

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Approved By:

Thom Wright

Prepared By:

A. Govindan, Santosh Singh, Deepa Dhankhar

Report Highlights:

Food Inflation creeping up to High Levels ..., *... Finance Minister blames poor management by States for price rise*, *No rice imports for now, Commerce Minister*, *Retail Bigwigs see 70% drop in pulse demand*, *India's water demand to double by 2030*, *Avoid food futures till self-sufficient: Sen Panel*, *Biofuel role limited says Ramesh*, *Cooperative Dairies seek restraint on oilmeal exports*, *Climate change poses threat to coastal megacities*.

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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FOOD INFLATION CREEPING UP TO HIGH LEVELS ...

Food inflation soared to 15.58 percent for the week ended November 14 in the wake of unprecedented rise in the prices of potatoes and other essential items. Official data based on the Wholesale Price Index (WPI) revealed that while potato prices have more than doubled in the past twelve months, other basic food items such as onions and pulses were also over 25 percent dearer in wholesale markets. For the one year period ended November 14, the price of potatoes surged by 111 percent while pulses were up by 35 percent and onions by 27 percent. With food inflation creeping up to incredibly high levels each week – ostensibly a fall out of the recent drought – the overall WPI-based inflation may well over-shoot the Reserve Bank of India's projection of 6.5 percent by the end of the fiscal year in March next year. (Source: Hindu, 11/27/09)

... FINANCE MINISTER BLAMES POOR MANAGEMENT BY STATES FOR PRICE RISE

Expressing concern over rising food prices, the Central government blamed some states for poor food management that has resulted in shortage of some food items. Intervening on a discussion on price rise in essential food items in the Parliament, Finance Minister Pranab Mukherjee said when prices of potatoes and other vegetables increase, blame cannot squarely be put on the GOI's Finance Minister or Agriculture Minister. He said the Central government alone could not be expected to handle this situation as part of the responsibility lies with state governments. The center would perform functions like monetary policy, fiscal policy, exports and imports, which fall under it. "We want to give farmers more prices. Because, I know there is still a huge mismatch. From the fields to the markets, but who is to do it? If you expect it to be done centrally, I am afraid, in our democracy, in our cooperative federalism, it is not possible," he said. (Source: Business Standard, 11/27/09)

NO RICE IMPORTS FOR NOW, COMMERCE MINISTER

The government said it will not import rice for the time being as it has enough stocks. "We are not importing. We have adequate stocks. We will review if there is any need (in future)," said Commerce and Industry Minister, Anand Sharma, after a meeting of the Empowered Panel of Ministers on Food, headed by the Finance Minister. Earlier last week, he and the Finance Minister had talked about the possibility of importing rice amid a projected slump in kharif rice production

by 15 million tons. (Source: Business Line, 11/21/09)

RETAIL BIGWIGS SEE 70% DROP IN PULSE DEMAND

Large retailers are now witnessing instances of down trading in pulses. Customers are moving to lower grades of pulses at branded hypermarkets and retail stores instead of the more expensive ones, owing to high pulse prices. This has resulted in retailers seeing a drop of around 50 to 70 percent in demand for expensive pulses, according to industry experts. "Certain retailers may now look to increasing stocks of cheaper pulses, rather than expensive ones, based on demand," said the Chief Executive of the Retailers' Association of India. (Source: Financial Express, 11/23/09)

INDIA'S WATER DEMAND TO DOUBLE BY 2030

India's water demand – driven by an increasing domestic need for rice, wheat, and sugar, with more and more people adopting a middle-class diet – will be the highest in the world in 20 years, says a new global report. Demand will double by 2030, from 700 billion cubic meters to 1,498 billion cubic meters, according to the study by the Water Resources Group. The majority of that water, 80 percent, will go to agriculture, as farmers plant more rice, wheat, and sugarcane, to feed India's growing population, says the study by experts from across industries and institutions. India wastes 40 percent of the water it uses, said Central Water Commission Chairman, A.K. Bajaj. (Source: Hindustan Times, 11/24/09)

AVOID FOOD FUTURES TILL SELF-SUFFICIENT: SEN PANEL

According to a report prepared by the GOI's Estimates Committee, futures trading in key food commodities (rice, wheat, tur dal, urad dal, and sugar) should not be restored until the country has achieved self-sufficiency. This report will soon be presented in the Parliament. In a bid to prevent hoarding and artificial price rise, the panel will ask the government to permanently withdraw notifications removing the licensing requirements, stock limits, and movement restrictions on food commodities. The panel is of the view that it would be prudent to ban futures trading as the country's food security was at stake. (Source: The Economic Times, 11/24/09)

BIOFUEL ROLE LIMITED SAYS RAMESH

Speaking at the inaugural session of a conference, Environment Minister Jairam Ramesh said that biofuels have a limited role in India due to land limitation and food security issues. His views differ from the official position that targets for 20 percent blending of biofuels with gasoline and diesel by 2017. India could not follow Brazil, which is a world leader in the use of ethanol as transportation fuel due to limited land resource and huge population pressure resulting in food

security concerns, he said. Biofuel may play a small role, but the big role has to be from hybrids, auto-electric and CNG type vehicles to cut emission and promote environment friendly vehicles, he added. (Source: Business Standard, 11/24/09)

CO-OPERATIVE DAIRIES SEEK RESTRAINT ON OILMEAL EXPORTS

Dairy co-operatives have reiterated their demand to impose a duty on de-oiled cake exports along with excise duty waiver on molasses used for manufacturing of cattle-feed. Last year, prices of major feed materials fell between 8.5 percent for rapeseed extractions to 29 percent for rice polish during the July-November period. However, during the current year prices have not come down due to drought conditions experienced by many states. According to the Managing Director of the Gujarat Cooperative Milk and Marketing Federation (GCMMF), "our member unions were last year charging around INR 7,800 a ton for the cattle-feed bought by farmers. However, prices for cattle feed have increased to INR 9,500 a ton for the current year despite our efforts of trying not to charge the full manufacturing cost."

(Source: The Business Line, 11/23/09)

CLIMATE CHANGE POSES THREAT TO COASTAL MEGACITIES

Climate change is fast turning out to be a big challenge for coastal megacities including India cities. Experts attending the 10th Asian Planning Schools Association Congress report that Asia is one of the most vulnerable areas to climate change, and the rise in sea level threaten many coastal cities in the region including Mumbai and Chennai. Apart from the threat of large scale flooding and tropical storms, many south Asian cities including Chennai are expected to face problems related to salinity ingress and water shortages. Experts feel that the presence of sizable numbers of poor and vulnerable people in the slums in some of these mega cities makes them potential flood and disaster traps. (Source: Economic Times, 11/26/09)

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