

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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POLICY

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## India

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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.

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## **General Information:**

### **POLICY**

#### **GOVT ANNOUNCES RS 800 CRORE INCENTIVES TO BOOST TRADE**

The commerce ministry on Thursday announced incentives valued at around Rs. 800 crore to boost Indian exports to emerging markets in Asia, Africa and Latin America. (Source: [Live Mint 10/14/11](#))

### **ECONOMY**

#### **FOOD INFLATION DECLINES TO 9.32% EVEN AS PRICES RISE**

Food inflation for the week ending October 1 fell marginally to 9.32%, despite costlier vegetables, fruits and protein-based food items. Food inflation in the previous week was 9.41% and in the corresponding week last year, it was 17.14%. (Source: [Financial Express 10/14/2011](#)); Also See: [The Hindu](#) ; [Indian Express 10/14/2011](#).

### **GRAIN AND FEED**

#### **RICE PROCUREMENT STARTS ON A SLOW NOTE AS CROP ARRIVES LATE**

Food Corporation of India (FCI) and state-level agencies have kicked off this year's rice procurement season on a slow note, with 1.4 million tonne picked up since October 1, which is 6% below the figure for the previous year's corresponding period. A food ministry official attributed the weakness to delayed kharif harvests, due to unseasonal rains and flooding in some rice-growing regions. (Source: [Financial Express 10/11/11](#))

#### **SUPPORT PRICE FOR RICE LIKELY TO BE INCREASED**

India is likely to raise the price it pays to local farmers to buy rice in the new season which began this month, the food minister said on Thursday, a move that could help the government win political support but also stoke inflation. (Source: [Financial Express 10/14/2011](#))

### **SUGAR**

#### **FOOD MIN TO DECIDE ON SUGAR EXPORT IN NOVEMBER**

The food ministry will decide on sugar exports in the marketing year through September 2012 in the first week of November when the peak festival season ends, after reviewing production, food minister KV Thomas said on Wednesday. (Source: [Financial Express 10/13/2011](#))

### **OILSEEDS**

## **SOYAMEAL EXPORTS UP 75% ON OVERSEAS DEMAND REVIVAL**

India's soyameal exports rose more than 75% to 4.12 million tons in the marketing year through September, aided by a record soyabean harvest and a revival of overseas demand after the financial crisis in 2008 had crippled consumption of the animal feed by key buyers. (Source: [Financial Express 10/10/11](#))

## **COTTON**

### **COTTON EXPORTS TO REBOUND ON BUMPER HARVEST, WEAK RUPEE**

Cotton exports by India, the world's second-largest supplier, will rebound in the year through September 2012 on bumper production and a weak rupee, but bigger harvests in top buyers—China and Pakistan—may limit sales realization, government and industry officials said on Monday. (Source: [Financial Express 10/11/11](#))

## **POULTRY**

### **POULTRY INDUSTRY SEEN AT RS 1.32 LAKH CR**

With demand surging for broiler meat and eggs, India's poultry sales are likely to be over Rs 1.32 lakh crore (US \$262 billion) by 2015, industry body Assocham said today. Growing at about 20 per cent annually, the domestic poultry market is estimated to be about Rs 49,000 crore (US\$ 99 billion), said the study, 'Trends In Domestic Poultry Segment'. (Source: [Financial Express 10/14/2011](#))

## **NEWS IN DETAIL:**

### **GOVT ANNOUNCES RS 800 CRORE INCENTIVES TO BOOST TRADE**

Asit Ranjan Mishra

New Delhi: The commerce ministry on Thursday announced incentives valued at around Rs. 800 crore to boost Indian exports to emerging markets in Asia, Africa and Latin America.

As a part of the supplement to the foreign trade policy 2009-14, commerce minister Anand Sharma announced a Special Bonus Benefit Scheme to provide assistance to emerging export sectors including engineering, pharmaceuticals and chemical for the next six months to March. The plan will cover 50 products and provide duty credit of 1% on the total value of exports, which can be used to offset their import duty payments.

“Because competition is very high in these sectors, we are providing this special incentive so that exporters can capture new markets,” said director-general of foreign trade Anup K. Pujari.

The latest move comes at a time when India's merchandise trade has shifted in favour of the developing economies in the past six years. While the combined share of the US and the European Union as destinations of Indian exports has declined to 30% in 2010-11 from 40% in 2004-05, India's shipments

to Asian economies have jumped to 54% in 2010-11 from 47% in 2004-05, signalling a greater integration with Asian nations.

Similarly, the EU and North America are losing their importance as sources for Indian imports and countries such as South Korea and China are gaining ground.

Within the Indian exports basket, share of traditional items such as textiles, gems and jewellery, leather and farm products is declining, while the share of engineering goods, petroleum products and electronic items is rising.

To increase competitiveness in regions such as Latin America, Africa and Commonwealth of Independent States countries, a special focus market scheme has been introduced covering 41 countries in these regions. Cuba and Mexico are new entrants into the list. The scheme would provide additional 1% duty credit over and above the 3% duty credit available under the current focus market scheme. While the ministry has desisted from doling out sector-specific incentives, it has made an exception for apparel and has extended the 2% duty credit under the market-linked focus product scheme for apparel exports to the US and the EU. Pujari said this is intended to capture the US and the EU markets during the Christmas season.

Sharma also announced the inclusion of 130 additional items under the focus product scheme from sectors such as chemical, pharmaceuticals, textiles, handicraft, engineering and electronic goods under which exporters will avail 2% duty credit of total value of exports.

The package of measures announced by the minister would help Indian exporters in the current challenging global environment, said Rajiv Kumar, director general of industry lobby Federation of Indian Chamber of Commerce and Industry.

Kumar expressed satisfaction that the government has continued with the strategy of diversification of the export products basket, market diversification towards non-traditional destinations and reduction in transaction costs through procedural simplifications.

“The exporters’ community would now wait for the announcements regarding extension of zero duty export promotion capital goods scheme and Status Holders Incentive Scheme which will supplement today’s set of incentives, he said.

## **FOOD INFLATION DECLINES TO 9.32% EVEN AS PRICES RISE**

FE Bureau

**New Delhi:** Food inflation for the week ended October 1 fell marginally to 9.32%, despite costlier vegetables, fruits and protein-based food items. Food inflation in the previous week was 9.41% and in the corresponding week last year, it was 17.14%.

Except onion and wheat, prices of most food items rose. According to commerce ministry data, the vegetable basket turned costlier by 13.01% , with potatoes up 3.79% on an annual basis. Price of milk rose 10.35%, fruit 12.19%, cereals 5.41%, rice 5.86%, pulses 6.87% and eggs, meat and fish 9.92%.

“Off-season demand for vegetables, post-harvest losses and inefficient markets have contributed to the rising food prices, which would keep food inflation elevated,” said PK Joshi, senior programme coordinator, International Food Policy Research Institute.

Onion and wheat prices fell 10.15% and 0.24% respectively. Onion prices fell to R20 a kg on Thursday from R25 a kg a two weeks back as high minimum export prices prevent overseas sales. Finance minister Pranab Mukherjee said last week that price rise was definitely a matter of concern for the government. “We will have to see how to bring prices down to a moderate level. I am constantly in touch with the Reserve Bank of India,” Mukherjee had said.

Retail prices of key food items like onions, potatoes and milk have soared in the last two months, in part due to lack of cold storage facilities and constraints in supply management.

The Reserve Bank of India has hiked policy rates 12 times since March, 2010 to tame demand and curb inflation.

## **RICE PROCUREMENT STARTS ON A SLOW NOTE AS CROP ARRIVES LATE**

Sandip Das

**New Delhi:** Food Corporation of India (FCI) and state-level agencies have kicked off this year's rice procurement season on a slow note, with 1.4 million tonne picked up since October 1, which is 6% below the figure for the previous year's corresponding period. An food ministry official attributed the weakness to delayed kharif harvests, due to unseasonal rains and flooding in some rice-growing regions. FCI and state-level agencies buy rice at minimum support price (MSP) from farmers, which goes into buffer reserves and the targetted public distribution system. FCI also keeps grain stocks under the strategic reserves norm and for distribution to armed forces.

The key rice contributors this year are Punjab (8.5 lakh tonnes), Haryana (5.2 lakh tonnes) and Tamil Nadu (2.4 lakh tonnes). Procurements have started in Kerala and Andhra Pradesh to. A food ministry official told FE that the drive would commence in Chhattisgarh, Andhra Pradesh, Orissa by mid-November.

During the 2011-12 season, the government expects a record procurement of 35.31 million tonnes, anticipating a bumper paddy crop of 102 million tonnes. During the 2010-11 season which ended last month, the government had purchased 33 million tonnes.

During the 2010-11 marketing year, FCI had procured paddy (common) at Rs 1,000 per quintal and paddy (Grade A) at Rs 1,030 per quintal. If government achieves record rice procurement target this year, it would support the government in implementing the proposed National Food Security Act. As on September 1, total rice stocks at the central pool (FCI stocks and state-level stocks) was more than 22.7 million tonnes, which was far above strategic reserve and buffer stocks norms. The government needs around 1 million tonne of rice for distribution under TPDS.

## **SUPPORT PRICE FOR RICE LIKELY TO BE INCREASED**

Reuters

**New Delhi:** India is likely to raise the price it pays to local farmers to buy rice in the new season which began this month, the food minister said on Thursday, a move that could help the government win political support but also stoke inflation.

The world's second-biggest rice producer is expected to harvest at least 87 million tonne of summer-sown rice, adding to existing stocks of 22.7 million tonne. The government procures grain for its various welfare programmes.

"We have agreed to give a bonus to farmers for rice procurement. The government will take a decision soon," K V Thomas told reporters.

The government currently pays local farmers R1,080 (\$22.061) for a tonne of rice. While increasing the price it pays farmers will help the government win political support ahead of a string of state elections next year, it could worsen already high inflation.

India's food price index rose 9.32% in the year to October 1, and the central bank's raising of interest rates a dozen times in the past 18 months has hardly helped rein in prices.

Following a good monsoon, India is likely produce a record 245 million tonne of grain in 2011-12, up 1.4% from a year ago, raising hopes of more exports that could help bring relief to Asian importers trying to combat food-led inflation.

Thomas said the government would procure at least as much rice as it did last year—a figure that stood at 33.6 million tonne. We have enough space to store new season rice, he said.

## **FOOD MIN TO DECIDE ON SUGAR EXPORT IN NOVEMBER**

FE Bureau

**New Delhi:** The food ministry will decide on sugar exports in the marketing year through September 2012 in the first week of November when the peak festival season ends, after reviewing production, food minister KV Thomas said on Wednesday.

"We will take a decision (on sugar exports) in the first week of November after evaluating our production estimates, the international and domestic price situations," Thomas said.

Late last month, agriculture minister Sharad Pawar said the government needs to announce the sugar export policy as early as the second week of October to help mills gain from high global prices and repay farmers for cane purchases. "We have to allow exports (in 2011-12)...A clear-cut message needs to be given to sugar mills," he said. Pawar also rubbished the food ministry's sugar output estimate of 24.6 million tonne for 2011-12, saying actual production could be around 25.5 million to 26 million tonne.

The food ministry's output estimate is crucial because the quantity of sugar exports to be allowed in

2011-12 hinges on its production level. India expects to consume close to 22 million tonne in 2011-12, leaving room for some exports, according to government officials. It produced 24.3 million tonne in 2010-11.

The food ministry firms up sugar output estimate each year, while the farm ministry forecasts sugarcane production. According to the agriculture ministry's estimate released last week, the country's sugarcane production is expected to rise marginally to 342.2 million tonne from 339.2 million tonne a year before. "We have to see that supply during the peak festival season is adequate before taking any decision for exports, as food inflation remains high. We don't want domestic prices to shoot up during Diwali due to any hasty decision," a senior food ministry official said.

India allowed exports of 1.5 million tonne under the open general licences in 2010-11 in three equal tranches, starting April, after a gap of two years when it faced a shortage. Industry executives had said sugar mills lost out on a chance to maximise export returns by cashing in on soaring global prices in February and March due to the late decision by the government.

Higher output may also enable India to take advantage of a smaller cane crop in Brazil by exporting some quantities in 2011-12. Last month, Brazil's national secretary of production and agro-energy, Monoel Vicente F. Bertone, had said that the country expected its sugar output to fall to 37.07 million tonne in the crop year through March 2012 from 38.17 million tonne a year before. Global consultancy firm Kingsman has said in a report that India needs to lift government curbs to emerge as a regular exporter in a global market currently dominated by Brazil and Thailand.

Sugar prices in the domestic markets have remained stable in the past five months due to adequate supplies and higher production in 2011-12 will prevent any irrational surge in prices. Ex-factory prices of S30 grade sugar in Mumbai are ruling in the range of R2,782 to R2,865 a quintal on Wednesday. Sugar mills often blame low sales realisation in the domestic market and the lack of a clear export policy for non-payment of arrears to farmers for cane purchases. Sugar mills paid R40,907.90 crore to sugarcane farmers until June 15 of the 2010-11 marketing year, while R1,656.01 crore remained to be paid, Thomas had said last month.

## **SOYAMEAL EXPORTS UP 75% ON OVERSEAS DEMAND REVIVAL**

FE Bureau

**New Delhi:** India's soyameal exports rose more than 75% to 4.12 million tonne in the marketing year through September, aided by a record soyabean harvest and a revival of overseas demand after the financial crisis in 2008 had crippled consumption of the animal feed by key buyers.

The country had exported 2.35 million tonne of soyameal in 2009-10, according to the Soyabean Processors Association of India (SOPA). The data don't factor in exports to Pakistan, Nepal and Bangladesh by rail or road, it added. Industry executives said around 6,00,000 tonne to 7,00,000 tonne of soyameal have been despatched to these three countries by rail or road in 2010-11. The country reaped a record soyabean harvest of around 12.65 million tonne in the last crop year through June, according to the government estimate, which led to higher crushing.

The country typically exports around 70% of its annual production. The industry executives expect even higher soyameal exports of around 5 million tonne, including exports to neighbouring countries by rail

and road, in 2011-12 on robust global demand as well as another good harvest.

Soyabean planting has climbed by 11% this summer from a year before on widespread monsoon showers, according to the agriculture ministry data, boosting hopes that the country will harvest a bumper crop in 2011-12 as well despite some crop losses due to excessive rainfall in a few pockets. In its initial projection released last week, SOPA pegged soyabean output in 2011-12 at 11.65 million tonne, although it will review its estimate in the second week of October.

Earlier, SOPA co-ordinator Rajesh Agrawal had told FE, “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.

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.

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.

Soyameal prices are ruling around \$400 per tonne 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 export more to China, considering its huge appetite for oil meals to meet growing demand of its poultry sector, from the current level of more than 5,36,000 tonne a year, the industry executives said.

## **COTTON EXPORTS TO REBOUND ON BUMPER HARVEST, WEAK RUPEE**

Banikinkar Pattanayak

**New Delhi:** Cotton exports by India, the world’s second-largest supplier, will rebound in the year through September 2012 on bumper production and a weak rupee, but bigger harvests in top buyers—China and Pakistan—may limit sales realisation, government and industry officials said on Monday.

Cotton exports may climb to anywhere between 8 million and 9 million bales in 2011-12, compared with 7 million bales last year, aided by the absence of government restrictions on the fibre’s trade, the officials said. The shipments fell by more than 18% last year, as the government maintained a quantitative ceiling until late July. Last month, the government announced the continuation of unrestricted cotton exports in 2011-12 until further notice. “Cotton exports will be more than last year as production will be higher. Our estimate is cotton output is likely to be 36.1 million bales, which is more than the Cotton Advisory Board’s estimate,” said agriculture secretary PK. Basu. India will likely harvest a record crop of 35.5 million bales in the marketing year starting October 1 on higher planting and plentiful rains, the government-backed Cotton Advisory Board had forecast last month.

Cotton planting rose 9% to around 12 million hectares from a year earlier on wide-spread monsoon showers. The country produced 32.5 million bales of cotton in 2010-11. “Shipments will definitely rise this year, if the government doesn’t restrict exports. We expect exports to continue without curbs in 2011-12 as the crop looks excellent and domestic supply will be adequate,” said a senior executive with a major trading house in Mumbai.

However, despite robust demand for the Indian cotton, export realisation is unlikely to touch record levels in the last year when flood-hit China and Pakistan ramped up purchases of the Indian cotton like never before to keep their textile mills running, as global stockpiles had tumbled to a multi-year low. "Such moments (of acute global shortage) come rarely and one shouldn't expect that level of returns this year. But overall, it would still be a good year due to a depreciation of the rupee against the dollar," said a senior government official.

The rupee has depreciated more than 8% against the dollar since September as investors banked on the haven appeal of the greenback amid the financial turmoil, making overseas dispatches more remunerative for Indian traders.

Cotton production in China and Pakistan are expected to rise to 7.25 million tonner and 2.27 million tonner in 2011-12, compared with 6.40 million tonner and 1.91 million tonner, respectively, a year earlier on better weather conditions, the International Cotton Advisory Council said. Global cotton consumption is expected to touch 24.72 million tonner in 2011-12, compared with an output of 26.91 million tonner, according to the Council's estimate. Bigger harvests in in key countries due to higher planting in 2011-12 will drive up stocks and may drag down prices, it added. Domestic cotton prices were ruling around R39,000 per candy of 356 kg each on October 7, down from R61,500 per candy as of April 1.

## **POULTRY INDUSTRY SEEN AT RS 1.32 LAKH CR**

Agencies

**Bangalore:** With demand surging for broiler meat and eggs, India's poultry sales are likely to be over Rs 1.32 lakh crore by 2015, industry body Assocham said today. Growing at about 20 per cent annually, the domestic poultry market is estimated to be about Rs 49,000 crore, said the study, 'Trends In Domestic Poultry Segment'.

"Driven by rising purchasing power, changing food habits, contract poultry farming and rapid urbanisation are certain key reasons for this constant upswing in this niche poultry sector," said Assocham secretary general D S Rawat while releasing the study.

"But sporadic bird flu outbreaks in different parts of the country along with lack of storage and processing facilities and rising prices of feed stocks including soymeal and maze have severely hit the poultry exports," said Rawat.

Maze accounts for over half of total production cost of poultry feed and the poultry sector consumes over 50 per cent of total maze production in the country. Broiler meat and table eggs account for most of the domestic poultry market as India is the third largest egg producer and fourth largest broiler meat producer in the world. Besides, the Indian poultry sector has shifted from a live-bird market to a chilled/frozen-product market.

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

<b>REPORT #</b>	<b>SUBJECT</b>	<b>DATE SUBMITTED</b>
IN1196	Weekly Hot Bites, #40	10/07/2011

IN1197	Dairy and Products - ANNUAL	10/11/2011
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