradesh*,
Wheat, rapeseed coverage higher in rabi season sowing in India, *Crop Summit sounds the
alarm bell: 'Acute food scarcity in India by 2020'*.

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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VEGETABLE OIL IMPORT SLIPS 4.4 PERCENT IN DECEMBER

According to the press release from the Solvent Extractor's Association of India (SEA), the total import of vegetable oils in the first two months of the current oil year (November 2010-October 2011) slid eight per cent to 1.42 million tons compared with 1.54 million tons last year. The current stock of edible oils at various ports (as of January 1) is estimated at 645,000 tons and approximately 750,000 tons is also in the pipeline. The appreciating rupee has facilitated India's import of 638,000 tons of palm oil in December 2010 (compared to 625,000 tons in Dec 2009). (Source: [Hindu Business Line](#), 01/14/2011)

FOOD INFLATION EASES TO 15.52 PERCENT

For the week ending January 8, Indian food price inflation eased to 15.52 percent, compared to 16.91 the previous week. However, the price of meat, fish, eggs and milk remain substantially high. In fact, the Reserve Bank of India (RBI) has attributed the rise in food inflation to rising incomes of Indians and higher consumption of protein-based items. The price of onions, which recently has been one of the main contributors to food inflation, has risen by over 98 percent on a yearly basis. Vegetable prices have also risen by over 65 percent in the last year. (Source: [Business Standard](#), 01/21/2011)

SUGAR INDUSTRY WORRIED AFTER CABINET RESHUFFLE

With rise in food prices putting pressure on the government, the Prime Minister has reshuffled his cabinet, and Minister Pawar is no longer in charge of the Food Ministry portfolio. Although, under Pawar's leadership, the sugar industry was unable to obtain the proposed deregulation of the sector, ethanol blending from bagasse sugarcane received political support. Minister Pawar was also responsible for the introduction of sugar cane price support, as well as the first-ever acquisition of a foreign sugar company by an Indian company. The new Food Minister, K.V. Thomas does not belong to a sugar producing state, and therefore some believe he will be able to make objective decisions in the interest of both the producer and the consumer. (Source: [Business Standard](#), 01/20/2011)

GOVERNMENT CONSIDERING DECISION ON FDI RETAIL IN INDIA

The Commerce Ministry of India is likely to advance a cabinet proposal on foreign direct investment in multi brand retail. The Bhartiya Janta Party (BJP) is strongly opposing the move which has already received approval from the Gujarat and Punjab Chief Ministers. The liberalization of the retail sector has also received approval from the Consumer Affairs Ministry, the Small and Medium Enterprises Ministry and the Central Planning Commission. At present, the GOI allows up

to 51 percent in single brand retail and 100 percent in cash and carry. While 100 percent FDI in cold chain infrastructure is permitted, FDI is barred from multi-brand retail. (Source: [Hindu Business Line](#), 01/20/2011)

STARBUCKS COMES TO INDIA

Howard Schultz, chairman of Starbucks, the Seattle-based coffee chain, has announced an agreement with the Tata group to source beans from Tata Coffee plantations in south India. Under the agreement, Starbucks will also open a few stores, most likely in the Tata run Taj hotels. Schultz noted that India's regulations controlling multi-brand retail had been a problem, however "tackling the Indian market could not be postponed for ever." (Source: [Indian Express](#), 01/15/2011)

GOVERNMENT BEGINS ISSUING RELEASE ORDERS FOR EXPORT OF 1.9 MILLION BALES OF COTTON

According to the official sources from Ministry of Commerce, the Directorate General of Foreign Trade (DGFT) has started issuing registration certificates for cotton exports. The government had recently allowed export of 1.9 million bales (1 bale= 170kg) which could not be shipped out by December 15, the earlier deadline for exports. In October, export of 5.5 million bales of cotton was permitted for the marketing year ending September. The approved quantity of cotton exports has been nearly exhausted. India has stepped up exports amid an estimated bumper production of 32.9 million bales. (Source: [Business Standard](#), 01/21/2011)

80-90 PERCENT RABI CROP DAMAGE IN THE INDIAN STATE OF MADHYA PRADESH

Amid reports that pigeon-pea is the worst weather-hit crop this rabi season (November-March), the output for the season is likely to be revised downwards. In some areas like the Malwa belt in the state of Madhya Pradesh, 80-90 per cent of the gram (chana) crop has been damaged due to freezing temperatures. The State government has sent teams to various parts to estimate the crop damage. Farmers told the Business Standard that pigeon-pea has been badly damaged in most of the districts in Malwa region. Barring wheat almost all fruits, vegetables and other rabi crops have been damaged by nearly 20-80 per cent. Government authorities were not available for comment. "We are still estimating the damage and it would take at least a month to complete the assessment," said a government official in the agriculture department. The state grows high protein and palatable varieties of pigeon-pea in more than 350,000 hectares. (Source: [Business Standard](#), 01/21/2011)

WHEAT, RAPESEED COVERAGE HIGHER IN RABI SEASON SOWING IN INDIA

With rainfall between October and December 21 per cent higher than normal, coverage of almost all rabi crops, barring rice, maize and jowar, have improved compared with last year. According to the Agriculture Ministry, the area under wheat has increased to 28.84 million hectares (mha) against last year's 27.91 mha. Rain in November led to improved ground water level and better storage position in reservoirs. This, apparently, has led to farmers going in for higher coverage of wheat. In States such as Gujarat, farmers have shifted to wheat from crops such as jeera, which cannot tolerate cold waves. However, the rains have affected rice sowing. South India, in particular, experienced rains in November and December, leading to floods and the situation has not been conducive for sowing. A prolonged dry period in the eastern parts has also contributed to the poor sowing. As a result, rice coverage is down to 0.92 mha from 1.26 mha. The unseasonal rain seems to have affected the coverage of coarse cereals –corn and pearl millets too. Pulses, on

the other hand, have witnessed a rise in area, thanks to higher prices prevailing in the market. Though prices of pulses have dropped from higher levels witnessed at the start of 2010, they are still remunerative. (Source: [The Hindu Business Line](#), 01/15/2011)

CROP SUMMIT SOUNDS THE ALARM BELL: 'ACUTE FOOD SCARCITY IN INDIA BY 2020'

With the Indian Council of Agricultural Research (ICAR) projecting that India will require 30 per cent growth in rice and cereal production, 140 per cent in pulses and 243 per cent growth in oilseeds to feed the burgeoning population over the next 10 years, a two-day India International Crop Summit organized by the Indian Chamber of Commerce in Bhubaneswar (January 10-11) has once again highlighted the issue of food insecurity. "India needs to prepare itself in advance as acute foodgrain scarcity is likely by 2020," said Swapan K. Dutta, Deputy Director General (Crop), ICAR, at the crop summit. The summit looked at India's position in the global crop production market and the need to meet the demands of a rapidly changing global crop production industry against the background of a world demanding 50 per cent more food, 30 per cent more water, and 50 per cent more energy by 2030. Dutta said though the country in 2009 produced 100 million tons of rice, it would require about 130 million tons of rice in 2020 while the requirement of wheat would reach 110 million tons in 2020 against production of only 80 million tons in 2009. While there will be demand for more foodgrain by 2020, rice yields could fall by 15 per cent to 42 per cent, wheat by 34 per cent due to possible drought, salinity and submergence, an ICAR report said, adding that the net agriculture revenue would decline by 12.3 per cent if temperature changes by 2 degrees Celsius and rainfall by just 7 per cent. Incidentally, for the past few decades, the total cultivable land has remained fixed at 140 million hectares in the country, he said. (Source: [Indian Express](#), 01/14/2011)

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REPORT #	SUBJECT	DATE SUBMITTED
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IN1106	India Extends Ban on Imports of Milk and Milk Products from China	01/18/2011

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