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Report Highlights:

GDP growth may be 7-7.5 percent this fiscal year, agriculture to show negative growth, says Rangarajan, *Pulse prices likely to rise further in 2010*, *India set to retain top position in milk production*.

General Information:

GDP GROWTH MAY BE 7-7.5 PERCENT THIS FISCAL YEAR, AGRICULTURE TO SHOW NEGATIVE GROWTH, SAYS RANGARAJAN

While speaking at a meeting on "Challenges before the Indian Economy" on December 29, Dr. C. Rangarajan, Chairman of the Economic Advisory Council to the Prime Minister, forecast the GDP to

grow at 7 to 7.5 percent this fiscal year, signaling an improvement in the domestic economic climate. He cautioned that agriculture could show a negative growth of 1-2 percent, while the industrial and services sectors are projected to grow at around 8.6 percent. Dr. Rangarajan also noted rising food inflation, which is at an 11-month high now. He advocated a two-pronged strategy to check food inflation, which included improving supplies by releasing part of the foodgrain reserves through the PDS and importing certain additional foodgrain. He added that the supply position of food products and the seasonal decline in prices would also be factors in deciding the tools to deal with inflation. Agricultural growth should not be allowed to fall below four percent, as a decline in growth by even one to two percent would lead to a significant shortfall in food production. In the long run, Dr. Rangarajan felt that if there were to be a consistent growth of four percent in agriculture and nine percent in industrial and services sectors over the next two decades, India could be propelled into the club of developed nations. (Source: Business Line, 12/30/09)

PULSE PRICES LIKELY TO RISE FURTHER IN 2010

The price of pulses, which has risen by over 40 percent in the last year, is likely to increase further in 2010. The industry body Assocham stated on December 29 that "Virtual stagnation in domestic pulse production, consistent rise in population, and higher pulse prices in international markets are likely to exert further pressure on pulses even in 2010." Pulse prices have been rising in the retail market due to the demand-supply gap. Domestic pulse production is about 15 million tons but demand is higher at 19 million tons. Assocham also stated that as the area under pulses remained almost stagnant over the years, the growing demand with rising population was managed by meagre yield increases and through imports. The main reason for poor yield growth has been the absence of development of improved and high yielding variety of seeds in India. (Source: Financial Express, 12/30/09)

INDIA SET TO RETAIN TOP POSITION IN MILK PRODUCTION

India will maintain its last year's record of being the world's largest milk producer, with an estimated 110 million tons in 2008-09. According to a spokesman of the National Dairy Development Board (NDDB), India achieved the distinction with the production of 104.8 million tons in 2007-08. The NDDB prepared a Rs.173 billion plan for the next 15 years to increase milk production with better productivity, substantially strengthening and expanding the infrastructure for procurement and human resources development. The NDDB has also set up a Centre for Analysis and Learning in Livestock and Food at Anand, in central Gujarat. It would provide reliable and efficient laboratory services for livestock, dairy and food sectors. (Source: The Hindu, 12/28/09)

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