



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Voluntary Report - public distribution

Date: 11/20/2003

GAIN Report Number: IN3116

India

Agricultural Situation

Weekly Highlights and Hot Bites, No. 47

2003

Approved by:

Chad R. Russell

U.S. Embassy, FASNEWDELHI

Prepared by:

A. Govindan

Report Highlights:

US targets Indian consumers with U.S. food and wines, *Indian grain exporters - A worried lot*, *Grain exporters form an association*, *Private sector grain export policy considered*, *Government skips grain export price revision*, *Indian commodity futures - A\$600 billion market*, *GDP to grow to 7 percent*, *Juice zone plans foray into India*.

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.

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.

US TARGETS INDIAN CONSUMERS WITH U.S. FOOD AND WINES

The United States is all set to inundate Indian consumers with grapes, pears, prunes, and quality wines. "If India increased access to its market for US agricultural goods, it will provide all segments of Indian society greater consumer choice and resultant lower prices," Angus Simmons, U.S. Consular General, said at the launch of the "Fall Festival of US Wines and Food" in Mumbai. "The market for imported food products and wines is nascent in India and our attempt would be to have a major share as the market grows", a US official said. (Source: Business Standard, 11/20/03).

Post Comment: FAS, New Delhi organized this event in Mumbai and one in New Delhi with active collaboration and support from four U.S. wine companies and several US cooperator groups.

INDIAN GRAIN EXPORTERS - A WORRIED LOT

Grain exporters in India are a worried lot, with rs. 12 billion (\$264 million) of their payment stuck with the Food Corporation of India (FCI) against undelivered wheat and rice. "Despite having [a] valid release order for exports, against which we have already made payments, neither has the FCI issued grain from its godowns (warehouses) nor has the Railways made available the rakes (railcars) to transport the same. The current backlog is 873 rakes (each of 2,350 tons), corresponding to over 2 million tons of rice and wheat. Since these have been bought from FCI at an average of rs. 6,000 per metric ton, it translates into rs. 1,200 crores (rs. 12 billion) of stranded working capital," according to an exporter. FCI is attributing the problem largely to non-availability of rakes from Railways. (Source: Business Line, 11/14/03)

GRAIN EXPORTERS FORM AN ASSOCIATION

Indian grain exporters have joined hands to form an association of their own called "All India Grain Exporters' Association." They have asked the government to formulate a consistent grain export policy to establish India as a credible supplier in world markets. They have also demanded that they be allowed to procure grains directly from the 'mandis' (grain markets) at the government support price for exports and reimbursed the domestic transportation and ocean freight subsidy by the government. (Source: Financial Express, 11/14/03)

PRIVATE SECTOR GRAIN EXPORT POLICY CONSIDERED

The government is seriously contemplating making grain export "a completely market-driven activity" by facilitating exports by the private sector. A draft note to this effect was submitted to the Cabinet Committee for its approval in which it was proposed to make grain exports a market-driven activity "right from procurement on private account to dispatch to the importing country by making available WTO-compatible costs to all exporters as it is presently available for exports of foodgrains sourced from the Food Corporation of India." (Source: Business Line, 11/17/03)

GOVERNMENT SKIPS GRAIN EXPORT PRICE REVISION

India's foodgrain exports seem to have come to a halt with the FCI refraining from announcing export prices of rice and wheat for the January – March 2004 quarter. Typically, FCI announces prices at which it would supply wheat and rice to exporters for a particular quarter 45 days in advance. Accordingly, FCI should have announced the export price for the first quarter of 2004 by November 15. "We have decided to dispense with the arrangement of fixing export prices 45 days in advance. There is no point in FCI locking itself into a pre-committed price in the present scenario where international prices are heading northwards. Why should FCI be engaged in futures trading?" Food Ministry officials were quoted saying. However, trade sources believe that the decision not to announce prices reflect a change in government's grain export policy. (Source: Business Line, 11/20/03)

INDIAN COMMODITY FUTURES – A \$600 BILLION MARKET

Speaking at the inauguration of the Multi Commodity Exchange (MCX) in Mumbai, Mr. Mukesh Ambani, Chairman of Reliance Group of Industries (one of India's leading conglomerates) said that trading in commodities futures in India has the potential to develop into a \$600 billion market. "Since India is fast becoming the world's manufacturing base, active trading in commodity futures will not only help farmers and traders but also corporates since it allows for better price discovery and firm realizations," he said. MCX is the third multi-commodity exchange to start operations in India after the National Board of Trade, and the National Multi-commodity Exchange. (Source: Business Standard, 11/19/03).

GDP TO GROW TO 7 PERCENT

Fueled by an estimated eight percent plus growth in the agricultural sector, the Ministry of Finance in its mid-year review has projected a GDP growth rate of 7 percent during IFY 2003/04 (Apr-Mar). The highlights of the mid-year review are:

- GDP to grow to 7.0 percent
- Agriculture growth pegged at 8.0 percent
- Foodgrain production to be 220 million tons
- Annual inflation rate to be around 4.0 percent
- Food subsidies at rs. 278 billion (\$6.1 billion) unsustainable
- Slow overall export growth

Post Comment: It is too early to say that grain production in 2003/04 would reach 220 million tons, as the winter crops, including wheat, will be harvested only in the spring of next year. The full text of the Mid-Year Economic Review is available at: http://finmin.nic.in/whats_current/midyear/index.html. (Source: The Pioneer, 11/15/03)

JUICE ZONE PLANS FORAY INTO INDIA

Hoping to cash in on the growing health awareness in India, Canadian fast 'health' food company Juice Zone plans to enter India through franchising. The company, which has signed on the Cogent Group as master franchiser for India, is planning to set up 100 Juice Zone outlets in India over the next five years. "Our first outlet in India would be coming up in Gurgaon, near Delhi, in December this year. Subsequently, we would set up 24 outlets across the country next year," says Mr. Chad Charles Parker, CEO, Juice Zones. The outlets, in addition to selling fresh fruit juices, would have smoothies, salads, fortifiers, and low fat snacks on its menu. India would be the first overseas foray for Juice Zone outside of North America. (Source: Business Line, 11/18/03)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN3111	Weekly Highlights & Hot Bites, #46	11/14/03
IN3112	Coffee Voluntary	11/17/03
IN3113	GOI Notifies Changes in Edible Oil Tariff Values	11/17/03
IN3114	FAIRS Product Specific – Amendment to PFA Rule relating to Dry Fruits and Nuts	11/19/03
IN3115	FAIRS Product Specific – Amendment to PFA Rule relating to Pesticide Tolerance Limits on Fruits, Grains, and Vegetable Oils	11/21/03

WE ARE ON THE NET

We are available at <http://www.usembassy.state.gov/posts/in1/www43.html> or visit our headquarter's home page at <http://www.fas.usda.gov> for a complete selection of FAS worldwide agricultural reporting.

FAS/NEWDELHI EMAIL

To reach us at FAS/New Delhi, email us at Agnewdelhi@usda.gov.