



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 8/20/2004

GAIN Report Number: IN4090

India

Agricultural Situation

Weekly Highlights & Hot Bites, #32

2004

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Report Highlights:

Group of Ministers to decide on drafting Food Law, *Ministry pulled up for delay in drafting new Food Law*, *Mills seek total ban on wheat exports*, *Corn may rule firm on rising demand*, *Commerce Ministry to consult Research Institutes for WTO strategy*, *IPR protection must for Biotech: Swaminathan ...*, *... GM crops should be geared to the needs of under-privileged*, *Sibal in haste to set up a new transgenic regulator*, *India retail sector most fragmented*, *Pepsi test market Gatorade*, *McDonald's growth in India hit by poor infrastructure*, *Indian textile industry less cost competitive than China & Brazil*, *BANGLADESH: Yarn production sees robust growth*.

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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GROUP OF MINISTERS TO DECIDE ON DRAFTING FOOD LAW

The reconstituted Group of Ministers (GoM), headed by Agriculture Minister Sharad Pawar is expected to meet soon to decide on the drafting of the new food law. Before the GoM meeting, Secretaries of Ministries of Agriculture, Health, Law, Commerce, and Food Processing are scheduled to meet to thrash out differences on the drafting of the comprehensive new food law. The Integrated Food Law proposes to set up an independent regulator and establish a single-window mechanism for all proposals pertaining to the food-processing sector. Several concerned Ministries had reportedly questioned the need for drafting a new law. (Source: Business Line, 08/13/04)

MINISTRY PULLED UP FOR DELAY IN DRAFTING NEW FOOD LAW

Expressing its displeasure at the delay in finalizing the draft of the proposed Integrated Food Law, which envisages integration of the existing multifarious laws regulating the food processing industries, the Standing Committee on Agriculture on Demands and Grants (2004-05) of the Ministry of Food Processing Industries asked the Ministry to "expedite the matter without any further delay and present the Integrated Food Laws to the Parliament at the earliest so that the food processing sectors move from regulatory regime to the promotional and development regime." (Source: Business Line, 08/19/04)

MILLS SEEK TOTAL BAN ON WHEAT EXPORTS

Caught in a piquant situation of rising prices even while the supply is not tight, flour millers in Karnataka have urged the central government to ban exports of wheat to neighboring countries such as Bangladesh. This would ensure supply to millers at a reasonable price. They also asked the government to allow wheat imports at zero percent duty, which at present is 50 percent. Though the government announced stoppage in allocation of wheat for exports from government stocks, wheat held by farmers and traders was being diverted for exports, resulting in hardening of prices in the open market. Wheat price in the state has increased by rs. 1,000 per metric ton to rs. 9,650 (\$210) per metric ton and is expected to cross rs. 10,000 (\$217) per metric ton. (Source: Business Line, 08/19/04)

CORN MAY RULE FIRM ON RISING DEMAND

Though the area under corn cultivation during the *kharif* (fall harvested) season has increased marginally, corn prices are likely to rule firm in the near future, as cheaper alternatives are scarce. Corn prices are currently ruling at rs. 7,200 (\$156) per metric ton, up from rs. 6000 earlier this year. According to industry sources, the demand for corn this year is seen at around 14 million tons, including 6.75 million tons by the poultry sector. *Kharif* corn production is estimated to be around last year's level of 12.4 million tons. Availability of feed wheat will be a problem due to low carryover stocks. High corn prices could lead to a higher chicken price, which is currently quoted at rs. 32 per kilogram (32 cents per pound). (Source: Business Line, 08/19/04)

COMMERCE MINISTRY TO CONSULT RESEARCH INSTITUTES FOR WTO STRATEGY

The Commerce Ministry will begin consultations with research institutes to firm up its negotiating strategy at the World Trade Organization. The Ministry will have to prepare a list of products where it wants special treatment and will also have to decide on how much tariff reduction would be acceptable to India. India and China had a lot of interests in common and the two were planning to work together in a number of areas. (Source: Financial Express, 08/17/04)

IPR PROTECTION MUST FOR BIOTECH: SWAMINATHAN ...

Speaking at a recent seminar on the potential of the agri-biotechnology to usher in a second green revolution, renowned scientist Prof MS Swaminathan stressed that biotechnology products must receive effective Intellectual Property Rights protection. He said that this will create an enabling environment to promote rapid growth of biotechnology applications in agriculture. Prof. Swaminathan further said, " The government should establish a venture fund to support the young biotech entrepreneurs and should implement stricter rules to curb the illegal sale of biotech products." (Source: Financial Express, 8/13/04)

... GM CROPS SHOULD BE GEARED TO THE NEEDS OF UNDER-PRIVILEGED

Addressing the press, Prof MS Swaminathan said, " The science of biotechnology needed to be geared towards the needs of the under-privileged and should maintain the rigors of strict regulation. We must see how best to use the science for the benefit of people such as for developing salt and drought-resistant varieties of crops." He also said that an insurance policy should be devised to insulate the farmers from any failure of GM crops as the government can't ask the poor to serve the public cause at personal cost. (Source: The Hindu, 8/13/04)

SIBAL IN HASTE TO SET UP A NEW TRANSGENIC REGULATOR

Inaugurating an international conference on agricultural biotechnology, the Union Science and Technology minister, Mr. Kapil Sibal announced that the government will be putting in place a new single window regulatory authority for agri-biotech products by January 2005. Author of this article, however, commented that the Minister is in a hurry fixing an unrealistic timeframe while the government, to which he is a part, has decided to move cautiously on regulatory reforms. With a view to bringing changes in existing GM food regulations, the government has also planned to set up a panel of experts to approve policy for safe use of genetically modified organisms in foods and processed foods. (Source: Financial Express, 8/16/04)

INDIA RETAIL SECTOR MOST FRAGMENTED

According to the financial consulting firm CRISIL report, the \$180 billion Indian retail market is the most fragmented in the world with just 2 percent of the entire retailing business being carried out by the organized sector. In comparison, organized retail sector accounts for 70-80 percent in developed countries, over 20 percent in China, around 40 percent in Thailand, and nearly 50 percent in Malaysia. Of the 98 percent traditional retailing happening in India, much of the business is handled by pop & sons 'Kirana' stores. Most local small-scale retailers operate on a low-cost-and-size format, evading taxes, and following cheap labor models to offer customers low prices. Consequently, the Indian retail sector suffers from limited access to capital, labor, and suitable real estate options. Over the past couple of years, the sector has shown signs of change with entry of new players like Shopper Stop,

Crossroad, Tata and Metro-AG. Despite the largely fragmented structure, retail business in India has been growing at 11-12 percent annually. (Source: Business Line 8/18/04)

PEPSI TEST MARKET GATORADE

Pepsico has prepared a blueprint for future growth in India that involves test marketing its sport drink brand Gatorade and expanding its non-carbonated beverages portfolio by launching bottled ice tea. Pepsi plans to introduce and test market Gatorade till the end of 2004 in non-returnable half liter bottles. It plans to import the drink and use its distribution network for their juice Tropicana for Gatorade. (Source: Business Line 8/14/04)

MCDONALD'S GROWTH IN INDIA HIT BY POOR INFRASTRUCTURE

McDonald's has 600 outlets in China; in contrast has only 50 outlets in India. Outlining the reasons for the huge gap, Mr. Peter Tan, Greater China President of McDonald's China Development Company said India presents a difficult operating environment to get a fair return on their investment. Consumers' tastes are diverse, and numbers of people who can afford McDonald's pricing are smaller compared to China. Most important is the shortage of infrastructure, especially highway roads linkages to smaller towns. Nevertheless, McDonald's is hopeful of growing significantly in India in the next 5-10 years. He expressed confidence that as economic growth empowers larger number of people with greater affordability and the market for McDonald's will grow. (Source: Business Line 8/16/04)

INDIAN TEXTILE INDUSTRY LESS COST COMPETITIVE THAN CHINA & BRAZIL

Even as a recent WTO report has predicted major gains for textile manufacturers from China and India following the phase-out of quotas, lack of economies of scale, high raw material costs and higher spending on power have largely resulted in Indian textile producers produce a number of products (yarns and fabrics) at a higher cost than China and Brazil. According to an international production costs comparisons on 13 major yarns and fabric categories compiled by the International Textile Manufacturers Federation, cost of an overwhelming 10 product categories is lower in China and Brazil compared to India. According to KSA Technopak, many of the organized Indian textile players have production costs comparable to their Chinese counterparts. However, much of the Indian textile industry is disaggregated, and hence lack overall competitiveness compared to much more organized industry in China. In labor intensive activities, Indian manufacturers have significant cost advantage, and hence its important to get into labor intensive activities like garmenting. (Source: 8/19/04)

BANGLADESH: YARN PRODUCTION SEES ROBUST GROWTH

The spinning industry, a vital component of backward linkage to the ready-made garment sector, has been witnessing robust growth over the past few years on increased domestic demand, ahead of the expiry of the apparel export quota regime. With the post-multi fiber arrangement era set to begin from January 2005, the spinning sector recorded production growth of more than 22 percent in 2003 to 382 million kilograms of yarn from 297 million kilograms in 2002. A Bangladesh Board of Investment survey revealed that till June 2004, 138 spinning mills were in regular production, nine on trial production, six almost ready for production, and five under implementation. (Source: The daily Star, 08/16/04)

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