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Report Highlights:
Time to "Pack Up" plant quarantine rules, *GOI notifies "High Risk" food category*, *Grain exporters may get rs. 5 billion support*, *Generation now prefers drinks from Californian and Australian Wineries*, *Barista to pump in more money*, *Vegetable oil extractors seek higher customs duties*, *Bangladesh: BTMA chief for buying US cotton for duty-free access*.

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.

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TIME TO "PACK UP" PLANT QUARANTINE RULES ...

The Plant Protection Advisor and other administrative officials in the Ministry of Agriculture are having a tough time trying to defend the new rules under the Plant Quarantine Order, 2003 (PQO), which have made life miserable for importers. The amendments to PQO show that regulations were not formulated after proper pest risk analyses. The only purpose of making the new PQO rules was to occupy new ground in WTO negotiations. The plant quarantine restrictions in other countries were copied by the Agriculture Ministry to create artificial hurdles for imports. Harassed importers bribe officials to get their consignments cleared. The government will do well to revoke the PQO Rules for the time being. The ill-designed non-tariff barrier is hurting Indian consumers and not the foreign exporters who have already written the Indian market off as "too difficult". The revised quarantine rules should be based on actual risks; it must be drafted in a simple self-contained manner after talking to importers and foreign exporters. (***Source: Economic Times, 06/12/04***)

Post Comment: The author of this column is a well-known trade policy analyst from the Academy of Business, India. This article focused mainly on the solid-wood packing materials (See GAIN report - IN4055) regulation, but included references to the entire Plant Quarantine Order that is causing problems.

GOI NOTIFIES "HIGH RISK" FOOD CATEGORY

Through a notification issued on June 14, 2004, the government has categorized edible oils and fats, pulses and pulse products, cereals and cereal products, milk powder, condensed milk, infant milk powder, milk cereal base weaning food, infant formula, food colors, food additives, natural mineral water, packaged drinking water, tea, coffee, and cocoa butter equivalent or substitutes as "high risk" food items under the Prevention of Food Adulteration Act, 1954. This means that the entire imported consignment of such products will be referred to Port Health Offices for testing, and the consignments would be cleared only after receipt of the test report. "Pending receipt of test report, such consignments may be allowed to be stored in warehouses under Section 49 of the Customs Act, 1962. If the product fails the test, the Custom authorities will ensure that the goods are sent out of the country by following the usual adjudication procedure or destroyed as required under the relevant rules," according to official sources. **(*Source: Business Line, 06/16/04*)**

Post Comment: See http://dgftcom.nic.in/exim/2000/cir/cir03/cir3703.htm for the Official Notification. The 100 percent sampling of the "high risk" food items, and holding the consignments until test results are received, would add to the cost of importing.

GRAIN Exporters may get rs. 5 billion support

The government is likely to announce the new foodgrain export policy next week. The new policy is expected to cost the exchequer rs. 5 billion ($110 million) in IFY 2004/05 (Apr-Mar), which should be enough to push at least 5 million tons of foodgrain (wheat and rice) into the global market. Although the Commerce Minister Kamal Nath is expected to formally announce the policy soon, it will become operational only after the presentation of Government Budget in July. (***Source: Economic Times, 06/15/04***)

Post Comment: Although the Ministry of Commerce is pushing for the grain export subsidy, the Ministry of Food and Public Distribution is opposed to this due to food security concerns. At this point, it is unclear whether a grain export subsidy scheme will actually be announced.

GENERATION NOW PREFERS DRINKS FROM CALIFORNIAN AND AUSTRALIAN WINERIES

The heady days of French domination of wine sales in Asia, including India, may be under serious challenge as the younger generation wants more Californian and Australian wines. Consumers are becoming more adventurous and experimenting with wines from Australia, California, Spain, Bulgaria, etc. Consumers also like the new world wines of California and Australia, as they are fruitier and have easy brand recall unlike the French wines which are identified according to the region. One of the wine distributors attributed the growth in the new-world wines to value-for-price considerations; a really good Californian wine is available for rs 1500-2000 ($33-44), while an upper-end French wine cost rs. 3000-5000 ($67-111) per bottle. Market analysts suggest that wines are expected to witness a stable growth of 15-25 percent in most Asian markets over the next three years.
(***Source: The Economic Times, 06/10/04***)

BARISTA TO PUMP IN MORE MONEY

Coffee retail chain Barista Coffee Company Ltd. plans to invest rs 2.5 billion ($56 million) in its India operations in the next three years. The company will drive this expansion by franchisees with rs 2.0 billion raised through franchise fees and rs. 0.5 billion by the company. They are currently investing in areas wherever quality issues exist, such as replacing old coffee machines, reworking the menu, and introducing new beverages, including imported ones. Barista hopes to kick off its first franchisee operations by August 2004. Initially, the chain plans to focus on north and west regions first. The company hopes to open at least 200 franchisee outlets in the current year. (***Source: Economic Times, 06/12/04***)

VEGETABLE OIL EXTRACTORS SEEK HIGHER CUSTOMS DUTIES

In its pre-budget memorandum to Finance Minister Mr. P. Chidambaram, the Solvent Extractors Association of India (SEAI) sought to increase the import tariff on refined palmolein to its earlier level of 85 percent, in order to arrest falling domestic edible oils prices. According to the SEAI, although a price rise due to tariff increase would impact consumers, it would also encourage farmers to increase oilseed production. They have also sought an exemption for refined oils and non-conventional oils, such as rice bran oil etc., from excise tax. The SEAI also pleaded for replacing the current import condition based on carotenoid content acid in imported crude palm oil and crude palmolein with a condition based on free fatty acid. (***Source: Business Standard 6/14/04 and Economic Times 6/16/04***)

Bangladesh : BTMA CHIEF FOR BUYING US COTTON FOR DUTY-FREE ACCESS

Leaders of the Bangladesh Textile Mills Association (BTMA) held a meeting with Thomas W Smith, chairman of Amcot Inc (USA). They discussed issues of mutual interest, particularly import of American cotton into Bangladesh in exchange of duty-free market access of

Bangladeshi readymade garments into the U.S. BTMA, said that Bangladesh would face stiff competition with China and India after the end of multi-fibre arrangement (MFA) regime and withdrawal of textile quotas. He stressed that Bangladesh must enhance its competitiveness by using best quality long staple American cotton to retain its share in the global market. He requested Smith to use his influence to make GSM-102 and GSM-103 available for Bangladeshi spinners. (***Source: The New Age, 06-11-04***).

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