

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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Voluntary - Public

**Date:** 4/9/2010

**GAIN Report Number:** IN1028

## India

**Post:** New Delhi

### Weekly Highlights and Hot Bites No. 14

#### Report Categories:

Agriculture in the News

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#### Report Highlights:

\*Food inflation soars...\*, \*...Three working groups set to tackle food price inflation\*,  
\*Government redrafting food security bill\*, \*Twenty percent of procured wheat to be stored in open storage\*, \*Export of oilmeals in IFY 2009-10\*, \*Delhi's largest dry fruit market sees increase in value added tax\*.

## **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.

## **FOOD INFLATION SOARS ...**

Wholesale Price Index – based food inflation soared to 17.7 percent for the week ending March 27 from 16.35 percent the previous week, mainly due to surge in prices of milk, fruits and pulses. According to Prime Minister's Economic Advisory Council member Govind Rao, food inflation is now spreading to non-food items and the Reserve Bank of India may have to start tightening the monetary policy. (Source: Hindu, 04/09/10)

## **... THREE WORKING GROUPS SET TO TACKLE FOOD PRICE INFLATION**

Seeking greater coordination with States on tackling food inflation and distribution of food grain, Prime Minister Manmohan Singh has set up three working groups of Chief Ministers. This was announced after a four-hour meeting of the core group on price rise, comprising ten Chief Ministers, Central Ministers, and the Deputy Chairman of the Planning Commission in Delhi on April 9, 2010. Prime Minister Singh, who chaired the meeting, said the primary concern of the government is to insulate the poor and the vulnerable from rapid rise in prices. For this, food production must grow at a higher rate to keep pace with population growth and satisfy the food and nutritional needs of the people. Agriculture Minister Pawar said working groups would evolve a joint strategy between the Center and States on enhancing agriculture production, strengthening the public distribution system and reducing the gap between farm gate and retail prices. (Source: Hindu, 04/09/10)

*Post Comment:* For additional details please see:

<http://www.pib.nic.in/release/release.asp?relid=60169>

## **GOVERNMENT REDRAFTING FOOD SECURITY BILL**

The Empowered Group of Ministers (EGoM), headed by Finance Minister Pranab Mukherjee was forced to take a fresh look at the National Food Security Bill after National Advisory Council Chairperson and Congress Party President Sonia Gandhi raised serious concerns over watering down of her pet legislation. Ms. Gandhi, who has been personally monitoring the bill's movement, has asked the government to take a fresh look at it. The EGoM in its last meeting in March had cleared the draft bill, but in a much different form than the one envisaged by Congress Party President Sonia Gandhi. (Source: Economic Times, 04/06/10)

### **TWENTY PERCENT OF PROCURED WHEAT TO BE STORED IN OPEN STORAGE**

The government has admitted that 20 percent of the targeted 26.3 million tons of wheat to be procured by the government this year will have to be stored in the open due to lack of storage facilities in the major surplus states of Punjab and Haryana. More than 5 million tons will have to be stored in cover and plinth (CAP) storage facilities. "As on July last year, about 95 lakh (9.5 million) tons of wheat were stored in CAP sites in Punjab. Even as of April 1 this year, there were about 41 lakh (4.1 million) tons lying at CAP facilities in the state. We estimate that another 5 million tons of wheat will have to be stored at CAP sites in Punjab and Haryana this year," said the Chairman and Managing Director of the Food Corporation of India. Wheat stored in the open under tarpaulins cover (the CAP storage) is prone to pest infestation. (Source: Indian Express, 04/08/10)

### **EXPORT OF OILMEALS IN IFY 2009-10 LOWEST IN FIVE YEARS**

Export of oilmeals for the period April 2009 to March 2010 (IFY 2009/10) is reported at around 3.2 million tons valued at Rs 51.8 billion compared to 5.4 million tons valued at Rs 83.4 billions in IFY 2008/09, the lowest level in five years. The decline was due to lower crushing and poor disparity in last few months, the appreciation of the Indian Rupee against U.S. dollar and withdrawals of Special Agriculture and Village Industry Scheme on soybean meal last year.

Soymeal exports during IFY 2009/10 were down by 50 percent to 2.1 million tons. Similarly, rapeseed meal exports were also down by 11 percent at 752,005 tons. (Source: SEA Press Release, 04/05/10)

([http://www.seaofindia.com/oilmeal\\_data/oilmealdata\\_march\\_2010.pdf](http://www.seaofindia.com/oilmeal_data/oilmealdata_march_2010.pdf))

### **DELHI'S LARGEST DRY FRUIT MARKET SEES INCREASE IN VALUE ADDED TAX**

In the recent Delhi Budget announced on March 22, 2010, the government raised the Value Added Tax (VAT) on dry fruits from 5 percent to 12.5 percent. The rates were notified from April 1. VAT was only 4 percent before January this year. Fearing that the proposed VAT hike would seriously affect the Rs 14 billion imported dry fruits business in Delhi, traders have submitted a proposal to the Chief Minister asking for a rate reduction and are also looking to file a law suit against the hike

in VAT. Traders in Delhi believe that such a difference in tax rates between Delhi and Uttar Pradesh would encourage the dry fruits market to either shift or open up offices in Ghaziabad (Uttar Pradesh). (Source: Indian Express, 04/01/2010)

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

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