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## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, #11

2003

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#### Report Highlights:

**\*India signs preferential trade agreement with Afghanistan\*, \*Custom tariff bill gets parliament approval\*, \*Five million ton wheat missing from FCI warehouse\*, \*Fertilizer price hike rolled back\*, \*As Bt cotton fails, Andhra Pradesh state government promises relief\*, \*US demands greater access for agricultural goods\*, \*Ambassador visits the US pavilion at AAHAR 2003\*, \*Private sector grabs 60 percent share in seed business\*.**

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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.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

## **INDIA SIGNS PREFERENTIAL TRADE AGREEMENT WITH AFGHANISTAN**

India and Afghanistan signed a Preferential Trade Agreement (PTA) on March 6 which provides for free movement of specified goods as agreed between the two countries through the reduction of tariffs. The Agreement was signed by Shri Arun Jaitley, Minister of Commerce & Industry and Law & Justice, on behalf of the Government of India and Mr. Sayed Mustafa Kazemi, Minister of Commerce, on behalf of the Government of Afghanistan. The objective is to grant concessions on a range of products of export interest to Afghanistan, as a part of India's endeavor to give an impetus to strengthening of trade and economic relations between the two countries. The Agreement is reportedly WTO compatible. The actual Agreement is not yet available.

Products covered under the Agreement will be eligible for preferential treatment provided they satisfy the Rules of Origin laid down under the Agreement. The Agreement also provides for 'safeguard measures' (Art. VIII) to suspend or withdraw preferential treatment in case of any product causing or threatening to cause serious injury to the importing contracting party. India is granting 50-100% tariff concession on 38 items of dry fruits, fresh fruits, seeds, medicinal herbs and precious stones and in turn India is receiving duty-free access on 8 tariff lines of India's export interest, which include black tea, pharmaceutical products, ayurvedic and homeopathic medicines, refined sugar, cement, etc.

Total volume of trade between India and Afghanistan for the last three years, in million rupees, is given below (\$1 USD equals rs. 48):

Year	1999-00	2000-01	2001-02
Export	1433.8	1181.5	1162.2
Import	912.4	1214.6	835.6
Total Trade	2346.2	2396.1	1997.8

(Source: Press information Bureau, Government of India. 03/07/03)

## **CUSTOM TARIFF BILL GETS PARLIAMENT APPROVAL**

A Bill seeking to put in place a uniform commodity classification code based on globally adopted nomenclature system for use in all trade related transactions got Parliamentary approval with Rajya

Sabha (the Upper House of the Parliament) recently passing the Bill. Minister of State for Finance, Mr. Gingee Ramachandran said the new measure will reduce transaction costs, ensure speedy work, and bring transparency by adopting the 8-digit classification code. (Source: Financial Express, 03/10/03)

### **FIVE MILLION TON WHEAT MISSING FROM FCI WAREHOUSE**

The government has ordered an inquiry into alleged missing of around 5 million tons of wheat valued at rs. 32 billion (\$667 million) from the Food Corporation of India (FCI) warehouses in Punjab. FCI officials attribute the discrepancy to "accounting error". However, the Food Ministry officials suggest a probe in view of the large quantity of wheat involved. Once the probe is completed, it will be known whether wheat was pilfered or was a result of accounting error as claimed by some officials. Wheat stocks in official records have been brought down from 28.83 million tons on January 1, 2003, to 21.32 million tons on February 1. (Source: Financial Express, 03/13/03)

Post Comment: If and when the official wheat stock figure is confirmed, FAS/New Delhi will revise the PS&D, accordingly.

### **FERTILIZER PRICE HIKE ROLLED BACK**

Succumbing to political pressure, Finance Minister Jaswant Singh rolled back the fertilizer price hike proposed in this year's budget. To limit the fertilizer subsidy, the Finance Minister had proposed a rs. 12 (\$0.25) per bag of 50 kg increase in the price of urea and a rs. 10 (\$ 0.21) per bg increase in the price of Di Ammonium Phosphate (DAP) and Muriate of Potash (MOP). The budgeted level of fertilizer subsidy for FY 2003 before the roll back was rs. 127.2 billion (\$2.65 billion) compared with the 2002 revised estimate of rs. 110.1 billion (\$2.3 billion). "The real problem of subsidy remains. We will all need to deal with it and find a solution", the Finance Minister pointed out, while reiterating that the fertilizer subsidy was not reaching the farmers and only supporting production by high-cost naphtha-based units. (Business Line, 03/12/03)

### **AS BT COTTON FAILS, ANDHRA PRADESH STATE GOVERNMENT PROMISES RELIEF**

Amidst protest by the opposition that Monsanto India Limited be blacklisted for the poor performance of the Bt cotton crop, the Andhra Pradesh government promised to compensate the farmers whose Bt cotton crop had failed to perform. However, the state Ag. Minister admitted that the losses were not due to the boll worm attack and is mainly due to the lower yields attributed to the dry conditions that prevailed in the state. The minister also pointed out that the bio-engineered Bt cotton seeds was only designed to fight "bollworm" pest and not to fight any other eventualities such as drought. (Source: Indian Express 03/11/03)

### **US DEMANDS GREATER ACCESS FOR AGRICULTURAL GOODS**

Addressing a gathering during his visit to the US Pavilion at AAHAR 2003 show on March 10, US Ambassador Robert Blackwill expressed concern over the growing American trade deficit with India and called for greater market access for US agricultural products in India. Greater market access to

US products would benefit all section of the Indian society by offering greater consumer choice and lower prices. He called upon India to support the US proposal at WTO which seeks to eliminate export subsidies and limit all trade distorting domestic support and input subsidies. The US proposal will result in average agricultural tariffs around the globe falling from 62% to 15% and overall reduction of more than \$ 100 billion of trade distorting price supports in the agricultural sector. This would benefit both India and US in the global trade environment. (Source: The Economic Times 03/11/03)

### **AMBASSADOR'S VISIT THE US PAVILION AT AAHAR 2003**

Ambassador Robert Blackwill visited the US pavilion at AAHAR 2003 on Monday, March 10. Munching apples, tasting pistachios and helping himself to chips, the Ambassador showed keen interest by asking the exhibitors about market opportunities in India. He told the US companies that participation in AAHAR show was important for companies that wished to gain larger access to the Indian market. This year 10 US exhibitors participated in AAHAR 2003 displaying products like apples, raisins, prunes, pistachios, syrups, corn/potato chips, sauces, herbal tea, breakfast cereals, popcorn, etc. (Source: The Asian Age 03/11/03)

Post comments: Leading Indian dailies gave prominent coverage to the visit of Ambassador's visit and his remarks on improving Indo-US agricultural trade by India offering better access to US products.

### **PRIVATE SECTOR GRABS 60 PERCENT SHARE IN SEED BUSINESS**

Radical changes in India, one of the world's biggest seed markets, have favored the growth of private sector over the public sector over the last few years. Larger private sector seed companies now account for about 33 percent of the industry's turn over; medium-sized companies contribute 13 percent; and unorganized small private seed companies contribute 13 percent. Public sector companies account for the balance of 41 percent. The Indian seed industry was set back in 2001/02 by a drought. A 30 percent fall in the industry turnover and a decline in sales do not auger well for the small and unorganized players in the seed business which could lead to larger and financially stronger companies acquiring them in a further consolidation exercise, according to a recent Robobank International study. "While larger players like Mahyco, Proagro, Pioneer, Emergent Group, Ankur, JK, and Nuziveedu can withstand the pressure on their financial bottom lines, several of the small unorganized players will be unable to weather the setback caused by the reduced turnovers and huge inventory build ups", the study says. (Source: The Economic Times, 03/12/03)

### **RECENT REPORTS SUBMITTED BY FAS/NEW DELHI**

<b>REPORT#</b>	<b>SUBJECT</b>	<b>DATE SUBMITTED</b>
IN3016	Weekly Highlights & Hot Bites # 10	03/07/2003
IN3018	Trade Show Opening - AAHAR 2003	03/11/2003
IN3019	Trade Policy Monitoring - INDIA	03/14/2003
CE3001	Trade Policy Monitoring - SRI LANKA	03/14/2003

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