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Report Highlights:
Retail industry to grow at 35 percent, *Organized food retail sector set to boom*, *CII protests against Metro's retail sales*, *Fruit import liberalization helped quality improvement*, *Pepsico plans potato processing unit*, *Restarting of grain exports uncertain*, *Lack of infrastructure hinders wheat exports*, *Grain stocks down by 54 percent*, *Punjab protests freezing of wheat support price*, *Developed nations urged to cut farm subsidies*, *RASI expects hybrid seed clearance by February, 2004*, *World Bank funding for implementation of Cartagena protocol*, *Pest-resistant GM pea from ICRISAT*, *Agriculture Minister seeks hike in palm oil duty*.

Includes PSD Changes: No
Includes Trade Matrix: No
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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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RETAIL INDUSTRY TO GROW AT 35 PERCENT

The retail industry is expected to grow by a massive 35 percent annually over the next few years. Speaking at the exposition "Retail 2003", Mr. Sanjiv Goenka of RPG Group (a major local retail chain) said that retail industry is on an upward growth trajectory and consolidation of the retail sector should see the emergence of rs. 30-50 billion ($660 million to $1.1 billion) organized retail sector in the next few years. According to him, investing in the retail sector would require perseverance, vision, and long-term commitment. CEO of the McDonald's (North India) informed that about 25 million square meter of retail space is being added across the country. (Source: Tribune 11/13/03)

ORGANIZED FOOD RETAIL SECTOR SET TO BOOM

The organized food-retailing sector in India is on the verge of a boom with almost all big corporate houses in the country, such as the Tatas, Reliance, ITC Group, Indo-Rama, RK Hospitality, Pantaloon group, and RPG, set to enter. Even multinationals like Shoprite and Metro AG are also eyeing this sector. The Trent Ltd of the Tata Group plans to start its first food retail store by the middle of next year. The Goenkas-owned RPG Enterprises want to expand the number of its hypermarket stores "Giant" from the current one to 15 in next 18 months. The Pantaloon group is planning to expand its hypermarket 'Big Bazaar' rapidly. South Africa's 'Shoprite' and Germany's Metro AG have already set shop in the business-to-business segment where foreign investments are allowed. A study by the KSA Technopak reveals that food and grocery sector now accounts for 14 percent of total organized retailing sector, after clothing and textiles (36 percent) and watches and jewellery (17 percent). Industry experts believe that soon the food-retailing sector will overtake the other two categories, as food accounts for over 60 percent of wallet's share. (Source: Business Standard 11/13/03)

CII PROTESTS AGAINST METRO'S RETAIL SALES

The Confederation of Indian Industries (CII) has asked the government to clarify the terms under which the German retail chain Metro AG was allowed to operate in the 'cash&carry' wholesale trade segment in the country. CII's retail group has written to the government against the working of Metro in India stating that while the company got an approval from the Foreign Investment Promotion Board to do business only in the wholesale trade segment, it is selling products directly to final consumers. CII former President Sanjiv Goenka alleged that Metro was not selling to retailers including his own supermarket chain Food World but approaching various companies and selling its products to their employees at cheaper prices in violation of the foreign direct investment norms. Sources informed that the Central government has already asked the Karnataka state government to submit a clarification on this issue. (Source: Business Standard 11/13/03)

FRUIT IMPORT LIBERALIZATION HELPED QUALITY IMPROVEMENT

Opening up of the Indian markets for fruit imports has inadvertently helped to improve the quality of domestic produce, according to Mr. John Hey of Asia Fruit magazine. Speaking at the Asia Fruit Congress in Mumbai, he said that Indian growers are taking it as a challenge to improve quality standards of farm produce, as higher quality imports could render domestic produce uncompetitive. As imports face high tariffs, much of fruits imports into India are happening during the Indian off-season. Consequently, imports do not pose a threat to domestic fruit growers. Major export constraints confronting India are low productivity and quality, inadequate infrastructure, lack of proper pricing system, and a fragmented food processing sector. (Source: Business Line 11/11/03)

PEPSICO PLANS POTATO PROCESSING UNIT

PepsiCo has decided to set up a potato-processing unit in the Howrah district of West Bengal. Speaking at the plenary session of the 'Agro-East' conference, organized by the CII, the state Chief Minister mentioned that PepsiCo has received clearance from the state government for the project, and the commissioning of the plant is likely to start next month. (Source: The Hindu 11/09/03)

RESTARTING OF GRAIN EXPORTS UNCERTAIN

Government is unlikely to resume fresh allocations of rice and wheat for exports in the immediate future as there is a backlog of 2 million tons of wheat exports, and rice stocks are precariously low. A fresh cabinet mandate may also be necessary to restart exports. “Technically or physically, wheat and rice exports were never stopped at all. As for restarting allocations for new contracts, which were stopped in August, a number of issues will have to be thrashed out, including pricing, new buffer stocking norms, and cabinet clearance, if any,” according to official sources. (Business Standard, 11/07/03)

LACK OF INFRASTRUCTURE HINDERS WHEAT EXPORTS

Despite a better outlook for next year’s wheat production and good export demand from South East Asian countries, India’s wheat exports can hardly go up to 6 million tons next year from 5 million tons this year. Poor infrastructure and logistics are responsible for the small size of India’s wheat exports, according to exporters. “Price competitiveness is not the only thing essential for being present in the global wheat export market. Infrastructure, logistics, and port facilities are also equally important,” said a leading exporter. The trade also admitted that without export subsidies, India is incapable of making its presence felt in the export market. (Source: Financial Express, 11/10/03)

GRAIN STOCKS DOWN BY 54 PERCENT

India’s grain stocks have declined by more than 50 percent to 23.7 million tons on October 1, 2003, from 51.4 million tons a year ago. Rice stocks fell to 5.2 million tons, lowest in more than six years, from 15.8 million tons a year ago. Wheat stocks also fell to 18.4 million tons on October 1 this year from 35.6 million tons last year. Officials attribute the decline in stocks to massive offtake for exports and for supplying the domestic public distribution system. (Source: Business Standard, 11/07/03)

PUNJAB PROTESTS FREEZING OF WHEAT SUPPORT PRICE

Punjab State Animal Husbandry and Dairy Development Minister lodged the State government’s protest with the Union Agriculture Minister Rajnath Singh against the freezing of the minimum support price for the 2004 wheat crop. The Punjab Minister stated that freezing of the procurement price of paddy this year and wheat next year would adversely affect farmers at a time when the input costs have increased significantly. Farmers in the state plan to launch a road blockade and other means of protests against the denial of remunerative prices to farmers for their produce. (Source: Tribune, 11/06/03)

Post Comment: Punjab is the largest surplus producer of wheat and rice in India.

DEVELOPED NATIONS URGED TO CUT FARM SUBSIDIES

Agriculture Minister Rajnath Singh has categorically stated that either the developed countries should reduce their subsidies or allow the developing countries to impose high tariff barrier. While speaking at an international seminar on "Easing the Transition to More Open Global Markets" organized jointly by the U.S.-based International Food & Agricultural Trade Policy Council and the Delhi-based Institute of Agriculture, he said that the surest way to fair and painless transition to a more open global market is to achieve substantial reduction in subsidies, presently being provided by the developed countries to their agricultural sectors. He added that in such a situation, the developing countries would have no option but to apply higher levels of tariff protection so that their agricultural sectors survive under-priced cheap imports. (Financial Express, 11/14/03)

RASI EXPECTS HYBRID SEED CLEARANCE BY FEBRUARY, 2004

Rasi Seeds Private Limited (RSL) expects that the results of the large-scale trials of its genetically engineered cotton hybrids RCH 2, 12, 138, 144 would be audited soon, and will be ready for commercial release by February 2004. These four hybrids are meant for cultivation in the states of Tamil Nadu, Andhra Pradesh, Karnataka, Maharashtra, Gujarat, and Madhya Pradesh. The company is planning to take farmers in these states to its trial to educate them on the efficacy of Bt cotton in fighting bollworm, which wipes out an estimated 30 percent of India’s annual cotton production.

RSL, in association with other plant biotech companies, recently formed the All India Crop Biotechnology Association (AICBA), with its headquarters in New Delhi. AICBA members are mostly hybrid seed producers and multinationals like Monsanto and Dow Chemicals. The managing director of RSL, M Ramaswami has been elected as the first president of AICBA. (Source: Business Standard 11/10/03)

WORLD BANK FUNDING FOR IMPLEMENTATION OF CARTAGENA PROTOCOL

In July 2003, the World Bank approved a $3 million funding for a project submitted by the Ministry of Environment and Forests (MOEF), Government of India, aimed at capacity building for the implementation of the Cartagena Protocol. The project addresses the capacity building needs for implementing the national biosafety framework related to trans-boundary movement of Living Modified Organisms (LMOs) and setting up a Biosafety Clearing House Mechanism (BCH). The BCH will design and manage the database on LMOs, prepare the manual and operational design, gather information, and implement the information system, targeted at the stakeholder departments and ministries. The proposal identified four laboratories (Central Food Technological Laboratory, Mysore; National Bureau of Plant Genetic Resources, New Delhi; National Research Center on Plant Biotechnology, IARI, New Delhi; and GB Pant University of Agriculture and Technology, Pant Nagar) for strengthening by providing them equipment to develop their capacities to evaluate and mitigate risks. (Source: The World Bank Project Document)

PEST-RESISTANT GM PEA FROM ICRISAT

The International Crops Research Institute for Semi-Arid Tropics (ICRISAT) has started field trials of a genetically modified pigeon pea, resistant to the legume pod borer. According to the available statistics, this variety, if adopted fully would lead to a saving of peas worth $475 million lost annually to this pest. Statistics also suggest that it will save the farmers' spending on pesticides by $ 211 million. (Source: Business Line 11/13/03)

AGRICULTURE MINISTER SEEKS HIKE IN PALM OIL DUTY

In a letter to the Finance Minister, the Agriculture Minister demanded that the duty on Refined, Bleached, and Deodorized (RBD) Palm oil be increased by 15 percent to the earlier level of 85 percent, given a bumper oilseed crop. He indicated the need for remunerative prices to the oilseed farmers to help expand area under oilseeds cultivation.

Post Comments: It is unlikely that as in the past, the Finance Ministry would positively respond to the Ag Minister's request. (Source: Economic Times 11/12/03)

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