



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 4/25/2008

GAIN Report Number: IN8042

India

Agricultural Situation

Weekly Highlights and Hot Bites, #17

2008

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Report Highlights:

Food grain production in 2007/08 estimated record, *No need to import wheat: AG Minister*, *Railways not to carry wheat for private contractors*, *Baru calls for softening of India's stance on farm subsidies*, *No connection of price rise to future trading: Consumer Affairs Ministry*, *Fresh outbreak of Bird Flu, Tripura to begin culling today*, *Organized retailers expanding business to cash in on boom*, *States consider edible oil imports*, *SRI LANKA: Impending crisis not on "rice"?*, *SRI LANKA: Local farmers spend too much on cultivation*.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade 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 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.

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FOOD GRAIN PRODUCTION IN 2007/08 ESTIMATED RECORD

According to the 3rd advance estimates for 2007/08, total food grain production is forecast at 227.32 million tons, comprising 95.68 million tons of rice, 76.78 million tons of wheat, 39.67 million tons of coarse grains, and 15.19 million tons of pulses. Compared to 2006/07, rice production is estimated to increase by about 2 million tons, wheat by about 1 million tons, coarse cereals by about 6 million tons (mainly corn), and pulses by about 1 million tons. For details, see: <http://www.pib.nic.in/release/release.asp?relid=37747> (Source: GOI Press Release, 04/22/08)

NO NEED TO IMPORT WHEAT: AG MINISTER

Food and Agriculture Minister Mr. Sharad Pawar ruled out the need to import wheat this year. "I am confident of procuring 16 to 17 million tons of wheat this year. As of now I don't see a need for import of wheat," he said, inaugurating the State Agriculture Ministers' Conference in New Delhi on April 23. Of the 15 million tons of wheat targeted to be procured for buffer stocks, 60 percent has already been procured. (Source: Business Line, 04/24/08)

RAILWAYS NOT TO CARRY WHEAT FOR PRIVATE CONTRACTORS

The Railway Ministry said it has chipped in to control inflation through a series of measures including transport of wheat for the PDS buffer stock and giving freight subsidies for the transport of pulses, edible oils, and salt. The Railway Minister said that private contractors would not be allowed to use the railways to transport wheat. (Source: Financial Express, 04/23/08)

BARU CALLS FOR SOFTENING OF INDIA'S STANCE ON FARM SUBSIDIES

Media Advisor to Prime Minister, Sanjay Baru, called for a softening of India's stance on reduction of farm subsidies by the U.S. and the European Union at the WTO forum, citing rising food prices. "Since India has been a net food importing country for the past few years and is expected to remain so in the near future, cheaper imports of agricultural products would help in cooling inflation," Baru said. Underlining that he was speaking in his personal capacity and not as a government spokesman, Baru said, "It would be in the interest of India to favor continuation of farm subsidies by the U.S. and the European countries so that import prices remain low." (Source: Financial Express, 04/20/08)

NO CONNECTION OF PRICE RISE TO FUTURE TRADING: CONSUMER AFFAIRS MINISTRY

The Ministry of Consumer Affairs has opposed continuing with the ban on [futures trading in] some farm commodities, stating that there appears to be no correlation between the price rise and [futures] trading of these items. The Ministry has expressed its view to key

economic ministries. The Ministry's stand comes even as policy makers are debating the findings of the Abhijit Sen Committee report that went into the issue of commodity futures trading and its possible impact on spot prices. Similar views have also been expressed by the Planning Commission and Finance Ministry which are working overtime to rein in prices of essential food items. The government had banned futures trading in wheat, rice, and some pulses last year after protests from its allies that such activity was fuelling prices of essential food items. (Source: Economic Times, 04/25/08)

FRESH OUTBREAK OF BIRD FLU, TRIPURA TO BEGIN CULLING TODAY

Tripura state authorities have ordered commencement of culling operations after a fresh outbreak of bird flu in the West Tripura District of Mohanpur block. Import and movement of poultry and other birds within the state has been banned. Around 10,000 birds in villages will be culled under eight gram panchayats (local village level administration) coming under the five kilometer AI control zone. Tripura shares an international border running up to 856 kilometers with Bangladesh and has witnessed the second outbreak of bird flu in the current month. (Source: The Indian Express, 04/24/08)

ORGANIZED RETAILERS EXPANDING BUSINESS TO CASH IN ON BOOM

Most of the big retail chains in the country are on a major expansion mode to reap the benefits from the ongoing retail boom and the growth prospects. There is a likely possibility of an increase in organized retail space from 66 million square feet in 2007 to more than 316 million square feet by the end of 2011. Reliance retail plans to increase its retail spread from 3.75 million square feet to about 100 million square feet by 2011. Vishal Retail plans to invest up to \$750 million over the next three years by targeting tier two and tier three cities. Similarly, Bharti Retail having a joint venture with Walmart for cash and carry operations and a franchisee agreement for front-end retail aims to spend \$2.5 billion by 2015 for opening multiple format stores over 10 million square feet. The Futures Group, Big Bazaar is also targeting to increase the number of home town stores this year from 5 to 10 with an investment of \$30 million and number of central malls from six to 30 by 2011. An Edelweiss research report portrays that retail is poised to grow at 42 percent annually from 2007 to 2011. (Source: The Hindustan Times, 04/18/08)

STATES CONSIDER EDIBLE OIL IMPORTS

According to official sources, eight to ten Indian states are considering a combined import of 70,000 to 80,000 tons of edible oils per month to implement various food schemes for the poor. The union government had recently cut import duties on edible oils to increase local supplies and to control inflation that has hit a three year high by the end of March. Four state run firms namely, State Trading Corporation of India Limited, MMTC Limited, PEC Limited and National Agricultural Cooperative Marketing Federation of India Limited (Nafed) are likely to make the purchases. The imports are likely to continue for at least five to six months which may translate to purchases of 350,000 to 480,000 tons. (Source: Mint, 04/24/08)

SRI LANKA: IMPENDING CRISIS NOT ON "RICE"?

Escalating prices due to apparent shortages have prompted rice producing countries to impose bans and announce ceilings on rice imports. The Deputy Minister of Commerce announced that the purpose of imposing price controls on rice (Rs 70 per kg) was to create a win-win situation for farmers, mill owners and consumers. However, traders in Pettah said they were unable to sell the current stocks at prices specified by the government. The

President of the Food Importers Association said there was no equity in the measures imposed by the government. He stated that for decades imported and locally produced rice were sold in the Pettah market. This is the first instance in a long time that traders had no rice to sell. The shortage of rice in Sri Lanka took a new turn of events as the Ministry of Trade & Commerce decided to nab traders that hoard or sell rice above the stipulated prices. Officials of the Ministry state that a number of complaints were received and it was observed that shops displayed stipulated prices but were selling at higher prices. The President of a Southern Province Chamber of Commerce stated that it has become a media issue. He criticized the government stating that on one hand, the government provides a fertilizer subsidy to paddy farmers and on the other, controls prices. (Source: Financial Times, Daily Mirror, 04/25/08)

SRI LANKA: LOCAL FARMERS SPEND TOO MUCH ON CULTIVATION

Sri Lankan farmers spend much money on unnecessary inputs for agriculture when compared to their counterparts in neighboring India. This was revealed by a farmer who went to India on a study tour, stated the Secretary to the Ministry of Agriculture. He said that production costs of local farmers were much higher than that of Indian farmers and resulted in higher prices, be it rice, fruits or vegetables. Local farmers use pesticides and weedicides before they plough while Indian farmers allow their cattle to graze and utilize the milk. Sri Lankan farmers use a lot of imported chemicals before ploughing, thereby spending a lot of money on agrochemicals to destroy weeds without making use of them as animal feed. (Source: Island, 04/24/08)

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IN8040	FAIRS Product Specific: GOI Again Defers the Full Implementation of Labeling of Pre-packaged Food Rule	04/22/08

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