

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

2009 monsoon is the weakest since 1972, *Dr. Swaminathan says India can avoid imports with better storage*, *Rise in global prices may derail National Dairy Development Board plan to import milk powder*, *India carries over 800,000 tons soybean stock*, *Bharti Retail to increase staff strength to 60,000 by 2015*, *Café culture spurs rapid increase in domestic coffee consumption*, *New law could set tax parity for synthetic and cotton fiber*.

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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2009 MONSOON IS THE WEAKEST SINCE 1972

India's monsoon this year was the weakest in more than three decades. Rainfall during the monsoon season (June – September) was 23 percent below the long-term average, and the lowest since 1972, said the Director General of the Indian Meteorological Department. "The government will now need to put all its efforts in salvaging winter agriculture production. (Source: Financial Express, 10/01/09)

DR. SWAMINATHAN SAYS INDIA CAN AVOID IMPORTS WITH BETTER STORAGE

Noted Agricultural Scientist Dr. M.S. Swaminathan came down heavily on proposals to import foodgrains to tide over the shortage due to poor monsoon rains this year. He said that if only the Government had taken adequate measures to modernize foodgrain storage systems, imports would not be needed. "The importers' lobby would always be there to make profit out of poverty. But the government needs to take adequate steps to improve the infrastructure for storing foodgrains. We should not allow monkeys and rats to eat away our produce," he said. (Source: Hindu, 09/30/09)

RISE IN GLOBAL PRICES MAY DERAIL NATIONAL DAIRY DEVELOPMENT BOARD PLAN TO IMPORT MILK POWDER

Hardening international prices may play spoiler in the National Dairy Development Board's (NDDDB) plans to import up to 10,000 tons of skimmed milk powder (SMP) at five percent duty under the tariff rate quota (TRQ) regime. Over the last month or so, global SMP prices have risen by \$250-500 a ton with SMP of Western Europe origin currently quoting at \$2,550-2,675 a ton FOB. The average price of whole milk powder of New Zealand's Fonterra for September stood at \$2,858 a ton compared to the average auction prices of \$2,301 a ton for August and \$1,829 a ton for July. Even low-grade SMP from East Europe, is now selling at \$2,300-2,400 a ton. "After adding freight, port handling charges and the five per cent Customs duty, the imported powder will cost at least Rs 125 a kg, which is roughly the price of domestic powder now," industry sources noted. Moreover with peak production season round the corner and procedural issue with regards to import under TRQ, imports of SMP does not seem to be a viable option now, sources added. (Source: Business Line, 09/30/09)

INDIA CARRIES OVER 800,000 TONS SOYBEAN STOCK

According to industry estimates, India has more than 800,000 tons of soybean carry over stock for the season beginning October 2009. Farmers, crushers, and other market participants held stocks in anticipation of rise in prices due to rain deficiency affecting the current season's crop. According to Soybean Processors' Association, farmers are holding about 500,000 tons of soybeans while traders and crushers hold 300,000 tons. The carryover stocks assume significance as farmers and traders have started to use the knowledge about overseas developments that affects prices of the crop to plan for optimal marketing conditions. (Source: Business Standard, 09/30/09)

BHARTI RETAIL TO INCREASE STAFF STRENGTH TO 60,000 BY 2015

Bharti Retail, a subsidiary of Bharti Enterprises, today said it will increase staff to 60,000 by 2015 from 2,000 now, setting the target of becoming a \$1 billion company. Making a case for allowing FDI in multi-brand retailing, Bharti Enterprises Vice-Chairman said the move will help create millions of jobs and will open up bigger export opportunities, helping India close the gap with China in global trade. He also said once India opens up the front-end, it would be able to move private labels in a big way. Bharti Retail has around 30 stores, mainly in Punjab and Haryana and will open 40 more in the National Capital Region by end of December. It is tied with the world's largest retailer Wal-Mart for the wholesale (cash-and-carry) business, where 100 percent FDI is allowed. The government also allows 51 percent FDI in single-brand retailing but none in multi-brand stores. (Source: Business Standard, 10/01/09)

CAFÉ CULTURE SPURS RAPID INCREASE IN DOMESTIC COFFEE CONSUMPTION

The growth of cafe culture is helping India expand domestic coffee consumption. According to the Indian Coffee Board, domestic coffee consumption in 2008-09 was 95,000 tons, up some 40,000 tons in last seven years. "Coffee consumption in the country is increasing five percent every year. Against this, global growth in coffee consumption is only two percent," said a Coffee Board official. "The cafe culture is sustaining coffee consumption in the country. People are comfortable with it since it is neither a pub nor a restaurant," said a Coffee Board member. (Source: Business Line, 09/26/09)

NEW LAW COULD SET TAX PARITY FOR SYNTHETIC AND COTTON FIBER

The Textile Ministry has appointed a 41 member expert group consisting of textile exporters and policy experts headed by the textile secretary to formulate a National Fiber Policy that will bring parity between cotton and synthetic fibers. India's existing policies are biased in favor of cotton. The President of the Indian Spinners Association said that there is a need to have a policy on taxation of all fibers to ensure level playing fields. The proposed National Fiber

Policy will also look into ways to increase textile exports and boost local demand. Currently, there is no comprehensive policy governing fibers in India. Cotton as an agricultural product is handled by the Ministry of Agriculture, jute by Ministry of Commerce, and man-made fiber is taken care by the Ministry of Chemical Industries. (Source: Economic Times, 09/26/09)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

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IN9129	Sugar: Semi-Annual	09/30/09

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