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Report Highlights:

Wheat Output: Trade officials keep fingers crossed; Government faces policy dilemmas,
Normal monsoon may ease inflationary pressure, *House fire over price rise*, *Imported
food face ban for flouting rules*, *Bharti makes low-key retail entry with easy day stores in
Ludhiana*, *Organized milk retailing set to grow significantly*, *Poor may get imported
edible oils cheaper*, *Prices fail to suppress oil appetite*, *Rs.55,600 crore worth crop
wasted every year*.

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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WHEAT OUTPUT: TRADE OFFICIALS KEEP FINGERS CROSSED; GOVERNMENT FACES POLICY DILEMMAS

The government is confronting serious policy dilemmas in ensuring food security at a time when there is an ongoing food crisis, internationally. Stocks of food items are at historically low. Inflation in food commodities is also rising especially when elections are near. Ensuring food security entails procuring wheat and rice for the public distribution system. The current *rabi* (winter) crop's marketing season is ongoing and the procurement so far reported by the official agencies is disappointing as the farmers are not happy with the minimum support price (MSP) offered by the government. Farmers are fully aware that the international prices of wheat are far higher than the MSP and are therefore bargaining hard with their state level political support to demand a MSP of Rs. 1650 per hundred kilograms of wheat. The government is in a dilemma to support the farmer or to protect the middle class from inflation.

In the state of Madhya Pradesh, wheat from neighboring states is being sold to receive the benefit of higher bonus offered by the state government. The government's procurement may be short by two to three million tons from the target of 15 million tons for the PDS. This certainly implies costlier food imports. Therefore, ensuring food security at a time of global crisis when the nation is not self sufficient in food, is indeed the biggest challenge for a farming a suitable government policy. (Source: The Hindustan Times, 04/15/08)

NORMAL MONSOON MAY EASE INFLATIONARY PRESSURE

Offering some relief to the government struggling to combat inflation, the Indian Meteorological Department predicted near normal monsoon rains, 99 percent of the long period average, boding well for crop output in the ensuing kharif (summer) crop. However, the IMD will issue an update on the monsoon forecast in June, when it will also come out with its prediction for different geographical regions of the country. Good monsoon rains will go a long way on easing pressure on the supplies of several agricultural commodities whose prices have been on the boil in recent months. These crops include rice, maize, pulses and edible oilseeds like peanut, soybean and sunflower as a sizable acreage under these summer crops is rain dependent. (Source: Business Standard 04/17/08)

HOUSE FIRE OVER PRICE RISE

Under fire from the opposition and the left allies, the UPA government announced a slew of measures to check inflation in the parliament. Replying to a discussion on the price rise, Agriculture Minister Sharad Pawar said that government would import one million tons of edible oils, and 1.5 million tons of pulses to overcome the shortages and help bringing down the prices. The edible oil would be distributed through the state public distribution system to be sold at a subsidy of Rs. 15.0/liter to people below poverty line and other weaker sections. The government would also take a decision on banning futures trading in essential food

items within 10 days. The central government would also convene a meeting of the state Chief Ministers on the issue of price rise. Blaming the global food scenario for the unprecedented price rise, Minister Pawar said the scene in India was much better when compared with other countries. (Source: Hindustan Time 04/17/08, also see 'No Shortage of Food Grains: Pawar' in Hindu, 04/17/08)

IMPORTED FOOD FACE BAN FOR FLOUTING RULES

Several imported branded processed food products may soon vanish from Indian retail market as the government has decided to crack down on imported products that flout the Prevention of Food Adulteration (PFA) rules on labeling such as carrying vegetarian/non-vegetarian symbols; 'best before or expiry dates' in English; batch numbers; importers details; and maximum retail price (MRP) on the labels. Some imported products comply with the PFA guidelines, but they are a minority. As per the PFA rules, any violation can lead to heavy penal provisions including jail sentence to the entire chain of operators starting from the importer to the shopkeeper. This move may have been fueled by number of leading domestic food companies that want strict PFA guidelines to be implemented for imported food products. (Source: Economic Times 04/17/08)

BHARTI MAKES LOW-KEY RETAIL ENTRY WITH EASY DAY STORES IN LUDHIANA

Bharti Enterprises Limited marked its retail foray with a low-key opening of three grocery stores in Ludhiana, Punjab. Bharti's retail venture has been catching the media limelight since it announced plans to join hands with the world's largest retailer 'Wal-Mart Stores Inc.'. However, street vendors and various politicians raised concerns about Bharti and other big retail players entering the Indian market with the fear of adverse affects on the livelihoods of small neighborhood stores and street vendors who currently dominate the food and grocery sales in India. Therefore, the big organized retail players are now opting to open stores quietly to avoid anti-retail protests. Bharti's first stores mark the run-up of the launch of supermarkets ranging between 30,000 sq. ft and 50,000 sq. ft and hypermarkets of 75,000 to 125,000 sq. ft. The firm, plans to invest upto \$2.5 billion in building a retail venture spread across 10 million sq. ft. of space by 2015. Bharti is one of the largest Indian firms to enter India's booming yet controversial retail business. Bharti's senior management has conveyed that the venture will see consumers getting benefit on experience, pricing, quality etc. Farmers will also benefit by the additional employment generation opportunities. The Bharti-Wal-Mart joint venture is expected to launch its wholesale (cash and carry) hypermarkets by the end of this year or early next year. (Source: The HT Mint, 04/17/08)

ORGANIZED MILK RETAILING SET TO GROW SIGNIFICANTLY

The organized milk retailing in India is growing significantly with the milk production already surpassing 100 million tons. The major organized dairy sector players which at present occupy only 18 percent of the total milk produced in the country are expected to capture more than 30 percent of the organized markets. There is a growing awareness for hygienic and value added products and the organized players are definitely going to play a critical role in the sector. According to the Director of the National Dairy Research Institute, the growth in milk production is driven by increasing demand for value added products and extensive dairy development programs initiated by the government. However, the level of integration of the dairy sector with the global economy is relatively low and there is huge opportunity for further expansion. (Source: The Financial Express, 04/12/08)

POOR MAY GET IMPORTED EDIBLE OILS CHEAPER

In a bid to quell the rising inflation, the government is considering subsidized distribution of imported edible oils to benefit consumers, particularly belonging to BPL families through state governments. Prices of essential commodities have gone up by 5.2 percent during March, the highest in any month during fiscal 2007-08. Wholesale price index for composite food during March went up by 6.6 percent as against 6.4 percent rise in the index of all commodities. (Source: The Economic Times, 04/16/08)

PRICES FAIL TO SUPPRESS OIL APPETITE

As per data from the Solvent Extractors' Association of India, the countries vegetable oil imports jumped 38 percent during November 2007 and March 2008 at 2.26 million ton as compared to 1.64 million ton during the same period last financial year despite rise in prices of imported oils. The CIF price of RBD palmolein jumped 112 percent in the last one year to \$ 1,354 a ton in March 2008 from \$640 a ton in March last year. Similarly, crude palm oil has gone up 104 percent to \$1,224 a ton from \$609 a ton, crude soybean oil up 111 percent to \$1,434 a ton from \$680 a ton and crude sunflower oil by 155 percent to \$1,791 a ton from \$703 a ton. (Source: Business Standard, 04/17/08)

RS. 55,600 CRORE WORTH CROP WASTED EVERY YEAR

The government has admitted before the Parliamentary Committee on Agricultural Affairs that India's harvest losses of crop is estimated at Rs. 556 billion (\$14.1 billion). Foodgrains worth Rs. 165 billion (10 percent of total production), fruits worth Rs. 136 billion (30 percent), vegetables worth Rs. 141 billion (30 percent) and livestock and fishery produce worth Rs. 84 billion are lost annually due to mismanagement. Reacting to the information, the committee lamented the massive postharvest wastages of agricultural produce noting that the processing levels are very low compared to developed countries.

The committee was very critical of the fact that the agriculture ministry does not even collect actual post harvest loss figures and the figures provided were rough estimates. The parliamentary committee castigating the ministry stated "The committee is deeply perturbed to note that even after existence of many decades, the Department of Agricultural Research and Education (DARE) or the Indian Council for Agricultural Research (ICAR) have no authoritative estimates of post harvest losses till date' They further note "After 50 years of existence in case of DARE/ICAR, this speaks volumes about the irresponsible manner in which the two are fulfilling their mandatory responsibilities". (Source: Times of India 4/17/08)

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