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Report Highlights:

India-Thailand FTA by 2011, *Rabi sowing up, bumper wheat harvest likely*, *India plans trial of gene altered rubber*, *DGFT to register cotton export contracts*, *Onion import duty zero, more ordered*, *FMC likely to relaunch sugar futures next week*, *Government to retain sugar import duty at 60 percent*, *SEA plans a trade delegation to China for marketing oil meals*, *India’s buffalo meat export to surge on cost advantage*, *Agri exporters opt for Chennai port*, *Use of banned pesticides brews trouble for coffee exporters*.

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-THAILAND FTA BY 2011

Thailand's Deputy Minister of Commerce expressed confidence that India and Thailand would conclude a Free Trade Agreement by 2011 to open up their respective markets. The bilateral pact will be in addition to the India-ASEAN FTA which becomes operational in January 2010. Bilateral trade between India and Thailand has reached $6 billion in fiscal year 2009/10 and was expected to cross $6.5 billion next fiscal year. Both sides would also work together to conclude an India – BIMSTEC (Bay of Bengal Initiative for Multi-sectoral Technical and Economic Initiative) FTA that as quickly as possible. (Source: Hindu, 12/22/2010)

RABI SOWING UP, BUMPER WHEAT HARVEST LIKELY

After some initial delays, rabi (winter) sowing has crossed last year's levels raising expectations of a bumper wheat crop in the upcoming season. The total area sown under rabi so far is 50.94 million hectares, which is about 0.5 million hectares more than the area sown in the corresponding period last year. The area under wheat is up by 0.4 million hectares, pulses up by 0.5 million hectares and oilseeds up by 0.8 million hectares while area under coarse cereals is down by 0.5 million hectares. The Union Agriculture Secretary said that farm growth this year is expected to exceed four percent, and there is expectation of a record wheat and pulses crop. (Source: Hindu, 12/19/2010)

INDIA PLANS TRIAL OF GENE ALTERED RUBBER

India, one of the largest natural rubber users, plans to begin field trials of genetically modified variety of rubber. The trials were cleared by the Genetic Engineering Appraisal Committee last week, and the Rubber Research Institute of India will secure approvals from the state governments of Kerala and Maharashtra for conducting the trials. The gene altered rubber trees will be resistant to drought and tapping panel dryness. (Source: Business Standard, 12/16/2010)

DGFT TO REGISTER COTTON EXPORT CONTRACTS

The Directorate General of Foreign Trade (DGFT) will now issue export authorization registration certificates (EARC) to cotton exporters in place of the Textile Commissioner's Office (TCO). The EARC will be issued for the remaining portion of the 5.5 million bales that were allowed for shipment this season but could not be shipped till December 15, 2010. Earlier the government had allowed an export quota of 5.5 million bales for the 2010/11 season (October/September) and the TCO had issued EARC for shipment from November 1 giving 45 days shipment period. It has been brought to the notice of the government that actual exports against such registered contracts have been much less than the EARC issued by TCO. The DGFT notification states that the precise modalities for the new registration and conditions that need to be fulfilled would be notified separately, once the balance quantity that remains to be shipped is ascertained. (Source: Hindu Business Line, 12/18/2010)

ONION IMPORT DUTY ZERO, MORE ORDERED

The government on Wednesday abolished the five per cent import duty on onions, ordered fresh imports and extended the ban on exports for an indefinite period even as retail prices of onions continued to be high — between `US$ 1.5-2.0 per kg. Aware of the repercussions that galloping onion prices can have on the government's image, Cabinet Secretary K.M. Chandrashekhar is monitoring onion prices on a daily basis with the help of the revenue, agriculture and consumer affairs secretaries. The Cabinet Secretary asked commerce secretary Rahul Khullar to speed up onion imports to meet the shortfall. The government also abolished the four per cent countervailing duty on onions. However, experts said the move may not have much impact as, there is no other country where prices of onions are less than in India (except Pakistan), meaning India will have to depend mainly on onion imports from Pakistan to cool down domestic prices. (Source: Asianage, 12/23/2010)

FMC LIKELY TO RELAUNCH SUGAR FUTURES NEXT WEEK

The Forward Markets Commission (FMC), the commodity markets regulator, may allow derivatives exchanges to re-introduce sugar futures next week. "We have convened a meeting with stakeholders of the sugar industry by the end of this week to get their feedback. Upon getting their response, we may allow exchanges to restart futures trading in sugar," said FMC Chairman B C Khatua. The first contract will possibly be available for trade in December for delivery in January. In May 2009, the government had banned sugar futures to control abnormally rising prices. (Source: Business Standard, 12/17/2010)

GOVERNMENT TO RETAIN SUGAR IMPORT DUTY AT 60 PERCENT

The government is likely to retain an import duty of 60 percent on the import of sugar from January 1, 2011. The Ministry of Agriculture has suggested a reduction in the import duty so that imports do not work out costlier when the need arises. A formal proposal on import duty cut will be sent to the finance ministry after assessing the output by early January 2011 when the agriculture ministry expects to get firm projections on cane acreage, yield and sugar recovery. In order to facilitate the import of sugar last year following shortage in supply, the duty was slashed to zero in July 2009 till December 31, 2010. Prior to this, the import duty on sugar was stipulated at 60 percent since 2000. This will then be considered as part of budget recommendations, sources said. (Source: Business Standard, 12/23/2010)

SEA PLANS A TRADE DELEGATION TO CHINA FOR MARKETING OIL MEALS

The Solvent Extractors' Association (SEA) plans a trade delegation to China in March for marketing oil meals, as it sees the most populous country as a next big market. "China currently buys about 400,000-500,000 tons of various oil meals from India. Export to China has a large potential and the exports can be doubled if more attention is paid to the Chinese market." The trade body will also send delegations to neighboring countries such as Cambodia and Laos, as they are perceived as upcoming markets. India currently has surplus oil meals especially that of soymeal, due to increased crushing and comparatively lower export demand during peak soybean supply season. (Source: Business Standard, 12/21/2010)

INDIA'S BUFFALO MEAT EXPORT TO SURGE ON COST ADVANTAGE

India, the fourth largest buffalo meat exporter in the world, is looking to cash in on its price advantage to compete in the global market. The Indian buffalo industry has already set its sights on newer markets like Commonwealth of Independent States (CIS) countries this year by strengthening infrastructure facilities and quality standards. Indian buffalo meat is currently exported to 64 countries. Apart from its traditional markets like Egypt, Malaysia, Syria and Jordan, the country also exports huge quantities to Turkey, Kuwait, Oman and Saudi Arabia. According to the industry, despite increasing costs, Indian buffalo meat is cheaper in the world market. A ton of Indian buffalo meat is available for $3,000 to $3,500 in Egypt, $2,900 in Malaysia and $2,700 to $2,800 in the Middle East. The buffalo meat from Brazil is costlier by $800 to $1,000 a ton compared to the Indian product. Factors like a possible demand surge in Europe, and fall in Australian meat production make the prospects of Indian meat exporters very bright. The Indian government has already started upgrading the existing slaughter houses to a state-of-the-art infrastructure under public-private partnership. (Source: Economic Times, 12/23/2010)

AGRI EXPORTERS OPT FOR CHENNAI PORT

Chennai port trust has turned Chennai port from "dusty" to "clean" (at least, relatively) and that seems to attract business. In third week of December, the Chennai port handled 17,000 tonnes of maize. Louis Dreyfus Commodities India Pvt, which exported the agri cargo to Vietnam, plans to do more –100,000 tons in the coming months. Following in the company's footsteps is the US multinational, Cargill, which will soon export agri commodities through the now-clean Chennai port. Agri produce cargo is not new to the Chennai port. The port handles sugar regularly, and also maize. Between November 2009 and April 2010, the port handled 300,000 tonnes of maize – but the difference was that the commodity came in containers. Now, commodity is being sent over in the substantially cheaper bulk form. While cleanness was one reason for the attraction, exporting maize from Chennai turned out to be cheaper than from Mangalore by $5-7 a ton to countries such as Vietnam and Thailand. (Source: The Hindu Business Line, 12/18/2010)

USE OF BANNED PESTICIDES BREWS TROUBLE FOR COFFEE EXPORTERS

The use of controversial pesticides, such as endosulfan and paraquat hydrochloride, poses a challenge to West European export houses in India, such as ECOM, Ned and NKG, which are at the forefront of the 'certified coffee' initiative in India. Growers using these chemicals fail the standards set for producing coffee in a sustainable way, thereby adding to the costs of these export houses that would have offered to bear the charges of certification in the initial years. According to the media source, Nespresso, which is a major buyer of sustainable coffees from these export houses and is in the process of implementing its own certification system in a big way, is among the major roasters grappling with these issues. (Source: The Hindu Business Line, 12/21/2010)

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