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## India

### Agricultural Situation

### Weekly Highlights & Hotbites, #13

### 2003

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**Report Highlights:**\*Ethics not an excuse in biotech research: Minister for information technology\*, \*Country needs biotech policy, says President Kalam\*, \*Handcuff protest by Greenpeace\*, \*Policy change regarding foreign aid\*, \*War hits port operations\*, \*Shipping lines impose war-risk surcharge\*, \*India moving to ward Asean on WTO imperatives\*, \*India notifies zero duty in free trade agreement with Sri Lanka\*, \*California grapes in Indian market\*, \*Local cotton prices up 40-50% during October-January\*, \*Northern States may delay switch to VAT\*, \*Three years hence, 0.7 million Indian households to earn over rs. 1.0 million annually\*, \*TNAU to certify organic produce\*, \*Mars to foray into pet food segment in India\*, \*Andhra Pradesh poultry units in the soup over rising costs\*.

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
New Delhi [IN1], IN

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 in this report. Significant issues will be expanded upon in subsequent reports from this office.

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.

### **ETHICS NOT AN EXCUSE IN BIOTECH RESEARCH: MINISTER FOR INFORMATION TECHNOLOGY**

The Minister for Information Technology, Mr. Arun Shourie, speaking at a biotech conference stated that biotechnology is a field with a bright future, and matters related to ethics and expenditure are only excuses that end up obstructing the progress and delay adoption of the technology. Mentioning bioengineered foods as a case in point, the minister pointed out that the continuing discourse about the ethics of biotechnology, which is not deeper than slogans, had led the country backwards by 3-5 years in terms of adoption of biotechnology. (Source: Financial Express, 03/24/03)

### **COUNTRY NEEDS BIOTECH POLICY, SAYS PRESIDENT KALAM**

Speaking at a three day seminar on Knowledge Millennium - Biotech Conclave, President Dr. APJ Abdul Kalam called for an integrated national biotech policy covering various areas like production and marketing of biotech products. The President indicated that such a policy is essential to apply and regulate biotechnology in the future to meet the demands of the increasing population, especially in the light of decreasing availability of arable land and water. He called for integrated use of modern biotechnology and traditional knowledge by the biotech researchers to address agriculture and environment related issues. (Source: Financial Express, 03/23/03)

### **HANDCUFF PROTEST BY GREENPEACE**

Greenpeace members staged a protest against Bt cotton on March 26, 2003, by handcuffing themselves to a ladder stretched to the first floor of the office of Monsanto in Bangalore. They demanded that compensation should be paid to the farmers due to the alleged failure of Bt cotton. The protestors were later arrested by the police. (Source: Business Line, 03/27/03)

### **POLICY CHANGE REGARDING FOREIGN AID**

The Indian government has urged bilateral donors supplying aid in small quantities to directly provide such assistance to non-governmental organizations (NGOs) if they so desire without going through the government. The government proposes to accept aid directly only from multinational donors like the World Bank and the Asian Development Bank, large bilateral donors like Japan and the United Kingdom, and the U.S., even though the U.S. is only a relatively small bilateral donor. The main reason for asking small donors to deal directly with the NGOs and not with the government is to minimize excessive administrative and diplomatic activity and associated costs.

"We are telling small donors, thank you for your help till now, hereafter, please provide the aid to those who need it directly, instead of giving it to the government", Finance Secretary Dr. S. Narayanan said. (Source: Financial Express, 03/24/03)

Post Comment: Post believes the issue pertains only to financial and not to commodity aid. Post will confirm and report result in next week's Hotbite.

## **WAR HITS PORT OPERATIONS**

The war in Iraq has partially hit the movement of cargo from western Indian ports, and a lengthy conflict could further affect operations, according to port officials. Kandla, one of the busiest ports on the west coast, had seven loaded vessels in anchorage to head for West Asia. The cargoes included rice, granite blocks and agricultural commodities chartered for Jeddah, Iran, and Yemen. The Port official said shipment of edible oils to Kandla were normal, as Indian imports are mostly palm oil from Malaysia and Indonesia and did not take the Suez Canal route. "It's an irony that we have two berths vacant considering that we always had to grapple with congestion", a senior Kandla Port official stated. (Source: Business Line, 03/25/03)

## **SHIPPING LINES IMPOSE WAR-RISK SURCHARGE**

Shipping lines operating in the Indian subcontinent/Gulf sector have declared that they will levy a war risk surcharge ranging from \$40 per twenty-foot equivalent units (TEU) to \$90 per TEU for shipping to and from the Gulf region. In effect, the war risk surcharge would have to be borne by the Indian exporters and importers. The war risk surcharge imposed on trade effective March 24 is \$40 per TEU for Dubai, Muscat, Jebel Ali, Sharjah, and other lower gulf ports; \$50 per TEU for Bandar Abbas; \$60 for Bahrain and Dammam; and \$90 for Kuwait. "The war risk surcharge is being collected by the shipping lines to make up for the additional war risk premium imposed by the international underwriters on vessels calling at these ports", shipping agency sources said. (Source: Business Line, 03/25/03)

## **INDIA MOVING TO WARD ASEAN ON WTO IMPERATIVES**

Inaugurating the workshop "WTO - Doha to Cancun and Beyond" organized by Mumbai Educational Trust, Additional Secretary of Commerce Mr. S.N. Menon said: "India is a founder member of WTO and we are supporters of the WTO. But it is seen that more and more WTO -member countries are moving towards regional trade agreements and therefore, we are moving towards Asean". He commented that if international trading is to be meaningful, new barriers should not be created. On agriculture, Mr. Menon stated: "India is in a different situation and policy reforms have just begun. We need to strengthen these reforms. Importantly, we can reduce our high bound tariff rates only if subsidies given by the developed nations are reduced." (Source: Financial Express, 03/24/03)

## **INDIA NOTIFIES ZERO DUTY IN FREE TRADE AGREEMENT WITH SRI LANKA**

India has kept its promise to bring zero duty on all goods of Sri Lanka origin within three years of the implementation date of the free trade agreement (FTA). The department of Revenue, Ministry of Finance, issued a notification on March 18 to this effect. There is a small negative list consisting of sensitive goods like areca nuts, where the extent of duty waiver is below 100 percent. Sri Lanka

has a longer time frame of eight years to come to the zero duty level for all the identified products. In the first three year period Sri Lanka will give zero duty status to 600 items. (Source: Economic Times, 03/28/03)

### **CALIFORNIA GRAPES IN INDIAN MARKET**

California grapes are pegged to capture half of the Indian import market and 5 percent of the overall sales in the Indian market in the forthcoming 2003/04 season. The American grapes' season runs counter to the Indian season, ensuring round the year availability of the fruit to Indian consumers. Imports from the US will resume from July, and by then local grapes would have been exhausted. Despite the higher prices (above rs. 120/kg vs. rs. 20-30/kg for local grapes), response to Californian grapes has been very encouraging in 2002/03 season. (Source: Economic Times, 03/25/03)

### **LOCAL COTTON PRICES UP 40 - 50% DURING OCTOBER-JANUARY**

Prices of major Indian cotton varieties are already up 40-50% during first 4 months (Oct-Jan) of the current season 2002/03 on pressure from firm international cotton prices. Local cotton prices are expected to record a further sharp rise on extremely tight domestic supply position as estimated by Cotton Advisory Board (CAB) on March 24. The CAB has lowered the domestic production estimate for 2002/03 season to 14.0 million bales (of 170 kg) against the 15.2 million bales estimate at the last CAB meeting in November 2002. The cotton import estimate for the 2002/03 season has also been lowered to 1.6 million bales from the earlier estimate of 2.0 million bales. (Source: Economic Times, 03/25/03)

### **NORTHERN STATES MAY DELAY SWITCH TO VAT**

Following the failure of the state government of Delhi to officially confirm its decision to switch over to Value Added Tax (VAT) effective April 1, other neighboring states, namely Punjab, Haryana, Himachal Pradesh, and Rajasthan are also likely to delay their transition to VAT beyond the April 1 deadline. Traders and other small-scale industries sectors in Delhi have been protesting against the move to implement VAT due to apprehensions that the new system would squeeze their profit margins. However, according to government sources, the traders' opposition to VAT regime stems from the fear that tax evasion would become difficult under the VAT system. (Source: Business Standard, 03/21/03)

### **THREE YEARS HENCE, 0.7 MILLION INDIAN HOUSEHOLDS TO EARN OVER RS. 1.0 MILLION ANNUALLY**

The National Council of Applied Economic Research (NCAER) has projected that Indian households with annual incomes above Rs. 5.0 million (approx. \$104 thousand at today's average rate) will increase twofold to 53,600 by 2006. Nearly 692,000 households are projected to earn over rs. 1.0 million (\$20 thousand) annually by the year 2006. NCAER has made these projections in their Indian Market Demographic Report 2002, which is based on an annual survey of the consumption pattern of over 300,000 households across the country. (Source: Business Standard, 03/28/03)

### **THE TAMIL NADU AGRICULTURE UNIVERSITY (TNAU) TO CERTIFY ORGANIC**

## PRODUCE

The Tamil Nadu Agriculture University will set up a laboratory to test and certify organically produced agricultural products, stated the University's vice-chancellor. He further stated that certification of organic products will help firms interested in agricultural exports as such products are in high demand in the world market. (Source: Business Line, 3/28/03)

## MARS TO FORAY INTO PET FOOD SEGMENT IN INDIA

Mars Inc. is in the process of setting up a factory in Hyderabad for its pet food venture. Mars Inc. pet food business includes brands such as Pedigree, Cesar, Whiskas, Sheba, Kitekat, Trill Winergy and Aquarian. Company sources said that while pet care is still an evolving segment in India, Mars Inc. is going ahead with this venture based on the strength of its internationally acclaimed brands. (Source: Business Line, 3/28/03)

## ANDHRA PRADESH POULTRY UNITS IN THE SOUP OVER RISING COSTS

Andhra Pradesh, the state that ranks first in broiler and egg production in the country, is facing a serious situation due to rising costs and falling output prices (due to which at least nearly 30 percent of the poultry producers have gone out of business in the past one year). The general secretary of Andhra Pradesh Poultry Federation (APPF) told the press that while the cost of producing a chicken at current corn prices works out to Rs. 28 per kg live weight, the average price realization so far during the current year for most of these firms was about Rs. 23.5 per kg live weight. The major reason for high cost of production is attributed by the farmers to high corn prices, which are quoted at around \$122/ton compared with \$101/ton during last year. Adding to the concerns of the industry, maize acreage and productivity in the state has remained stagnant over the years. The APPF urged the government to intervene and make the raw material for feed more affordable, so that the industry can grow at a faster rate. (Source: Business Line, 03/27/03)

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