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## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, #13

## 2002

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#### Report Highlights:

**\*Wheat output may plunge\*, \*Export of poor quality wheat stopped\*, \*EU moves WTO against India's sensitive list\*, \*Consumer spending on food up 5-6% in second half of 2002\*, \*Government mulls ocean freight subsidy on sugar exports\*.**

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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### **Wheat Output May Plunge**

India's 2003 wheat production is likely to plunge to around 65 million tons, making it the worst harvest in seven years due to a significant fall in planted area and abnormally high temperatures in the main Indo-Gangetic wheat belt. According to the Ministry of Agriculture, the cumulative area planted to wheat has so far been only 14.28 million hectares, compared with 16.1 million hectares during the corresponding period of last year. The decline in planted area is more pronounced in Madhya Pradesh, Rajasthan, and Uttar Pradesh. The prevailing high temperatures and lack of winter rains will also affect production. "The winter has not really set in and temperatures are 4-5 degrees (Celsius) above normal", said the Director of Indian Agricultural Research Institute, Dr. S. Nagarajan (who was formerly Director of the Directorate of Wheat Research). According to him, "This is an abnormal year. We have not had such high temperatures at this time of year before, perhaps 1973 or 1974." (Source: Business Line, 12/25/02).

### **Export of Poor Quality Wheat Stopped**

The government has stopped subsidized exports of poor quality (luster-lost) wheat as domestic consumers are willing to pay a far higher price for it. But the strategy appears to be completely ad hoc as less than a month ago, the government had refused to raise the export price of luster-lost wheat, despite a rise in international prices, in order to push larger quantities for exports. Following the government's decision, exporters with contracts for luster-lost wheat have been left suddenly in the lurch with no goods to ship out. India has been exporting 150,000 - 200,000 tons of luster-lost wheat every month, which is mostly sold for feed use abroad. This type of wheat was made available to exporters at rs. 3,960 (\$82) per metric ton, delivered at port. (Source: Economic Times, 12/24/02)

### **EU Moves WTO Against India's Sensitive List**

In what seems to be a determined act of reciprocation, the European Commission (EC) has reportedly issued a notice to the Indian Government, alleging that the GOI imposes non-tariff barriers to imports of over 100 products included in a so called list of "sensitive items". According to Indian government sources, the EC has invited India for a settlement of the issue at the Dispute Settlement Board. The EC's action follows India's recent appeal against the GSP scheme of EU countries at the dispute settlement panel. Indian government sources said that the EC's action was totally unjustified as "these import restrictions are totally in conformity with Section 20 and 21".

### **Consumer Spending on Food Up 5-6% in Second Half of 2002**

Leading food retailers say that consumer spending on food was up 5-6 percent in the second half of this year vis-a-vis first half. Food and beverage products constitute the largest percentage of personal consumption, and account for 75% of retail sales. Substantial promotion and discounts seem to have appealed to the consumers. (Source: The Economic Times, 12/23/02)

### **Government Mulls Ocean Freight Subsidy on Sugar Exports**

Addressing the meeting of the 68th annual general body of Indian's Sugar Mills Association, the Minister of Food said that the government is considering providing a subsidy to sugar exporters for reimbursement of ocean freight expenses. The subsidy would come from the Sugar Development Fund (SDF). Earlier this year, the government allowed mills to claim reimbursement of internal transport and freight charges (\$10-12/mt) on export of sugar from the SDF. Industry sources estimate that the ocean freight reimbursement would amount to an additional subsidy of \$ 20/metric tons making Indian sugar exports more competitive in the international market. The government intends to provide further assistance to encourage exports of sugar, since exports seem to be the only viable option for the industry to bring down the current 'huge accumulated' sugar stocks to manageable levels. (Source: Business Line, 12/25/02)

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