

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

**Date:** 7/23/2010

**GAIN Report Number:** IN1065

## India

**Post:** New Delhi

### Weekly Highlights and Hot Bites No. 29

#### Report Categories:

Agriculture in the News

#### Approved By:

Thom Wright

#### Prepared By:

Santosh Singh, Ritambhara Singh, Amit Aradhey, Shubhi Mishra

#### Report Highlights:

\*Grain production estimate for 2009/10 raised to 218.20 million tons\*, \*Bumper crop may prompt duty on wheat\*, \*Regulators reject GM groundnut\*, \*National Dairy Plan to focus on bovine productivity in first phase\*, \*Two models of dairying\*, \*FMCG players bet big on branded oats\*, \*MNC food giants tickle Indian palate to tap wallet\*, \*Big bazaars score over Kiranas\*, \*Oilseeds prospects hinge on rain progress next week\*, \*Ban on vegoil traders at Kandla delayed\*.

## **General Information:**

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.

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.

## **GRAIN PRODUCTION ESTIMATE FOR 2009/10 RAISED TO 218.20 MILLION TONS**

The Indian government raised the food grain production estimate for the 09/10 Indian crop year (July-June) marginally to 218.20 million tons. The latest estimate has lowered the output of rice, wheat and pulses but revised upward the estimates for coarse cereals (including corn).

Nevertheless, 2009/10 food grain production continues to be significantly lower than the 2008/09 record production of 234.47 million tons. Most of the decline has been in rice and coarse cereals due to the drought conditions during the planting of kharif crop in 2009. (Source: [Business Standard](#), 07/20/2010)

## **BUMPER CROP MAY PROMPT DUTY ON WHEAT**

The government could impose an import duty on wheat to discourage cheap wheat imports following the recent bumper crop and overflowing government food grain stocks, and could also export of some varieties of non-basmati rice. Agriculture Minister Sharad Pawar reported that an empowered group of Ministers will take up the issue late this week. The food ministry has proposed an import duty of 40 percent on wheat. There has also been pressure from traders in south India to relax the export ban on select local rice varieties that are consumed by expat Indians in west Asia and other countries. Agriculture Minister Pawar said that the price of wheat sold in the open market by the government may be slashed to encourage speedier off take by states and to free up storage space. A month ago the government had decided to off load 5 million tons of wheat in the open market over the next 10 months at a subsidized price to keep the food inflation in check. (Source: [Economic Times](#), 07/18/2010)

## **REGULATORS REJECT GM GROUNDNUT**

The Genetic Engineering Approval committee (GEAC) did not approve a transgenic groundnut (peanut) designed to tolerate dry weather and salinity that was being developed by the University of Agricultural Science, Dharwad. The GEAC release said that the GM groundnut should not be released for environmental trials as it contained an unnecessary piece of DNA called gusA. GusA is a so called reporter gene used to determine whether a gene of interest has been expressed in the targeted plant genome. Some experts were critical of the GEAC decision as the gus gene has been known for a long time, and has no adverse effect on humans and animals. (Source: [Mint](#), 07/16/2010)

### **NATIONAL DAIRY PLAN TO FOCUS ON BOVINE PRODUCTIVITY IN FIRST PHASE**

The National Dairy Plan (NDP) proposed to be implemented by the National Dairy Development Board (NDDB), aims to double the country's milk production by 2020. According to Ms Amrita Patel, the Chairperson of NDDB, the NDP will focus on better breeding and feeding of milch animals. Dairying contributes to around 8 per cent of the country's Gross Domestic Product. The World Bank is one of the major fund providers for the NDP. Based on the NDP, the Union Government's Department of Animal Husbandry and Dairying has taken up the proposed Bovine Breeding Bill with the States to modernize and regulate artificial insemination on a professional and scientific basis. (Source: [The Hindu Business Line](#), 07/17/2010)

### **TWO MODELS OF DAIRYING**

While American Dairy farms rely on economies of scale and relentless yield improvements to pare production costs, it is the opposite in India. The very absence of scale and the nil opportunity costs of agri-residues and underutilized family labor-keeps costs low. With small herd sizes and negative capital investments, there are no major overheads or replacement costs for assets to be factored into farmers' calculations. The American dairy model has been successful in raising milk yields, but not so in addressing price volatility. (Source: [The Hindu Business Line](#), 07/21/2010)

### **FMCG PLAYERS BET BIG ON BRANDED OATS**

Marico has entered the branded oats market with Saffola Oats. The brand was launched in Tamil Nadu and select modern retail networks in the country. With this move Marico will compete with PepsiCo India's flagship brand Quaker Oats in the domestic market. Meanwhile Nestle India is also gearing up to enter the breakfast cereals segment, including oats, in India. In essence, the USD 128 Million breakfast cereal market is set for an intense competition between home-grown and global brands. According to industry analysis, the growth of the modern retail format will be a major growth driver for the 'weight management' market in India. (Source: [Financial Express](#), 07/19/2010)

## **MNC FOOD GIANTS TICKLE INDIAN PALATE TO TAP WALLET**

Multinational food giants in the country are increasingly launching products suited for Indian tastes. Many of them have introduced India-specific brands, and many more products are lined up for launch. Godrej Hershey's, a joint venture of the Pennsylvania-based Hershey Company and the Godrej Group has opted for an Indianised concept to woo chocolate lovers across the country. Meanwhile, the Nestle India subsidiary of world's largest foods company is sharpening focus on Indianised concepts to drive volumes. Like Nestle, Coca-Cola India recently introduces 'Minute Maid Nimbu (lemon) Fresh' to cater to local preferences. According to market analyst multinational brands in India have witnessed the growing demand for Indianised products here. (Source: [Financial Express](#), 07/21/2010)

## **BIG BAZAARS SCORE OVER KIRANAS**

According to a study by The Nielsen Company, modern retail dropped prices by more, or increased them by less, for more product categories than traditional retailers, or kiranas, between the last quarter of 2009 (Oct-Dec) and the first quarter of 2010 (Jan-Mar). The Nielsen Shop Census study compared prices of 47 commonly used items including toothpastes, washing powder and confectionary. Modern Retail dropped prices by more, or increased by less, than traditional retailers for 29 product categories, while traditional retailers did better in 18 categories. The study collected data from 16,000 stores, in 462 towns and 1,427 villages. During this period, the rate of inflation, as measured by the Wholesale Price Index, was hovering around 10% and food inflation was more than 12%. Big Bazaar is the largest player in the segment contributing over 33% of modern retail sales. Other top retail formats competing with traditional stores for essential purchases include Reliance Retail, Aditya Birla retail's More and Spencer's Retail. Modern trade at just 3-5% of the total national industry sales had grown aggressively at over 35-40% contributing to over 15-25% sales for most consumer goods companies last year. (Source: [Economic Times](#), 07/19/2010)

## **OILSEEDS PROSPECTS HINGE ON RAIN PROGRESS NEXT WEEK**

The progress of the monsoon next week holds the key to a good kharif oilseeds crop this year.

Going by the figures put out by the Government, sowing in oilseeds has been good. But the worry is the delay in monsoon. According to the Agriculture Ministry, area under groundnut this year till July 16 was 2.87 million hectares compared with last year's 2.57 million hectares.

Soybean acreage is at 6.11 million hectares (compared to 6.03 million hectares last year), while sowing in sunflower has dipped to 151,000 hectares (358,000 hectares). Except for Maharashtra, the monsoon has not been beneficial to soybean in Madhya Pradesh and Rajasthan. Saurashtra, in the groundnut belt, has received excellent rain, but it is not so with north Gujarat. The Indian Meteorological Department has said rainfall will be normal in August and excellent in September.

(Source: [Business Line](#), 07/22/2010)

### **BAN ON VEGOIL TRADERS AT KANDLA DELAYED**

India's customs authorities have delayed a decision to bar traders from buying and selling vegetable oils headed for Kandla port, the main hub for palm oil imports. The move had rattled traders at Kandla, through which more than a third of India's total edible oils imports passed in June, because the customs order sought stronger documentation of consignments in an effort to widen the tax net. Earlier, the government had allowed high-seas sales, in which the original importer sells the goods to another buyer before the cargo reaches Kandla so as to shield the consignment from local taxes applicable on sales in India. Palm oil imports would have fallen a third had this order been implemented, said a trader from the western port, India's fourth biggest by revenue, and which receives about 200,000 tons of palm oil a month. (Source: [Financial Express](#), 07/23/2010)

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

<b>REPORT #</b>	<b>SUBJECT</b>	<b>DATE SUBMITTED</b>
IN1063	Weekly Hot Bites, #28	07/16/2010
IN1064	2010 Monsoon Report 3	07/23/2010

### **WE ARE ON THE NET**

Visit our headquarters' home page at [www.fas.usda.gov](http://www.fas.usda.gov) for a complete selection of FAS worldwide agricultural reporting.

### **FAS/NEWDELHI EMAIL**

To reach FAS/New Delhi, email us at [Agnewdelhi@fas.usda.gov](mailto:Agnewdelhi@fas.usda.gov)