

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 12/18/2009

GAIN Report Number: IN9161

India

Post: New Delhi

Weekly Highlights and Hot Bites No. 51

Report Categories:

Agriculture in the News

Approved By:

Holly Higgins

Prepared By:

Amit Aradhey

Report Highlights:

Inflation soars to 4.78 percent in November propelled by higher sugar, and other food product prices, *Finance Commission endorses proposal for a 12 percent single goods and services tax*, *Rice procurement by Food Corporation of India and other agencies is up 2.74 percent this year*, *Vegetable oil imports to rise 10 percent in 2009/10*, *Bharti Retail sets a goal for private labels to reach 40 percent of total revenues*, *Rabi sowing: Wheat, rice, pulses, barley, maize coverage up, oilseeds down*, *Wheat to cost less under open market sale*, *Rasi seeds creates a 'HyVeg' brand for vegetable seeds*.

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.

INFLATION SOARS TO 4.78 PERCENT IN NOVEMBER PROPELLED BY HIGHER SUGAR, AND OTHER FOOD PRODUCT PRICES

The manufactured food products i.e. sugar, coffee and skimmed milk powder), group in the WPI recorded the highest-ever increase on a year-on-year basis this November reaching 24.70 percent. The country's wholesale price index (WPI)-based inflation rose by 4.78 percent in November 2009. This was against the WPI-based inflation of 1.34 percent in October 2009 and 8.48 per cent in November 2008. Manufactured products, which included food products, had a weightage of 63.75 per cent in WPI and rose 3.99 percent for the month under review. Food inflation for the week ending November 28 increased by 19.05 percent, which is a 11-year high.

In November, food inflation was 16.71 per cent on a year-to-year basis. Food inflation has been high in the country since 2006, long before the drought that affected agricultural output in many parts of the country this year. Prices of potatoes doubled in November on a year-to-year basis and pulse prices were also up by 35 percent. Onion prices rose by an average 32 percent. Sugar prices increased about 53 percent. (Source: Business Line, 12/15/09)

FINANCE COMMISSION ENDORSES PROPOSAL FOR A 12 PERCENT SINGLE GOODS AND SERVICES TAX

In a significant win for the Union government, the 13th Finance Commission has endorsed a proposal for a single goods and services tax (GST) recommending a "revenue-neutral" rate of 12 percent. This will be implemented by imposing a concurrent dual levy of 5 percent by the Central government and 7 percent by states—2 percentage points of this will be earmarked for the third tier of government made up of panchayats (village council) and local bodies. The proposal, undertaken by the Commission argues that this rate will encourage better compliance, lead to lower prices of goods and services, result in an acceleration in exports and deceleration in imports by providing a level-playing field to Indian companies, and boost India's annual gross domestic product (GDP) by as much as 1.5 percentage points (\$15 billion at the current size of the economy).

(Source: The Mint, 12/16/09)

RICE PROCUREMENT BY FOOD CORPORATION OF INDIA AND OTHER AGENCIES IS UP 2.74 PERCENT THIS YEAR

During the 2009-10 marketing season (October-September), rice procurement by the Food Corporation of India (FCI) and State agencies has risen 2.74 percent reaching 13.64 million tons of rice. Much of the higher procurement has come from Punjab (9.25 million tons) and Haryana (1.79 million tons versus 1.34 million tons last year). Chhattisgarh (844,000 tons) and Kerala (122,000 tons), too, have so far witnessed higher procurement in the ongoing season versus the corresponding last year figures of 729,000 tons and 98,000 tons, respectively. In all other states, progressive government rice purchases are lagging significantly behind: Uttar Pradesh (775,000 tons versus 1.13 million tons), Andhra Pradesh (461,000 tons versus 928,000 tons), Orissa (184,000 tons versus 392,000 tons), Tamil Nadu (23,000 tons versus 191,000 tons) and West Bengal (20,000 tons versus 170,000 tons). Current trends suggest that the overall official procurement for 2009-10 will end up lower than the record 33.68 million tons level reached last season. Lower procurement is, however, unlikely to impact the Centre's stocks position. As of November 1st, FCI and State agencies were holding 21.62 million tons of rice and 26.88 million tons of wheat in their warehouses, the highest levels since 2002. (Source: Business Line, 12/16/09)

VEGETABLE OIL TO RISE 10 PERCENT IN 2009/10

Vegetable oil imports may rise over 10 percent during November 2009 to October 2010 period due to low domestic production and higher consumption. Industry estimates that imports will be at 9.5 million tons, compared to 8.6 million tons last year. Record import forecast is attributed to low crushing from domestic sources, zero import duty on imported crude oils, higher food inflation and stronger rupee against dollar. According to a recent press release from the Solvent Extractors' Association (SEA) of India, imports of vegetable oils during November 2009 are reported at 753,966 tons (712,677 tons of edible oils and 41,289 tons of non-edible oils), up 36 percent over the same period last year. For more details on imported edible oils follow the link http://www.seaofindia.com/oilimport_data/Importdata_Nov_2009.pdf) (Source: Business Standard, 12/15/09 and SEA press release, 12/14/09)

BHARTI RETAIL SETS A GOAL FOR PRIVATE LABELS TO REACH 40 PERCENT OF TOTAL REVENUES

Bharti Retail is planning to shore up revenue from private labels at its stores to match the global industry benchmark. Bharti is also on track with its expansion plans to set up 200 Easyday stores by December 2010. While private labels now account for about 16 per cent of revenue, the company plans to increase this to about 40 percent over the next three years. All private labels sold in India across Easyday stores are sourced out of India. There are also plans to sell some of the private labels to Wal-Mart for global operations. Wal-Mart sourced products from India are worth nearly \$1 billion. Bharti Retail operates 70 outlets across two formats—neighborhood

stores called 'Easyday' and compact hypermarket outlets called "Easyday Market'. (Source: Economic Times, 12/13/09)

RABI SOWING: WHEAT, RICE, PULSES, BARLEY, MAIZE COVERAGE UP, OILSEEDS DOWN

According to the GOI Agriculture Ministry's latest review of rabi season sowing, wheat has been sown on 21.72 million hectares as compared with 21.60 million hectares a year ago. In Madhya Pradesh, Uttar Pradesh and Bihar the coverage under wheat crop was reported up at 3.59, 7.42, and 1.13 million hectares respectively, whereas in Punjab, Haryana, Rajasthan, Gujarat and Maharashtra, the crop coverage was reported down at 3.27, 2.25, 1.62, 0.67 and to 0.61 million hectares respectively. Rice, which witnessed a 15 million tons shortfall during the kharif season, is looking up with the coverage rising to 336,000 hectares from 211,000 hectares. Area sown to pulses was up at 11.19 million hectares compared to 10.93 million hectares last year. Coverage of key crops like peas and urad (black matpe) was lower. Area sown to barley and maize was up at 623,000 hectares and 730,000 hectares respectively. Oilseed planting was down at 7.77 million hectares compared to 8.37 million hectares planted last year. Major decline was noted in Rapeseed-mustard (6.08 /6.32 million hectares), sunflower (677,800 / 918,600 hectares) and peanuts (336,100 / 353,000 hectares). (For further details:

<http://www.thehindubusinessline.com/2009/12/12/stories/2009121253331600.htm>) (Source: Business Line, 12/12/09)

WHEAT TO COST LESS UNDER OPEN MARKET SALE

An empowered group of ministers (eGoM) which met late Monday has cleared a food ministry proposal to sell almost 1.5 million tons of wheat (at a discount of Rs 40 to Rs 250 per quintal over the current sale price) from its warehouses to private traders under the open market sale scheme (OMSS). Given the reluctance of flour millers to make bulk purchase at high market prices (Rs 1,400 and Rs 1,789 per qtl in Delhi and Kerala) the eGoM has approved selling of wheat to meet flour mill demand. Under the OMSS, the government has until now sold only 22,000 tons of wheat to bulk buyers. For reducing cost, government has planned to launch an e-auction of wheat in Delhi, Karnataka, Andhra Pradesh and Haryana this month, which is expected to further bring down prices of wheat offered under OMSS. (Source: The Financial Express, 12/16/09)

RASI SEEDS CREATES A 'HYVEG' BRAND FOR VEGETABLE SEEDS

Rasi Seeds (Pvt) Ltd has created a separate brand, "HyVeg", for its vegetable seed business. Currently the company sells vegetable seed worth Rs 20 million. The domestic market for vegetable seeds is estimated at around Rs 15 billion, with the major players being Nunhems India, Namdhari Seeds, Seminis Vegetable Seeds India, Syngenta India, Mahyco/Sungro Seeds, Indo American Hybrid Seeds and Ankur Seeds. Vegetable seeds, as against the regular field crops, are

a low-volume, high-value business as growers are willing to pay more for vegetable seeds, since the yield realizations are higher. (Source: Business Line, 12/15/09)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN9158	Weekly Highlights & Hot Bites, #50	12/11/09
IN9160	Market Development Report: Bangalore	12/14/09

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