Voluntary _ Public

Date: 12/30/2010

GAIN Report Number: IN1115

India

Post: New Delhi

Weekly Highlights and Hot Bites No. 47

Report Categories:

Agriculture in the News

Approved By:

Thom Wright

Prepared By:

Santosh Singh, Ritambhara Singh, Radha Mani

Report Highlights:

Onion prices push up food inflation, *Ban on pulses export extended*, *Pakistan asks India to keep up promise of cotton export*, *India-Mercosur PTA list to be expanded*, *India neglects fodder production which may eventually impact food availability*, *Municipal slaughter houses to follow global norms for export*, *Milk powder prices hit all-time high in India*, *Government in huddle over retail FDI*, *Commexes to restart sugar futures from December 27*.

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.

ONION PRICES PUSH UP FOOD INFLATION

For the week ending December 11, 2010, food inflation stood at 12.13 percent from 9.46 percent a week earlier. Onion prices are significantly up by 33 percent over last year. Vegetables, egg, meat, fish and milk prices are all up 15-20 percent over last year. While some economists say that the increase in food prices is not a trend but a short term phase, food prices will nevertheless remain at a higher level than previous years. This is because of increases in demand due to higher rural wages and growth in the economy, while there has not been a significant increase in agricultural production. (Source: Hindu Business Line, 12/24/2010)

BAN ON PULSES EXPORT EXTENDED

On December 28, 2010, the Empowered Group of Minister's (EGoM) on Food reviewed the food price situation. In an effort to ease the burden of the rising food prices, the government extended the ban on export of pulses for an indefinite period, decided to allow duty free imports of pulses until March 2012, and released additional quota of wheat and rice for various states to be sold at subsidized rates through government ration shops. The EGoM decided to give an additional 2.5 million tons of rice and wheat quota for below poverty line (BPL) families and another 2.5 million tons for above poverty line (APL) families. This quantity will be over and above the normal quota available to these BPL and APL categories. (Source: Times of India, 12/29/2010)

PAKISTAN ASKS INDIA TO KEEP UP PROMISE OF COTTON EXPORT

The Pakistan textile industry has appealed to India to honor its commitments for the dispatch of raw cotton. The All Pakistan Textile Mills Association vice chairman said that India has exported only 100,000 bales out of the 1.0 million contracted bales. Urging India to help a neighbor, the Pakistan textile industry hopes that the remaining quantity would be shipped at the earliest. (Source: Hindu, 12/28/2010)

INDIA-MERCOSUR PTA LIST TO BE EXPANDED

Negotiations are on to expand and widen the India-Mercosur Preferential Trade Agreement (PTA) to increase exports to the Latin American region in 2011. The current PTA has been operational since June 2009 and covers 450 items of India's exports and 450 items for Mercosur exports. In February, a high level delegation from the region will be visiting India to talk with officials to expand the lists. The Ministry of Commerce is already seeking information from Indian exporters, export promotion councils and trade and industry bodies about their preferences. Besides expanding the product coverage list, the PTA also seeks deepening preferences. With the signing of the India-Mercosur PTA, it is expected that the trade between India and Mercosur region would double to $10 billion in next 3-5 years. (Source: Financial Express, 12/27/2010)

INDIA NEGLECTS FODDER PRODUCTION-WHICH MAY EVENTUALLY IMPACT FOOD AVAILABILITY

Food security is getting attention, but feed security for India's huge livestock population is being unduly neglected. This apathy can prove costly since it can tacitly impinge on food security. Going by the current trend, the demand for livestock-based food products is expected to double in the next 10 years. Without adequate fodder and feed to sustain animal productivity, food availability may come under strain. Though the quantity of agricultural by-products that can be fed to animals is steadily increasing, much of it is in the form of dry straw, which is low in nutrition. The availability of relatively nutritious green fodder and concentrated grain-based feed, on the other hand, is not rising adequately. Grazing lands are also shrinking. Moreover, the vegetative cover of most of the pastures has severely degraded for lack of care. Suitable strategies are needed to tap the available potential to increase fodder and feed supplies. Otherwise, it would be difficult to meet the growing demand for protein-rich livestock-based foods. (Source: Business Standard, 12/28/2010)

MUNICIPAL SLAUGHTER HOUSES TO FOLLOW GLOBAL NORMS FOR EXPORT

To ensure strict quality standards for buffalo meat exports, Agricultural and Processed Food Products Export Development Authority (APEDA) has decided to subject municipal slaughter houses to the same quality certification standards as is being followed for private abattoirs in India. Currently, most of the India's meat exports are from around 35 private integrated slaughter and processing plants located in Uttar Pradesh, Punjab, Haryana, Maharashtra and Andhra Pradesh. These plants follow a stringent quality certification procedures. Asit Tripathy, Chairman of APEDA told reporters "exporters have also been procuring meat from some municipal slaughter houses for whom we intend to follow stringent protocols to ensure safety of the meat." (Source: Financial Express, 12/27/2010)

MILK POWDER PRICES HIT ALL-TIME HIGH IN INDIA

Skimmed milk powder prices have touched an all-time high of Rs 165 (about 3.5 USD) a kilo in India following the recent increase in milk prices. Milk is a major component in the food basket and has a weight of 4.37 per cent in India's wholesale price index (WPI). Producers point to an increase in input cost. According to Mr. R.S. Sodhi, Managing Director of Gujarat Co-operative Milk Marketing Federation (GCMMF, which owns and markets the Amul brand of dairy products in India), "If we want milk production to increase, we will have to pay, else farmers will move away from dairy farming and, like edible oil, we will have to depend on imports to meet domestic demand,". He did state, though, that no price increase would be required for at least the next six months. Mr. Sodhi said the cost of labor, fodder and fuel had all gone up and an increase in milk price was required to make it remunerative for farmers. According to GCMMF, India's annual milk production is around 110 million tons, about the same as demand. "The demand is growing by five to six per cent annually and we will have to increase the production by the same percentage to match it," added Sodhi. Earlier, milk price rise used to take place only once a year. However, GCMMF has revised retail prices thrice in 2010, saying it was needed to encourage farmers to increase production, by paying them affordable prices. (Source: Business Standard, 12/30/2010)

GOVERNMENT IN HUDDLE OVER RETAIL FDI

Finance Minister, Pranab Mukherjee, Home Minister, P. Chidambaram, Defence Minister, A.K. Antony and Commerce and Industry Minister, Anand Sharma on December 22 held discussions on the proposals to open up foreign direct investment (FDI) in multi-brand retail and defence production. The Department of Industrial Policy and Promotion (DIPP) floated a discussion paper in November making a strong pitch for throwing the retail sector open to FDI. The move is expected to allow international giants such as Wal-Mart, Tesco and Carrefour to set up mega stores in one of the world's hottest growing economies. (Source: Hindustan Times, 12/24/2010)

COMMEXES TO RESTART SUGAR FUTURES FROM DECEMBER 27

Domestic commodity exchanges NCDEX and MCX will relaunch sugar futures trading contracts from December 27 after a gap of 19 months. India had banned trade in sugar futures in May 2009 for six months when prices were rising as it faced shortages. The government extended the ban until the end of September, but then allowed it to lapse. Although the Forward Markets Commission had lifted the ban on sugar futures from October 1 this year, it had not allowed exchanges to resume trading. The decision to relaunch sugar futures comes against the backdrop of the current gung-ho outlook on production for 2010-11, pegged at 25.5 million tons by the industry and 24.5 million tons by the government. The Forward Markets Commission had met in early December with Indian Sugar Mills Association to discuss the issue and was "satisfied" with the projections on production and surplus to conclude that futures trading and high sugar prices were not necessarily inter-related. (Source: Economic Times, 12/25/2010)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN1113	Weekly Hot Bites, #46	12/23/2010
IN1114	Government Extends Ban on Imports of Livestock Products due to AI	12/27/2010

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