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GAIN Report

Global Agricultural Information Network

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POLICY

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Report Highlights:

Welcome to Hot Bites from India, a weekly food and agricultural news summary. This report includes information gathered by local agricultural analysts and/or reported in the local media.

DISCLAIMER: The information contained in this report is not a statement of U.S. Government policy. The views and opinions reported by different news organizations do not reflect the policies of the U.S. Department of Agriculture or the U.S. Embassy in New Delhi.

General Information:

POLICY

BUFFER STOCKS KEEP RICE & WHEAT PRICES STABLE AMID FOOD INFLATION

AMID surging prices of vegetables, fruit, milk and meat in the last one year, wheat and rice prices have remained largely stable, thanks mainly to the country's large grain stocks, which are now almost double the mandatory requirements. (Source: [Financial Express](#) 08/30/2011)

GDP GROWTH REMAINS BELOW 8 PERCENT IN FIRST QUARTER

On the brighter side, trade, hotels, transport and communication services grew 12.8 per cent against just 12.1 per cent a year ago. Agriculture and allied activities' growth rose 3.9 per cent against 2.4 per cent a year ago. (Source: [Business Standard](#), 08/31/2011)

FOOD INFLATION IN DOUBLE DIGITS

India's food inflation has raced into the double digit level to 10.05% for the week ended August 20, fuelled by a sharp spike in the prices of onions and potatoes. What's more, eggs, fish, meat and milk have become costlier, pushing up the food inflation figure to double digits. (Source; [Hindustan Times](#), 09/02/2011);

Also see: [Indian Express](#); [Financial Express](#); [Mint](#) September 2, 2011

GRAIN AND FEED

PULSE IMPORTS DOWN 26% TO 2.6 M TON - Source: [Financial Express](#) 08/30/2011

AGRICULTURAL SITUATION

RAINS BRIDGE DEFICIT, PADDY SOWING SURGES

India's seasonal monsoon showers offset a deficit on Saturday for the first time in 2011 to reach the benchmark 50-year average, according to the latest government data, boosting sowing prospects of key summer crops such as paddy and oilseed. (Source: [Financial Express](#) August 29, 2011)

FOOD SECTOR

TATA GLOBAL MULLS ENTRY INTO FOODS SECTOR

The company has signed a memorandum of understanding (MoU) with Kerala Ayurveda for wellness beverages and food products made from ayurveda recipes and formulations. (Source: [The Hindu](#), 08/31/2011)

SUGAR

SUGARCANE FLOOR PRICE TO RISE AT LEAST 18 PER CENT NEXT YEAR

Commission for Agricultural Costs and Prices (CACP) recommends a floor price of Rs 171 a quintal for the 2012-13 harvested sugarcane crop, 18 per cent more than for the year 2011-12. (Source: [Business Standard](#), 08/29/2011)

OILSEEDS

SOYA MEAL EXPORT LIKELY TO RISE BY 200,000 TON IN 2011-12

Riding on robust global demand and a good domestic soya bean crop, soya meal exports from India, Asia's largest supplier, are set to rise by at least 200,000 tons in the marketing year starting October 1. (Source: [Financial Express](#) 09/02/2011)

POULTRY

UN AGENCY WARNS OF NEW MUTANT BIRD FLU

The UN Food and Agriculture Organization (FAO) on Monday warned about a new mutant strain of the deadly bird flu H5N1 virus in China and Vietnam, saying there could be a "major resurgence" of the disease. (Source: [Hindustan Times](#), 08/30/2011)

COTTON

CENTRE MAY EXTEND COTTON EXPORT DEADLINE

The Ministry of Agriculture has recommended extending cotton exports under the open general license (OGL) beyond September, following a bumper harvest this season. (Source: [Business Standard](#), 08/27/2011)

NEWS IN DETAIL:

BUFFER STOCKS KEEP RICE & WHEAT PRICES STABLE AMID FOOD INFLATION

Sandip Das

New Delhi: AMID surging prices of vegetables, fruit, milk and meat in the last one year, wheat and rice prices have remained largely stable, thanks mainly to the country's large grain stocks, which are now almost double the mandatory requirements.

While India's norms on buffer stocks and strategic reserves require stocking 32 million tons of food grains, Food Corporation of India (FCI) and state government agencies have stockpiled 61 million tons – 35.6 million tons of wheat and 24.9 million tons of rice. Bumper crop of wheat in the last two years and rice last year helped the agencies run up huge stocks. With the Food Security Bill coming up, the government is keen to stock excess grain.

According to a food ministry analysis, wholesale wheat and rice prices have been stable or declined in

one year. This could help the government check food inflation which is now ruling around 10%.

Since last August, wheat wholesale prices have fallen from R1,230 a quintal to R1,185 – down over 3.5% in a year – while wheat prices fell to R2,000 a quintal from R2,100 in Chennai. In Mumbai and Hyderabad, prices rose to R1,563 and R1,750 a quintal respectively this month, from R1,483 and R1,713 a year back. Wholesale rice prices in Delhi rose to R1,900 per quintal from R1,850 in one year. In Hyderabad, prices rose to R1,800 per quintal from R1,700 in the same period. However, in Mumbai, prices fell to R1,775 per quintal from R1,802 a year back.

A food ministry official told FE that huge stocks held with FCI and state government agencies have led to price stabilisation. Rice and wheat “have not shown any substantial increase in the last year,” he said.

According to latest food inflation data released last week, wheat price fell 2.8% from the same period last year, while the rice prices rose 6.02%. Meanwhile, vegetables and fruits have turned significantly costlier. FE reported last week that prices of vegetables and milk have risen more than 25% in the last two months leading to rise in food inflation.

GDP GROWTH REMAINS BELOW 8 PERCENT IN FIRST QUARTER

BS Reporter / New Delhi August 31, 2011, 0:46 IST

Construction seals fall to 7.7% from 8.8% in Q1 last year; disappointing, says FM.

Dragged down by high interest rates and the demand scarcity-hit construction sector, the country's GDP growth fell to 7.7 per cent in the first three months of this financial year as against 8.8 per cent in the corresponding period last year.

Though the figure seemed to be more or less along expected lines, the fall in growth rate was disguised by a sharp downward revision in GDP expansion from 9.3 per cent in the year-ago period due to a new series of industrial production.

Had the growth remained the same a year ago, the first-quarter figure would have fallen as low as 7.2 per cent, said industry chamber Ficci.

Economic growth fell for the fourth quarter in a row, if unrevised figures were taken for previous quarters. However, the first-quarter number is not comparable sequentially, as the Ministry of Statistics and Programme Implementation (MOSPI) said the revised figures for previous quarters could not be released yet.

Finance minister Pranab Mukherjee termed the GDP number disappointing. However, he exuded confidence the figure for the entire year would be better.

“It is no doubt disappointing... There is a sign that when the final figure comes, there may be a recovery,” he said.

But, the question is whether the recovery would be so fast as to deliver 8.6 per cent growth this financial year, as pegged by the finance ministry's background note, not to mention the nine per cent growth projected in the economic survey earlier.

Economists and industry chambers consider even eight per cent growth a difficult target for this financial year. “Although we expect GDP growth to recover in the second half, achieving the eight per

cent target is tough,” said CII director general Chandrajit Banerjee.

PMEAC chairman C Rangarajan blamed the slow growth on the steep decline in expansion of construction activities, at just 1.2 per cent as against 7.7 per cent in Q1 last year.

Chief statistician T C A Anant attributed the slackening construction activity partly to high interest rates and partly to a drop in demand. Rangarajan said, “The unexpectedly steep decline in construction growth is a worrying factor. However, it can improve in subsequent quarters as the economy and manufacturing pick up.”

Manufacturing growth fell to 7.2 per cent from 10.6 per cent a year ago and mining fell to 1.8 per cent from 7.4 per cent. Coal production grew just 2.4 per cent in July, though it was sharply higher than -3.3 per cent in the previous month. On the brighter side, trade, hotels, transport and communication services grew 12.8 per cent against just 12.1 per cent a year ago. Agriculture and allied activities’ growth rose 3.9 per cent against 2.4 per cent a year ago. Gross fixed capital formation (GFCF), a proxy for the investment rate, grew 7.9 per cent from just 0.4 per cent in the previous quarter, YES Bank chief economist Shubhada Rao said.

“Growth is poised to decelerate further due to the full impact of the ongoing monetary tightening and the worsening global backdrop,” said Rajeev Malik, senior economist, CLSA, Singapore.

Though economists believe the GDP number will prompt the RBI to go for another rate hike to cool inflation, industry chambers are in favour of a pause.

FOOD INFLATION IN DOUBLE DIGITS

HT Correspondent, Hindustan Times

New Delhi, September 02, 2011

India's food inflation has raced into the double digit level to 10.05% for the week ended August 20, fuelled by a sharp spike in the prices of onions and potatoes. What's more, eggs, fish, meat and milk have become costlier, pushing up the food inflation figure to double digits, the data released on Thursday showed.

Worse, costlier food and commodities are jacking up the prices of manufactured products. India's overall inflation stood at 9.22% in July.

Finance minister Pranab Mukherjee termed the inflation rate as disturbing. "Inflation is always a matter of concern, and we shall have to ensure and improve the supply of food items," he said.

But global food prices are nearing record highs, implying that the government will have to cough up precious foreign exchange to import essential commodities to control prices.

The UN's Food and Agriculture Organization's food price index “ which keeps track of prices of a basket of cereals, oilseeds, dairy, meat and sugar “ was 39% higher in June than it was in the same month last year.

Experts said the Reserve Bank, which will present its mid-quarter monetary policy review in September, might have to go for a fresh rate hike despite strong signs of a slowdown in the domestic economy.

PULSE IMPORT DOWN 26% TO 2.6 M TON

FE Bureau

Posted: Tuesday, Aug 30, 2011 at 0058 hrs IST

India's pulse import declined by 26% to 2.6 million tons in the 2010-11 fiscal on the back of record production. "As per the Directorate of Commercial Intelligence and Statistics data (provisional), during 2010-11, a quantity of 2.6 million tons of pulse was imported," food minister K V Thomas said in a written reply to the Rajya Sabha. The country had imported 3.5 million tons of pulse in the 2009-10 fiscal. The country is estimated to have produced a record 18.09 million tons of pulse in the 2010-11 crop year, as against 14.66 million tons in the previous year.

RAINS BRIDGE DEFICIT, PADDY SOWING SURGES

FE Bureau

Posted: Monday, Aug 29, 2011 at 0232 hrs IST

New Delhi: India's seasonal monsoon showers offset a deficit on Saturday for the first time in 2011 to reach the benchmark 50-year average, according to the latest government data, boosting sowing prospects of key summer crops such as paddy and oilseed. However, pulses and cereals lag last year's level as farmers have shifted to other crops such as cotton and paddy for better returns.

Heavy showers lashed north-western as well as central regions in August to bridge the deficit until July, beating a government forecast of below-normal rains during the season that runs from June through September. In June, the Met Department had forecast a below-normal monsoon season, at 95% of the 50-year average. It defines normal monsoon as 96% to 104% of the long-term average.

The country receives most of the showers by August after which the monsoon rains start retreating. Planting got a fresh boost this month with area under the paddy crop rising by 10.3% to 34.87 million hectares as of August 26 since sowing started in June, according to the agriculture ministry data. Paddy is primarily a summer crop, although some quantities are also grown in winter.

The country is aiming to produce a record 102 million tons of rice in the crop year through June 2012, higher than 95.32 million tons produced in 2010-11.

Earlier this month, Agriculture Secretary P K Basu had said the country would meet the rice output target this year due to higher planting as well as wide-spread rains. The geographical spread of rainfall is as important as the quantum of it.

Despite heavy rainfall in certain parts of West Bengal that has affected the paddy crop, a senior farm ministry official said, "Every year some districts would be affected by drought and some by floods. This year is still much better, compared with the last year when around 150 districts across the country were affected by either drought or floods. Despite that, we still produced 95.32 million tons of rice."

A higher rice output in 2011-12 will help the government in its battle against food inflation and meet its obligation as it gears up to implement a proposed food security law that will widen subsidised grain sales to the poor from federal reserves.

Areas under oilseed, sugarcane and cotton, too, rose by 3.9%, 4.7% and 9.8%, respectively, until August 26 from a year earlier, according to the data. India, the world's second-largest vegetable oils buyer, imports around half of its annual requirement, and any increase in oilseed output will have some

beneficial impact on local supplies.

Moreover, any rise in the output of sugar and cotton in 2011-12 will help the country export the commodities as local supplies are expected to cross demand. However, bad news continues on pulses and coarse cereals. Pulses sowing fell by 11.2% to 10.3 million hectares, while cereals planting dipped by 6.6% to 18.9 million hectares. While India is largely self-sufficient in cereals production, it usually imports nearly one-fifth of its pulses requirement annually.

The fall in pulses acreage may raise fears of higher imports and spell trouble for local prices which have remained subdued for almost a year now due to a record production in 2010-11.

TATA GLOBAL MULLS ENTRY INTO FOODS SECTOR

Special Correspondent

Tata Global Beverages Ltd (TGBL), formerly Tata Tea Ltd, is mulling a possible entry into nourishing foods segment. The company has signed a memorandum of understanding (MoU) with Kerala Ayurveda for wellness beverages and food products made from ayurveda recipes and formulations. This is an equal joint venture.

The future foray was indicated here by Chairman Ratan Tata at the annual general meeting of the company. This was the first year of meeting after the company's name change.

He said that the company was now being transformed from a plantation-based tea company to become a creator and marketer of beverages and foods, ready-to-drink teas and wellness beverages, resting on the plank of health and wellness. "The name is changed to reflect the company's direction," he said.

It may be mentioned that through its brands such as Tata Tea and its acquired brands like Tetley, Good Earth, Eight O' Clock, Himalayan, Vitax, SUKK, T4KIDZ and Lager, as well as through its joint ventures, the company so far had a presence in the tea, coffee and wellness beverage sector. Tata Tea is now being launched in Germany, Mr. Tata said. In his opening remarks he said that the year under review had been one of challenge due to the increase in raw materials. He said that revenues were targeted to rise to \$5 billion from \$1.3 billion now as the company moved up the value chain. This would be done through acquisitions too, although there were no active plans on this.

Replying to shareholder's query he said that the group's plan was to increase holding although it was restricted by regulations on making creeping acquisitions. It did not want to increase holding by the preferential debenture route either. "But we will continue to increase our holdings," he said.

He said that the MoU with Starbucks had the scope of supplying tea and coffee to them as also the scope of joint retailing through Starbucks outlets.

SUGARCANE FLOOR PRICE TO RISE AT LEAST 18 PER CENT NEXT YEAR

Ajay Modi / New Delhi August 29, 2011, 0:50 IST

Sugar producers face the prospect of a minimum 18 per cent increase in the procurement cost of cane, with the Commission for Agricultural Costs and Prices (CACP) recommending a floor price of Rs 171 a

quintal for the 2012-13 harvested crop.

It has also suggested that as a larger output is expected in 2011-12, the government should allow export of 1.5 million tons of sugar and create a reserve of another 1.5 mt.

The Union government's Fair and Remunerative Price (FRP) for cane in the season beginning October this year is Rs 145 per qtl. CACP's recommendation on increasing this price would be applicable from October 2012.

FRP is the minimum price that sugarcane farmers are legally guaranteed. Sugar mills are free to offer any price above this. CACP's recommendation is with the agriculture ministry and would then go to the Cabinet Committee on Economic Affairs. Usually, the government accepts the cane price recommended by CACP.

The FRP is fixed after taking into consideration the margins for cane farmers on account of risk, as well as profit on the cost of production, including transportation expense. The FRP is followed by the cane producing states of Maharashtra, Karnataka, Andhra Pradesh and Bihar. That has implications for mills operated by Renuka Sugars, Rajshreee Sugars, Birla Sugars (Oudh and Upper Ganges) and Bannari Amman Sugars, among others.

However, other big cane producing states such as Uttar Pradesh, Uttarakhand, Punjab, Haryana and Tamil Nadu declare their own State Advised Price (SAP) for cane. The SAP is much more than the FRP. For the 2010-11 sugar season, the FRP was Rs 139.12 per qtl, while the SAP in UP, the second biggest sugar producing state, was Rs 205 per qtl.

The difference disadvantages mills in SAP-states, since their cost of production is higher but they have to compete with sugar produced in FRP-paying mills. In years of low sugar prices, mills often fail to pay SAP and the arrears in this regard get accumulated, which discourage a further round of cultivation.

SOYA MEAL EXPORT LIKELY TO RISE BY 200,000 TON IN 2011-12

Banikinkar Pattanayak

Posted: Friday, Sep 02, 2011 at 0020 hrs IST

New Delhi: Riding on robust global demand and a good domestic soyabean crop, soyameal exports from India, Asia's largest supplier, are set to rise by at least 200,000 tons in the marketing year starting October 1, according to industry experts.

The country is expected to ship at least 5 million tons of soyameal in 2011-12, compared with around 4.8 million tons in 2010-11, said Rajesh Agrawal, co-ordinator of the Soyabean Processors Association of India. "Our prices are globally competitive and demand also looks strong. I expect soyabean crushing to go on well in 2011-12 as carryover stocks will be less than the 2010-11 level," he said.

Soyabean planting has climbed by 11% this summer from a year before on widespread monsoon showers, boosting hopes that the country will harvest a bumper crop in 2011-12, industry executives said.

Soyabean is crushed into soyameal for animal feed and into soyaoil for cooking and alternative fuel. Soyameal is added to poultry feed as a form of protein to boost the birds' growth. The country typically exports around 70% of its annual production.

India competes with Brazil and Argentina for soyameal exports to countries including Japan, Vietnam, South Korea and China. However, suppliers in India have an edge over their South American rivals in terms of freight differential due to the country's proximity with key buying nations, the executives said.

The country's soyameal exports bounced back in 2010-11 after a slump in the previous year due to less crushing of soyabean after a fall in its prices. Shipments of the commodity nearly doubled to 3.73 million tons between October 2010 and July 2011 as global prices picked up due to strong demand, improving sales realisation, according to the SOPA data. The data don't include shipments to other Saarc nations.

Soyabean output is expected to be higher this year despite recent heavy rains in the key producing region of central India and sporadic incidents of pest attack on the crop, Agrawal said. Although 10% to 15% of the crop in some of these regions has been affected, the overall crop size still looks good. Heavy showers lashed north-western as well as central regions in August to bridge the deficit until July, beating a government forecast of below-normal rains during the season that runs from June through September.

"You can't expect 100% good monsoon rains over all the regions. Each year, some areas will be affected, and this is quite normal," said Agrawal. The country harvested around 12.65 million tons of soybean in the last crop year through June, according to the government estimate. Soyameal prices are ruling around \$395 to \$398 per ton freight-on-board, which is globally competitive, he said, adding that good prices would lead to higher soybean crushing by the domestic industry.

Traders are also looking to tap the growing demand from China by scaling up sales of oilmeals, mainly soyameal, to that country from the current level of 536,604 metric tons, another industry executive said.

UN AGENCY WARNS OF NEW MUTANT BIRD FLU

Rome, August 29, 2011

The UN Food and Agriculture Organisation (FAO) on Monday warned about a new mutant strain of the deadly bird flu H5N1 virus in China and Vietnam, saying there could be a "major resurgence" of the disease. The Rome-based organisation said it was concerned about "the appearance in China and Vietnam of a variant virus able to sidestep the defences provided by existing vaccines," adding that the new strain was known as H5N1 - 2.3.2.1.

"Virus circulation in Vietnam poses a direct threat to Cambodia, Thailand and Malaysia as well as endangering the Korean peninsula and Japan," it said, warning that the virus could be spread beyond Asia by wild bird migration.

It called for "heightened readiness and surveillance against a possible major resurgence" of the virus, which developed into a pandemic in 2009.

The UN's World Health Organisation says 565 people have been infected since the deadly H5N1 strain first appeared and 331 of them have died as a result.

FAO said the latest death occurred earlier this month in Cambodia, which has registered eight cases of human infection this year - all of them fatal. "This is no time for complacency. No one can let their

guard down with H5N1," Juan Lubroth, FAO's chief veterinary officer, was quoted as saying.

"The general departure from the progressive decline observed in 2004-2008 could mean that there will be a flare-up of H5N1 this fall and winter, with people unexpectedly finding the virus in their backyard," he said.

FAO said that the areas recently affected by deadly bird flu also included Bulgaria, Israel, Mongolia, Nepal, the Palestinian Territories and Romania.

CENTRE MAY EXTEND COTTON EXPORT DEADLINE

Anindita Dey / Mumbai August 27, 2011, 0:40 IST

The Ministry of Agriculture has recommended extending cotton exports under the open general licence (OGL) beyond September, following a bumper harvest this season.

"The sowing has been very good. Till date, cotton acreage in the country has gone up to 11.7 million hectares (mh), against 10.6 mh, in the year-ago period — up 10 per cent. Harvest is expected to be good, leading to better price recovery for the farmers. Thus, allowing free exports is the only logical option," said an official source.

According to informal estimates by the Cotton Corporation of India, which is conducting a preliminary survey of the crop, the acreage may even go up to 12 mh by the end of the sowing season. "Going by acreage, production estimate for the crop may even be more than 35 million bales in the current season," said an official.

Rice and cotton are two major crops, which have led the recovery in acreage, while laggards include pulses and coarse cereals. Cotton acreage has substantially gone up in Gujarat, Rajasthan and Haryana.

However, the prices (Rs 38,000-39,000 per candy) are subdued compared to last year, since domestic and international demand is low. After a lot of debate over the eligibility criteria for cotton export, the government had decided to free cotton export and bring it under OGL scheme following good supply and falling domestic prices earlier this month.

The Directorate General of Foreign Trade (DGFT) has done away with the eligibility criteria for a cotton exporters. However, the guidelines will require exporters to submit documentary proof of shipments and will continue to have penal clauses in case the licensee fails to export cotton after registering for the same.

During the hearing of a petition, the Bombay High Court had ordered DGFT to extend the quota allocation process to August 8, which was over on July 15. DGFT has challenged the high court order before the Supreme Court.

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

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IN1180	Cotton and Products – Update August 2011	08/30/2011

IN1181	2011 Monsoon Report 5	08/30/2011
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