Voluntary - Public

Date: 10/30/2009

GAIN Report Number: IN9141

India

Post: New Delhi

Weekly Highlights and Hot Bites No. 44

Report Categories:

Agriculture in the News

Approved By:
Thom Wright

Prepared By:
Amit Aradhey

Report Highlights:

Food subsidy may shoot past Rs 600 billion, *Cane growers in Uttar Pradesh (UP) seek higher prices*, *Amendment to the essential commodities act 1955 and sugarcane (control) order 1966*, *Inflation rate surges to 1.51 percent*, *India raises 2009/10 wheat output target*, *RBD Palmolein imports up on blending demand*, *Central Government has scraped import duty on rice till September 2010*, *Renewed pressure on Government to levy duty on vegetable oils*.

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.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

FOOD SUBSIDY MAY SHOOT PAST RS 600 BILLION

India's food subsidy bill could shoot well past the Rs 600 billion mark this year, defying the budgetary estimate of Rs 521.45 billion for 2009-10. This follows on the back of an impending bonus to paddy farmers and possible high priced rice imports (estimated at 2-3 million tons) later in the year. In addition, the wheat support price, to be announced next week, is also likely to be hiked upward from the current Rs 1080/qt. Imperative paddy imports could be made by the State through government-to-government rice import deals with other exporters such as Myanmar. Around Rs 300 billion of subsidy has already been spent this year. A bonus would mean that the economic cost (procurement, storage and transportation) of rice would go up significantly. A key reason why stocks went up to 50 million tons by June 2009 is the sustained hike in grain support to boost State purchases and prevent a repeat of 2006-07 and 2007-08, when highly-priced wheat (7.3 million tons) was imported. The massive jump in food subsidies (Rs 500 billion) in 2008-09 came on account of subsidy levels between 58 to 86 percent for wheat and 51 to 82 percent for rice for various categories of households. The MSP for coarse cereals also went up.

(Source: Economic Times, 10/29/09)

CANE GROWERS IN UTTAR PRADESH (UP) SEEK HIGHER PRICES

Cane growers in UP are planning to launch an agitation demanding higher prices for their crop to be crushed by sugar mills in the 2009/10 season (October-September). The move could delay further the start of the crushing operation and impact wheat sowing for the Rabi season. The farmers are demanding Rs 280 a quintal, compared to the State Advised Price (SAP) of Rs 165-170 and an expected Fair and Remunerative Price (FRP) of Rs 135 per quintal. Farmers are ensuring that no cane is supplied unless mills pay them their desired rates. The mills are under wait and are watching conditions. Earlier, on October 22, the Central Government had issued an amendment, exempting mills from paying any price other than the Central Government's FRP. State governments that have announced SAP's higher than the FRP will be required to pay the difference from their own budgets, with the mill's liability restricted to just the FRP's.

(Source: Business Line, 10/28/09)

AMENDMENT TO THE ESSENTIAL COMMODITIES ACT 1955 AND SUGARCANE (CONTROL) ORDER 1966

The Union Cabinet today gave its ex-post approval to changing the concept of "minimum price" to "fair and remunerative price" of sugarcane by Amendment to section 3 (3C) of the Essential Commodities Act, 1955 by promulgation of EC (Amendment & Validation) Ordinance 2009 on 21.10.2009 and consequential amendment to the Sugarcane (Control) Order, 1966 vide Order dated 22.10.2009. Following these amendments, a fair and remunerative price of sugarcane to be paid by sugar mills in 2009-10 sugar season has been approved by the Government at Rs.129.84 per quintal linked to 9.5 percent recovery subject to a premium of Rs.1.37 per quintal for every 0.1 percent increase in the recovery above 9.5 percent. This price will be uniformly applicable in all the States. The deletion of the proviso has been made to make the wording of item (g) free of any future ambiguity regarding working of the margins of risk and profit and also to reduce the possibility of litigation on computation of fair and remunerative price. By introducing F&RP from 2009-10 sugar season, the sugarcane farmers will get a higher price for sugarcane in 2009-10 sugar season as compared to Rs.107.76 per quintal which was fixed on 25th June, 2009.

(Source: Press Information Bureau, 10/29/09)

INFLATION RATE SURGES TO 1.51 PERCENT

Wholesale price inflation rose at its fastest pace in six months, with the annual Wholesale Price Index-based inflation rate surging 1.51 percent during the week ended October 17, up from the previous week's annual rise of 1.21 percent. Inflation was recorded at 10.82 percent during the corresponding week of the previous year. The official WPI for 'All Commodities' for the latest week remained unchanged at previous level of 242.2 points. On a disaggregated basis, the Primary Articles group index declined by 0.1 percent as the index for 'Food Articles' dipped by 0.1 percent due to lower prices of fish-marine (6 percent). However, the prices of tea, mutton (goat meat), maize, arhar (Red gram), condiments, spices and moong (1 percent each) moved up. The Manufactured Products group index rose by 0.1 percent as the index for 'Food Products' group rose by 0.4 percent due to higher prices of imported edible oil and gur (jaggery) (4 percent each), rice bran oil (3 percent) and oil cakes (2 percent). However, prices declined for butter and groundnut oil (2 percent each), and gingelly oil and ghee (clarified butter) (1 percent each).

(Source: Business Line, 10/30/09)

INDIA RAISES 2009/10 WHEAT OUTPUT TARGET

India has raised its 2009/10 wheat output target by almost 4 percent to 82 million tons, a top official said, as unseasonal rains have boosted soil moisture which improves yield. Farm Secretary T. Nanda Kumar told reporters on Tuesday that the country, the world's second-largest wheat producer, will aim for higher wheat production. "Area may be half a million hectares more than last year. We will also aim higher productivity; 82 million tons is the new target," Kumar added. Last month, the federal government had set a 2009/10 target of 79 million tons, lower than 80.59 million tons produced in 2008/09, as the worst drought in 37 years had reduced soil moisture, which is essential for a good harvest. But unseasonal rain after the June-September monsoon season has helped boost the country's crop prospects. Improved soil moisture in most states also favors other winter-sown crops such as rice and rapeseed. The prospect for these crops looks good, said Kumar, adding that the country aims to raise its grain output consistently. "We want to increase grain production by 2.5 percent every year because purchasing power of the people is increasing," he said.

(Source: Reuters, 10/27/09, http://in.reuters.com/article/domesticNews/idINDEL49625820091027)

RBD PALMOLEIN IMPORTS UP ON GOOD DEMAND

According to estimates provided by the Solvent Extractors' Association (SEA), India imported a record 8.35 million tons of edible oils during the Marketing Year 2008/09 (October-September). A record 1.35 million tons of RBD Palmolein was imported this year due to low international prices, lower effective import duty and good demand from industry and state trading enterprises in India. According to the Association, higher imports of edible oils have hurt the domestic oilseed crushing industry, leaving idle 30 to 40 percent of the total crushing capacity.

(Source: Business Line, 10/27/09)

CENTRAL GOVERNMENT HAS SCRAPED IMPORT DUTY ON RICE TILL SEPTEMBER 2010

The Central Government has scrapped the 70 percent import duty on semi-milled and wholly milled rice to augment supplies in the domestic market, after drought in about half the country stocked fears of a fall in production of the food grain. The government had once earlier (March 20, 2008 to March 31, 2009) scrapped the customs duty in rice as part of measures to control inflation. However, the customs duty was restored with the ban on export of non-basmati rice, imposed in April last year, source added. The Agriculture Ministry estimates kharif rice production to decline by 10 million tons in view of drought but is aiming to raise rice production during the rabi season by more than 1.5 million tons to bridge the gap. India produced 84.6 million tons in kharif 2008. Meanwhile, the Cabinet is also likely to discuss a food ministry proposal to declare a bonus of Rs 50 over and above the Minimum Support Price (Rs 950-980 per quintal for average and high grade paddy) to procure around 29.4 million tons of rice this year for the Centre pool.

(Source: Business Line, 10/27/09)

RENEWED PRESSURE ON GOVERNMENT TO LEVY DUTY ON VEGETABLE OILS

Given falling domestic production of edible oils and rising imports to meet increasing local demand, the government is considering a customs levy to protect domestic producers. According to industry sources, Union agriculture secretary T Nanda Kumar has called for statistical information to justify the need to levy an import duty, on which the government is moving cautiously due to a renewed threat of inflation. Effective April 1, 2008, the import duty on crude and refined edible oils was reduced to nil and 7.5 percent, respectively, to control inflation, then hovering around 13 percent. If levied, edible oil prices would be costlier by almost half the duty rate. Analysts believe at least a 10 percent duty is required to stop imports by fly-by-night operators who mix beyond the permissible level of 20 percent with local oils, and sell oil in loose form. Small packers have been importing cheap palm oil more than domestic refineries. The tariff for edible oil was introduced to bring parity between domestic and global prices, says B.V. Mehta, executive director the Solvent Extractors' Association (SEA), but there is a huge disparity in these today, which needs to be bridged, he added.

(Source: Business Standard, 10/29/09)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN9137	Weekly Highlights & Hot Bites, #43	10/23/09
IN9138	Amendment to Provision for Imports of Fruits and Planting Materials	10/28/09
IN9139	Amendment to Provision for Imports of Fresh Fruits etc.	10/28/09
IN9140	Amendment to Provisions for Imports of Specified Planting Material	10/28/09

WE ARE ON THE NET

Visit our headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/NEWDELHI EMAIL

To reach FAS/New Delhi, email us at Agnewdelhi@fas.usda.gov