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Report Highlights:
Kharif grain production up 20 percent, *Bar on foreign funds hits retail industry*, *Wine drinking on the rise*, *McDonalds seeks southern comfort*, *Higher duty slapped on crude palm products flouting norms*, *Duty on edible oil may be hiked*, *Party's over - Hotels to hike tariffs*, *Pilot crop insurance plan ready*, *Trade in wheat and rice soon*.

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.

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KHARIF GRAIN PRODUCTION UP 20 PERCENT

The government's first advance estimates of *kharif* (fall and early winter harvests) grain crops for 2003/04 shows a 20 percent increase over 2002/03 at 108.5 million tons, which is below the record production of 111.6 million tons in 2001/02. *Kharif* rice production is estimated at 75.1 million tons, 12.8 percent above last year's drought reduced output of 66.5 million tons, but below the record production of 79.8 mmt in 2001/02. The mostly rainfed coarse grain production is estimated to register an increase of 39 percent at 28.0 million tons, with the maize production estimated at a record 12.8 million tons compared with last year's drought reduced production of 9.2 million tons. (Source: Economic Times, 10/01/03)

Post Comment: This is a preliminary estimate based on a subjective assessment, and final production estimates, which become available after a long time lag, could vary significantly.

BAR ON FOREIGN FUNDS HITS RETAIL INDUSTRY

Despite the presence of basic ingredients for the growth of the retail industry in India, it still faces major hurdles that inhibit its growth over the long run. A major impediment is the restriction on foreign direct investment (FDI) in the retail sector. "This has limited capital investment in supply chain infrastructure, which is important for the development and growth of retailing. It has also constrained access to global practices," according to Mr. A. Vasanth of Fitch Ratings. Other impediments are the multiplicity and complexity of taxes, lack of proper infrastructure, and the relatively high cost of real estate. Sales from organized retail outlets represent only two percent of total retail sales of rs. 175 billion ($3.8 billion). (Source: Economic Times, 10/01/03)

WINE DRINKING ON THE RISE

Upwardly mobile Indians are taking to wine drinking in a big way – uncorking brands such as Turning Leaf, Cabernet Sauvignon, Sangre de Toro, and Rosemount Estate. Wines tasting sessions and wine dinners have made wine drinking a trend. Industry sources say that on an average every year about 50 wine tasting sessions are held in Delhi, Mumbai, and Bangalore. A recent Robo Bank study shows that the annual Indian consumption of wine is growing by 20 percent. Importers report even better sales. "This year we will see a 30-40 percent growth in business which reflects that the wine market is maturing," says Aman Dhall, Executive Director, Brindco Ltd., the country's biggest wine importer with a portfolio of 422 labels. India currently imports 72,000 wine cases (nine liters to a case) annually. Roughly 32,000 of these are Bottled in Origin (BIO) and the rest are imported in bulk flexi bags, which are subsequently bottled by Indian wineries. Furthermore, about 12,000 – 15,000 wine cases are sold through the gray market. Of the total wine imports, hotels account for 85 percent of consumption and other restaurants 15 percent. Although wine consumption continues to grow, high import duties (ranging from 150 to 264 percent) continue to spoil the good cheer. If the government reduces duties, the imported wine business could grow by an additional 30 percent per year, according to an industry source. (Source: Business Standard, 09/26/03)

MCDONALDS SEEKS SOUTHERN COMFORT

The US fast food giant McDonalds has firmed up its plans to spread its wings to the southern part of the country after having set up 48 outlets across northern and western regions of India. The company had decided to enter through the franchisee model in the southern region, compared with joint venture mode in both the northern and western areas of the country. The first outlet in the south will be set up in Bangalore by mid-2004. A company spokesman indicated that further expansion plans in the south would be decided by the success of the first restaurant. (Source: Business Standard and Business Line 09/27/03)

HIGHER DUTY SLAPPED ON CRUDE PALM PRODUCTS FLOUTING NORMS

The government recently notified, effective August 1, 2003, the quality specifications for crude and refined palm products in terms of carotenoid content and acid value. A circular issued on September 25 mentions that those consignments which do not meet the quality specifications will be treated as other oils under the HTS code 1511 9090. Furthermore, those consignments that do not conform to the specifications will be assessed a duty of 70 percent instead of 65 percent. (Source: Business Line 09/27/03)

DUTY ON EDIBLE OIL MAY BE HIKED

Recently, the agriculture minister had informed the oilseeds industry that his ministry favors a hike in import duty on edible oils to protect Indian farmers from cheaper imports. The minister is also reported to have apprised the finance minister about the improved oilseeds scenario during the current year and the need to increase the tariff on edible oil imports. During 2003-04, oilseeds production is expected to increase by nearly 50 percent. This is attributable to a favorable monsoon, better prices due to last year’s drought reduced production, and high tariffs. (Source: Economic Times 09/30/03)

Post Comments: Presumably, the government will not increase the tariff for soybean oil, since it is bound at 45 percent, the applied rate. Industry contacts mentioned that they do not anticipate any tariff increases for edible oil imports, as the international markets are still firm.

PARTY’S OVER – HOTELS TO HIKE TARIFFS

Beginning October 2003, the hotel companies in India are planning to hike room rates in the wake of increasing leisure and business travel. The year 2003 has been a turn around year for the Indian travel and hospitality industry. In response to the increased tourist arrivals, major hotel chains have notified an increase of their room rates by 7 – 12 percent. Most of the expected increase was for leisure destinations from both domestic and international tourists during this fall. (Source: Economic Times 09/30/03)

Post comments: The expected increase in tourist arrivals in the luxury hotels is expected to generate increased demand for imported food products.

PILOT CROP INSURANCE PLAN READY

The government has decided to start implementing on a pilot basis a program of crop insurance for foodgrains this *rabi* (winter season) crop. R.C.A. Jain, Agriculture Secretary said the Farm Income Insurance Program would form part of the strategy to double the country's grain production by 2012. The insurance program envisages making up the difference between the market price and the minimum support price announced by the government for grain farmers countrywide. Reportedly, this scheme will benefit farmers in all states instead of just an elite group from selected states. (Source: Economic Times, 09/30/03)

TRADE IN WHEAT AND RICE SOON

The National Multi-Commodity Exchange of India (NMCE) announced that the commodity trade in rice and wheat would begin in two months. The government's Forward Marketing Commission recently gave permission to NMCE to do future trading in wheat and rice. See NMCE website: www.nmce.com. (Source: Business Standard, 09/27/03)

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