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Approved By:

Holly Higgins

Prepared By:

A. Govindan, Santosh Singh, Deepa Dhankhar, Amit Aradhey

Report Highlights:

India expected to grow at 6.3 percent in 2009-10..., *...Recovery more important than inflation*, *Government to sell one million tons of wheat*, *Agricultural imports deemed "sensitive" by the Ministry of Commerce are up 35 percent during April-July 2009*, *Increase in cotton Minimum Support Price (MSP) places budgetary burden on Government*, *India proposes climate change talks with EU and U.S.*, *India against moves for 'weak' climate accord*, *Simplify tax structure for food processing*, *Animal health and nutrition businesses keen to develop presence in Indian market*, *Indian hotels to double capacity in the next 3-4 years*, *APEDA to introduce a traceability for Indian organic food*, *Oilmeal exports fall 51 percent during April-September 2009*, *Recent rains may hit quality of soybean crop*.

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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INDIA EXPECTED TO GROW AT 6.3 PERCENT IN 2009-10 ...

According to Planning Commission Deputy Chairman, India is expected to register an economic growth of 6.3 percent or more in the current fiscal year. He noted that the impact of drought would be minimal as the country's economy was on the revival path. "Though drought continues to be a matter of concern, it will have less of a negative effect than was originally thought. There are signs of revival in the rest of the economy," he said. India's economy grew by 6.7 percent in 2008-09 compared to over 9 percent growth in the previous three years. (Source: Hindustan Times, 10/06/09)

... RECOVERY MORE IMPORTANT THAN INFLATION

Economic recovery and job creation in India are more important than trying to tame inflation, said Deputy Chairman of India's Planning Commission. He said that the overall inflation rate was not a big problem now, but surging food prices were a concern. "Food prices are higher than they should be. We are very concerned about that," he said, adding food would be imported if needed to bring prices under control. (Source: Mint, 10/05/09)

GOVERNMENT TO SELL ONE MILLION TONS OF WHEAT

To ward off any large increase in wheat prices, due to fears of low kharif foodgrain output and floods in several parts of Andhra Pradesh, Karnataka, and Maharashtra, the Government has decided to sell one million ton of wheat from its reserves under the open market sale program. This is part of an earlier government plan to sell around three million tons of wheat in the open market from October 2009 to March 2010. "We are still discussing the mechanism of the wheat sale under the scheme as the flour millers have requested to change the tendering system," said K.V. Thomas, Minister of State for Food and Agriculture. On the

prospects of wheat exports due to huge reserves with the Food Corporation of India (FCI), he said, "Keeping in view the likely reduced production of foodgrains in kharif 2009-10, there is a need to conserve stocks of foodgrains. Therefore, it is not found feasible to permit export of wheat." (Source: Financial Express, 10/07/09)

AGRICULTURAL IMPORTS DEEMED "SENSITIVE" BY THE MINISTRY OF COMMERCE ARE UP 35 PERCENT DURING APRIL-JULY 2009

Imports of agriculturally sensitive (monitored by the Commerce Ministry for their impact domestic prices) have increased a 35 percent during April through July. Imports of edible oils, pulses, milk and milk products have shot up to make up for domestic supply concerns. Total imports of sensitive items for April – July 2009 were valued at Rs. 180.6 billion compared with Rs. 134.2 billion during the corresponding period of last year. Edible oil imports during April-July increased from Rs. 36.8 billion last year to Rs. 71.5 billion during the corresponding period of this year, pulse imports increased from Rs. 16.9 billion to Rs. 26.5 billion, fruits and vegetables from Rs. 15.5 billion to Rs. 20.3 billion, and milk and milk products from Rs. 147 million to Rs. 864 million. (Source: Business Line, 10/09/09)

Post Comment: For details, see www.pib.nic.in/release/release.asp?relid=53067

INCREASE IN COTTON MINIMUM PRICE (MSP) PLACES BUDGETARY BURDEN ON GOVERNMENT

The budgeting burden of the Central Government due to increase in Minimum Support Price (MSP) for cotton is likely to increase significantly this year as acreage under the crop is expected to cross 10 million hectares. The Textile Ministry had to pay Rs. 35 billion as subsidy for procurement of cotton by the government agencies at MSP in the last cotton season 2008/09. The cotton production in the upcoming MY 2009/10 expected to be higher at 31.5 million bales (170 kg) compared to last year's 29.0 million bales. Consequently, government will have to step up its MSP procurement through agencies like Cotton Corporation of India, and National Agricultural marketing federation, and the subsidy is also likely to be higher than last year. (Source: The Financial Express, 10/04/09)

INDIA PROPOSES CLIMATE CHANGE TALKS WITH EU AND U.S.

Environment Minister, Jairam Ramesh, said that India has proposed bilateral dialogues with US and EU on the issue of climate change, similar to the meetings expected with China later this month. The meeting with China is not directly related to the Copenhagen negotiations in December, but will address actions taken by the two countries on climate change. Minister Ramesh hopes that India could have annual climate change policy consultations with EU, US

and China to address broad technical areas of implementation of national action plan on climate change. (Source: Financial Express, 10/04/09)

INDIA AGAINST MOVES FOR 'WEAK' CLIMATE ACCORD

India is warning against fresh moves by some developed countries for a 'weak' global accord to ensure planet friendly climate. Developing countries are also coming together to oppose a parallel move by developed countries to set aside the existing Kyoto protocol. India's Special Envoy on Climate Change Issues, Shyam Sharan, said 'We are not in a position to accept an outcome which, in sense, supersedes the United Nations Framework Convention on Climate Change (UNFCCC) or represents a major deviation from UNFCCC and is also not in consonance with the mandate of the Bali Action Plan'. (Source: The Hindu, 10/09/09)

SIMPLIFY TAX STRUCTURE FOR FOOD PROCESSING

Indian Prime Minister has called for rationalization and simplification of tax structure for the food processing sector. He stressed that India need to look at the taxation structure in the industry, and emphasized that both center and states can work together to seize upon the immense opportunities offered by the food processing sector. Currently, primary agricultural commodities are generally exempted from taxes but processed foods are subjected to multiples levies. Therefore, there is an urgent need to rationalize and simplify the tax structure for processed foods. India is a major food producer but its share in global trade is less than two percent. However, India has the potential to emerge as a leader in the global food processing industry. (Source: The Business Line, 10/07/09)

ANIMAL HEALTH AND NUTRITION BUSINESSES KEEN TO DEVELOP PRESENCE IN INDIAN MARKET

The major players in the global animal health and nutrition are making the Indian market, a priority, where the sheer number of animals offers a huge potential. Major players such as Novartis and Pfizer are already present in the local market, others such as Dutch company Provini and French companies Virbac and Vetoquinol have made their entry by buying out local businesses. According to industry sources, low productivity, increased product patent protection and urbanization add to the opportunity in this sector. Large local players such as Zydus Cadilla, Ventri, and Intas are also integrating and making investments in their respective animal health businesses. (Source: The Business Line, 10/08/09)

INDIAN HOTELS TO DOUBLE CAPACITY IN THE NEXT 3-4 YEARS

The Indian hotel industry will almost double the number of rooms from the current levels in

the next three-four years. The addition of rooms will be led by regional real estate players and hospitality firms. Despite the economic downturn, the Indian hospitality sector will see an expansion in the coming years. Mumbai, Delhi, Bangalore, Hyderabad, and Pune were among the top five cities in terms of active development of new projects. Additionally, the five year tax holiday granted by the government for hospitality projects in Delhi and national capital region to increase supply of rooms for the forthcoming Commonwealth games will drive hotel construction in this region. (Source: The Economic Times, 10/03/09)

APEDA TO INTRODUCE A TRACEABILITY FOR INDIAN ORGANIC FOOD

The Agricultural and Processed Food Products Export Development Authority (APEDA), is set to launch a nation-wide system of traceability for organic food items in January 2010. According to the Director of APEDA, the traceability system will be a massive online database containing real-time information on production and exports. With this system in place, farmers will not only put their farming details and practices online, the certifying body will also be required to enter the latitude and longitude of the farmland, which will be verifiable on Google Earth. The system has already been successfully tested for grapes. The APEDA is conducting capacity building training programs at 30 centers across the country to prepare the stakeholders for the launch of the traceability system. (Source: The Indian Express, 10/04/09)

OILMEAL EXPORTS FALL 51 PERCENT DURING APRIL-SEPTEMBER 2009

Oilmeal exports fell 51 percent in the first half of the current financial year (April 09-March 10) due to weak demand and lower crushing and processing by local mills. According to data compiled by Solvent Extractors' Association (SEA) of India, oilmeal exports slumped to 1.23 million tons between April and September 2009, compared to 2.53 million tons in the corresponding period last year. However, total shipments jumped 19 percent to 231,000 tons in September, against 193,000 tons in the same period last year. Soymeal export in September 2009 stood at 171,955 tons compared to 68,443 tons in corresponding period of last year, while rapeseed meal exports stood at 45,318 tons vis-à-vis 102,496 tons last September. For more information please visit the following link (http://www.seaofindia.com/oilmeal_data/oilmealdata_sept_2009.pdf). (Source: Business Standard, 10/09/09 and SEA)

RECENT RAINS MAY HIT QUALITY OF SOYBEAN CROP

According to Soybean Processors' Associations (SOPA) of India, Indore and Soybean Processing and Utilization Centre of Central Institute of Agricultural Engineering, Bhopal, the recent rains in key soybean growing regions of Madhya Pradesh and Maharashtra may affect the quality and oil content of soybean, without impacting the output. Most farmers have sown

short duration 85-90 days maturity crop in place of 110-120 days because of drought-like conditions in the earlier part of the season, and therefore their quality could not get impacted if moisture rises during harvesting. SOPA estimates 2009-10 (October-September) soybean production at 9.7 million tons with Madhya Pradesh, Maharashtra and Rajasthan production estimated at 5.5 million tons, 2.9 million tons and 609,000 tons respectively. (Source: The Financial Express, 10/08/09)

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