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Editor's Desk

WATS brings to you a snap shot of the retail revolution in India which aims to link the farmer to the consumer. The many links in the supply chain are replaced by the super market which procures fresh vegetable produce directly from the farmer to sell directly to the consumer. Everybody gains from the efficiencies of such a modern retail system. These are also the findings of the survey conducted by the WATS team in a cross section of retail window in the capital.

According to CRISIL, at an estimated Rs 12.8 trillion (Rs 128,000 crores) in 2006, India's retailing sector makes up close to 40 per cent of the country's GDP. Of this, food and grocery (F&G) items account for a significant 74 per cent of total retail sales across both the organized and unorganized sectors. Only 1 per cent of the food items retailed in India flow through the organised retail channel. There is huge scope of organizing retail in fresh fruits and vegetables. But the key concern is that small vendors and retailer should be leveraged to take advantage of retail boom in agriculture

There are many issues and problems in the new retail system. The high costs of real estate in urban centers resulting in low retail margin is the main one. The traditional cart vendor must also be supported by the Government to enable him to face to the competition from organized retail. In India agricultural retail has to gain ground without displacing the small, neighborhood retailers. The mandi system needs reforms, failing which it may lose its prime position in the agri supply chain. In this scenario, building capacities of the stakeholders and small vendors to negotiate and to acquire marketing skills is of paramount importance

We have also covered the on going negotiations at WTO in this issue. Apart from this, the boom in global agro commodities and the pressure of the price rise are also featured inside. Suggestions and contributions are welcome.

Anurag Bhatnagar

DG NIAM



Your Letters

(Email to dgniam@niam.gov.in or Fax at 0141-2771938)

Please cover the developments in retail trading in one of the coming issues. We must see the costs and benefits of Malls and Departmental Stores which are the in thing today. - **JP Bindal** Sr Manager, Shivnath Rai Harnarain, Delhi.

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Hypermarkets in India – Towards a Bright Future

WATS View

In commerce, a hypermarket is a store which combines a supermarket and a department store. A hypermarket is an extremely large self service retail outlet with a warehouse appearance. The result is a gigantic retail facility which carries an enormous range of products under one roof, including full lines of fresh groceries, processed food, fresh food, apparel, utensils, plastics and consumer durables. They were planned, constructed, and executed in such a way that a consumer can satisfy all of his or her routine shopping needs in one trip.

India has one of the largest unorganized retail markets in the world. More than 96 percent retailers function in less than 500Sq.Ft. of area. India's per capita retailing space is thus the lowest in the world. Liberalization of the economy and the entry of the big players in the retail business have brought the retail industry into spotlight. After supermarkets and departmental stores, Indian retail has seen the concept of hypermarkets. The hypermarkets were not new to the west-

ern world but in India the concept is in the starting stage. Retailers like Pantaloons and RPG have started hypermarkets operations and they are having plans to expand to all regions of India.

One major advantage with these stores is that they offer customers a wide variety of low-price products at good quality and quantity. Most of these stores are worth the price since the quantity is assured.



Hypermarkets have been most successful in northern states where adverse winter weather conditions make it inconvenient to visit multiple stores.

The concept was pioneered by Hendrik Meijer in the US when he opened his first hypermarket, **Meijer Thrifty Acres** (now Meijer Stores) in 1962. In Europe, the concept was pioneered by the French retail group Carrefour, which opened the first hypermarket in 1963 in Paris.

Carrefour is now the second-largest retail group in the world. In recent years Indian cities have witnessed a considerable growth in organized retail space. Major development happenings in the area of retail space in India are the hypermarkets and malls.

Retail chain Spencer's opened the first hypermarket in Kerala at Kozhikode. This store is spread over 13,000 sq.ft with 25,000 items on sale.

Trent Limited will launch a chain of hypermarkets called Star India Bazaar to cater to the cost-conscious buyer. The first Star Indian Bazaar will be launched in Ahmedabad by October. Each Star India Bazaar will be around 50,000 sq feet in size. This year, five more stores will be added with the total floor area accounting for 4.3 lacs sq feet.

Bharti-Walmart is seeking land for two hypermarkets to launch in the Hyderabad city and will have about 80,000 square feet of retail space.

Corporates in Indian Retail

Spencers

Oldest Retailer in India
135 Stores in 27 Cities
Plans to open 365 Stores in 365 days

Big Bazaar

53 Stores and fast expanding

Subhiksha

700 stores operational
Plans to touch 1000 in this financial year

Aditya Birla Group

Acquired 160 stores of Trinetra, a well established retail chain of Southern India
Took over Fabmall about 50 stores
Plans to set up 15 Hyper Markets in Pune alone

Additional 1000 Super/Hyper markets across the country in next 3 years

Reliance Retail Ltd

Opened its first store in Nov 2006
Today 225 plus stores across India
Rapidly Expanding

Bharti

Joint Venture with Walmart
Plans to begin operations next year

Metro AG

German Retail Giant
Operating in Cash & Carry segment in the Indian Market

Super Markets Offer the Largest Choice to the Consumers

No of Items in Outlets

Retail Outlets	Vegetables	Fruits
Reliance Fresh (Laxmi Nagar)	36	12
Subhiksha (Laxmi Nagar, Daryaganj)	35	12
More (Laxmi Nagar)	20	14
Six to Ten (Mayur Vihar-I)	12	11
Mother Dairy (Mayur Vihar-I)	26	06
Wholesale Market (Daryaganj)	37	06
Daily Market (Noida)	20	06
Weekly Market (Mayur Vihar-III)	18	06
Thelawala (Noida)	12	-

(WATS investigation on 12 December 2007 in Delhi)

Hypermarket vs Supermarket

"Hypermarket" is somehow different from "Supermarket". As both are huge in appearance and both cover the entire gamut of products. There is only one difference, i.e., Hyper-market sells all varieties of a particular product and most importantly at rates which attracts even a poor man. On the other hand, Supermarket stores and sells all products but not all varieties of the product and certainly not at rates, which a hypermarket sells.

Super Markets Hit Delhi

Organised Retail Sparks Price War in Veg Outlets, Mother Dairy Hit Badly

WATS Investigation Shows Super Markets are Cheaper than Road Side Vendors

WATS Team

Big retail stores or super markets under the banner of big business houses have unleashed a price war in Delhi in the vegetable markets. Reliance Fresh, Subhiksha, Six to Ten, More, Spencers and Big Bazaar are the main parts in the attack. Mother Dairy monopoly on organized retail of vegetables and fruits faces the brunt. The customer friendly door service consisting of cart vendor (Thelawala in common parlance) and the road side small shops are feeling of competition with stagnant sales volumes.

A WATS survey of retail outlets covering key items are given in the table. It clearly shows that the super markets are able to supply vegetables at wholesale prices to the consumer. Vegetable prices in the smaller markets are higher than those in the super market. The door to door vendor too is more expensive with prices in the range of Rs. 10 per kg. The conclusion is that the consumer has gained due to competition among retail outlets.

The other interesting point of the survey is that Reliance Fresh has emerged

as the leader among the super markets in terms of both prices and variety. Six to Ten and More are in second place with Subhiksha taking third position. Mother Dairy is trailing behind in the last position. Obviously good investment and logistic management are behind the high service



level in the new generation super markets. In our survey, we found the Mother Dairy booths practically deserted while the new generation super markets were spells over with customers, the maximum numbers were at Reliance Fresh. The timing was before noon which was off peak. At peak time in the mornings, the queues in the new generation super markets were far longer than those in Mother Dairy.

Some are giving discounts on products, others give free gifts like Cinema tickets for purchases above Rs. 500. "Buy one get one FREE" deals are on to attract customers. **Six to Ten** is offering 25% discount on all vegetables except the low price ones.

Mother Dairy in Doldrums

Mother Dairy is losing out in the war over the consumer's shopping bag. The consumer complains that the supplies of fresh vegetables to the Mother Dairy Kiosks are erratic. More often than not, the vegetables are not fresh. The franchisee does not provide a printed receipt for cash sales, does not accept credit cards. There is no packing material or carry bag to help the consumer in the Mother Dairy outlets. On the plus side Mother Dairy outlets are well ventilated which compensates for lack of air conditioning to an extent. The other good thing is the polite behaviour of the franchisee who has to survive on sales commission, he is a one man show providing low cost service from unloading and stock maintenance to sales and cash management.

Organised Retail Wins the Race, the Moving Vendor is Last

		Retail Prices of Key Vegetables in Delhi										(Prices Rs./kg)	
Vegetables	Reliance Fresh (Laxmi Nagar)	More (Laxmi Nagar)	Six to Ten (Mayur Vihar-I)	Subhiksha (two stores) (Laxmi Nagar, Daryaganj)	Big Bazaar (Noida)	Mother Dairy (Mayur Vihar-I)	Wholesale Market (Daryaganj)	Veg. Market (Noida)	Weekly Market (Mayur Vihar-III)	Weekly Market (Noida)	Daily Market (Noida)	Thelawala (Noida)	
1	Cauliflower	8.25	8.50	9.00	8.00	10.00	8.50	7.00	10.00	15.00	10.00	10.00	10.00
2	Cabbage	5.25	5.90	6.00	5.90	4.50	5.00	8.00	10.00	08.00	10.00	5.00	10.00
3	Tomato	8.90	8.00	10.00	10.00	7.90	8.00	10.00	16.00	10.00	10.00	8.00	16.00
4	Potato	11.75	10.00	13.00	9.00	7.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00
5	Onion	10.50	10.00	15.00	10.90	9.50	11.00	10.00	12.00	15.00	10.00	10.00	15.00
6	Peas	17.75	19.50	23.00	20.00	17.00	20.00	20.00	20.00	20.00	15.00	20.00	24.00
7	Spinach	5.25	5.00	5.00	5.00	8.00	6.50	5.00	10.00	10.00	10.00	10.00	10.00
8	Brinjal	4.90	5.50	5.00	5.00	10.90	6.50	5.00	6.50	10.00	10.00	10.00	10.00
	Total Value of 8 kg	72.55	72.40	86.00	73.80	75.30	75.50	75.00	94.50	98.00	85.00	83.00	105.00
	Average price per kg	9.07	9.05	10.75	9.23	9.41	9.44	9.38	11.81	12.25	10.63	10.36	13.13

(WATS investigation on 12 December 2007 in Delhi)

World Retail

Super Markets, Grocery Stores, General Stores and Department Stores

A large, self-service, retail market which sells food, household goods, and household merchandise

The new chain stores, enjoying the advantage of large-scale buying, found advantages in large-scale selling as well. They provide free parking, and every kind of food under one roof. Smaller grocery stores will disappear, unable to match the low prices of supermarkets. At the end of the twentieth century the supermarkets had triumphed so thoroughly that *super-* was superfluous, and the term *market* was again used by itself, now to refer to one of super size

A **grocery store** is a store established primarily for the retailing of food. A grocer, the owner of a grocery store, stocks different kinds of foods from assorted places and cultures, and sells them to customers. Large grocery stores that also stock products other than food, such as clothing or household items, are called supermarkets. Small grocery stores that mainly sell fruits and vegetables are known as produce markets (U.S) or

greengrocers (Britain), and small grocery stores that predominantly sell snack foods and sandwiches are known as convenience stores.

The first grocery stores were set up as trading posts, which sold not only food but clothing, household items, tools, furniture, and other miscellaneous merchandise. These trading posts evolved into larger retail businesses known as general stores. These facilities generally dealt in "dry" goods such as flour and canned foods and other daily use toiletries.

A **department store** is a retail establishment which specializes in selling a wide range of products without a single predominant merchandise line. Department stores usually sell products including apparel, furniture, appliances, electronics, and additionally select other lines of products such as paint, hardware, toiletries, cosmetics, photographic equipment, jewellery, toys, and sporting goods. Certain department stores are further classified as discount department stores. Discount department stores commonly

have central customer checkout areas, generally in the front area of the store. Department stores are usually part of a retail chain of many stores situated around a country or several countries.

In the UK the term "department store" still refers to the traditional, classic department store, which has a wide range of independent departments with their own staff and their own tills. Large discount stores with the tills located by the entrance are not regarded as department stores in the UK, although the owners may call them that. Such stores as Marks & Spencer, Britain's largest clothes retailer would therefore not be included in the British definition of a department store.

The Macy's flagship department store in New York City with its famous brownstone at 34th and Broadway.

In the United States, companies such as Macy's, Gottschalks, Dillard's, Nordstrom, Sears, and J.C. Penney are considered department stores, while retail brands such as Toys "R" Us, Target, Kmart, and Wal-Mart are discount department stores. T.J. Maxx, Marshalls, and Burlington Coat Factory are stores that sell designer goods at lower prices. Stores that carry a general line of groceries and other product lines similar to those of department stores are considered warehouse clubs or supercenters. Warehouse clubs require a nominal annual membership fee, while supercenters do not. Costco, BJ's Wholesale Club, and Sam's Club are examples of warehouse clubs.

Wal-Mart follows Carrefour, Exits South Korea ... could not Understand Korean Likes and Dislikes

Wal-Mart Stores has followed French retailer Carrefour, in withdrawing from South Korea on May 30, becoming the latest global brand to fail in an economy characterized by highly localised tastes and strong loyalty to regional brands. Wal-Mart announced that it had agreed to sell 16 of its South Korean outlets to Shinsegae, a local retailer, for US\$882 million.

Shinsegae, a leading department store and hypermarket chain in South Korea, will operate the Wal-Mart stores

under its E-Mart brand. E-Mart is the biggest discount store chain in South Korea, with 79 outlets.

Carrefour sold its 32 South Korean stores to the local fashion retailer E-Land last month for \$1.85 billion.

Prior to the Wal-Mart sale, the E-Mart chain of Shinsegae accounted for 30 per cent of the local market, followed by Homeplus, which is owned by the British retailer Tesco, with 17 per cent; and Lotte Mart, owned by Lotte Shopping of South Korea, with 12 per cent.



Top Global Retailers Wal-Mart Leads

Rank	Name of Retailer	Sales (\$ bn)	Grocery Sales
1.	Walmart - USA	280	44%
2.	Carrefour - France	80	77%
3.	Ahold - Netherland	63	84%
4.	Metro - Germany	61	51%
5.	Kroger - USA	55	70%
6.	Tesco - UK	50	75%
7.	Target - USA	48	18%

Enabling the Small Vendor to Face the Organised Retailer

WATS View

The small vendor has positioned himself in a unique delivery mode in which none can compete. The moving vendor with a stock of 20 kg or so vegetables offers vegetables to the harassed housewife or the office goers in the mornings at the door step. The game is that of fast turnover in small quantities. The stock is exhausted in about two hours on a normal day. The stationary vendor at street corner too fills the demand for the evening. The buyer has more time to do vegetable shopping and will look around for more variety.

The small vendor is now under threat, he can compete with organized retail only on the basis of convenience and "just in time" supplies to households. On the freshness indicator, the moving vendor competes fairly well, he picks up fresh stock at the wholesale mandi early morning and starts the rounds immediately in nearby areas. The stationary evening vendor too does like wise. However, they cannot compete with the organized retail on the following counts:

➤ **Variety** – There is a limit to how much the cart can hold. Besides, there is a trade off between variety and wastage. The more the variety, higher the sale but larger the wastage. The organized retail can pass on the lift over stocks to small and medium size restaurants and cooking establishments which mask the not so fresh vegetables with spices and oils in their preparations. The small vendor has to resort to distress discount sales to clear slow moving stocks.

➤ **Weightment, Billing, Pricing** – The organized retail can sell small quantities to the choosy customers. Small vendor does not have the time or inclination to sell quantities less than 200 gms. Organised retail can bill quickly and correctly the last paise by electronic machines and accept credit card payment. The small vendor loses out on this count. The vendors prices are flexible depending upon the customer and time of the day and quantity purchased. Organised retail is fixed price and generally low. Even a child can make



queues at the payment counter. In the small vendor case, the consumer is not so comfortable and has to suffer the sweet talk and banter of the vendor. Most of the time, he does not look forward to the task of shopping.

purchases. An account is available by way of printed receipts.

➤ **Packing** – The small vendor offers small size bags. Organised retail, except Mother Dairy, provides any number of bags in rolls for each individual item and a large carry bag for all purchases for convenient carriage in cars or scooters and also storage at home.

➤ **Shopping Experience** – Organised retail is a pleasant experience, the consumer can choose his purchases in the desired quantity without influence of the seller. The air conditioned environment with background music lends to the experience. Other grocery and household use items are available in organised retail. He makes many friends at the retail counters. The only thing bad are the long

ing.

➤ **Time Saving** – Time wise, there may not be much difference in the total shopping time for purchases in organised retail vs small vendor. The actual shopping time in organised retail may be small but the time to reach the super market, finding parking space and the queue for making the payment is quite a bit. (The introduction of bar codes on individual vegetables speeds up processing but Indian customers do not like to buy in large quantities in standard lots, hence sales in small assortments are necessary to meet their preferences). The door service of the small vendor is definitely less time consuming, specially when supplies are urgently required.

How to Empower the Small Vendor

The vendor needs support to withstand competition from the organised retail. It access to microfinance will help him buy supplies from the market and also tide over difficult days when the weather is not good or vegetables are in short supply. He also needs health insurance cover to tide over illnesses and accidents. Most important, he needs legitimacy which allows him to ply his trade without harassment from the beat constable and security guards of resident association. A registration and licensing system for recognition will help him become a part of the economic mainstream.

In terms of logistics, a cool chain environment in mandis with lockers for each vendor will help considerably. However, this will mean privatization of services on public land which is not so easy in the present day working of the bureaucracy.

Rocketing Land Prices Land Super Markets into Debt



What is my future?

The spate of investments in the super markets is walking on unstable ground. The rise in land prices following the boom in construction and real estate has raised the set up cost. There is no land in Delhi for less than one lakh rupees per square yard. Even in mid type towns like Jaipur the price is forty thousand rupees at the minimum. The rentals have also shot up accordingly.

Let us take the case of the Six to Ten super markets in Mayur Vihar occupying the ground floor of a corner building in the

main market as a case in point. The outlet pays Rs. 72,000 per month for an area of 2000 sq.ft which works out to Rs. 36 per sq.ft. Assume that each square feet carries 4 kgs of vegetables after stacking. Adjust for consumer facilities like billing and packing besides corridors for movement at the rate of 50 percent of total space. This means that each square feet of floor area can handle only 2 kg of vegetable. Assume that the stock rotates an average of five times everyday. This means that each square feet yields a sale of 10 kg of vegetables or a value of Rs. 107.50 based on the average realisation in the recent WATS survey. The sales margin cannot be more than 10 percent after accounting for transport and wastage. This means that each square feet of space yields Rs. 11 per day or Rs. 310 per month. In other words, about 12 percent of the gross margin goes away in rent itself. This leaves little to meet other expenses which cover

power for lighting and air-conditioning, staff salary, security, communication, billing and interest costs. There is little net profit after accounting for taxation, advertising and sales promotion and unforeseen developments which lead to work stoppages.

The super markets have been worked successfully in countries like US and China where the land prices are very low. The neighbouring kiranawala (grocery stores) is able to compete with the super markets mainly because the shop rental rates were fixed long time back and have not risen due to tenant protection in the law. Further, the grocery shop does not have to provide for corridors and common facilities for customers who stand in a common area. The shop keeper's assistant hands the goods to the shop keeper. The choice of the customer is restricted to what the shopkeeper selects in the grocers case.

In fact, large mall developers expect the real estate prices to drop by 20-30 percent from over supply which will lead to improvement in the viability of super markets.

The development of a land market and improvement in the supply of land is the only way to bring down the land prices in India. Further, the artificial restrictions on land use and the FAR should be removed to increase supplies and utilization. Ultimately, this will lead to the development of large size super markets which add to the efficiency of the supply chain by economy of scale and adoption of modern technology.

Four Main Pricing Factors in a Retail Store

Pricing is done in such a way that the Retailer achieves profitability and at the same time Satisfies the Customer

- 1 Competition Oriented Pricing – Pricing done in accordance with Competitors mostly for KVI (Known Volume Indicators)
- 2 Cost Oriented Pricing – Pricing is done based on the Cost of Merchandise + Operating Costs + Profit Margins (*Done mostly for non KVI items*)
- 3 MRP basis Maximum Retail Price- On the Barcode Sticker
- 4 MOP Market Operating Price- Shelf Sticker (**Actual Selling Price**)

Staples Share in a Retail Store

Category	Vol %	Margin %	Weightage %
Oils	33	6-8	20
Pulses	18	15-17	24
Rice	17	11-13	16
Flours	11	10-12	10
Spices	8	24-28	17
Sugar	6	4-8	3
Dry Fruits	3	18-24	5
Salt	1	25-30	3
Wheat	1	15-18	2

Indian Retail Scenario 2010 -11

- 50 mn sq ft of retail space dedicated and under development
- 10,000 modern format stores spread across the country
- 600 Shopping Malls – from 100 at present
- Growth may rise to 15-20% in this industry from 2% as of today



US Admits to **Red** Subsidies of \$18.9 bn

\$12.9 bn in Amber Box

\$71.8 bn in Green Box

Joe Glauber, the US' lead agriculture negotiator, told reporters on 4 October, that US payments on overall trading-distorting support (OTDS) amounted to \$16.3 billion in 2002, \$10.2 billion in 2003, \$18.1 billion in 2004, and \$18.9 billion in 2005.

These figures are all considerably lower than Washington's current WTO spending entitlement of \$48 billion for such support. They are also well within the future spending cap of \$22.5 billion formally tabled by the US in the Doha Round, suggesting that this ceiling could be achieved with few changes to existing practice.

Following years of criticism for the notification delay, the US' payment claims are now likely to be closely scrutinised by trading partners.

Uncertainty about exactly how much Washington doles out in trade-distorting subsidies has been an irritant in the Doha Round negotiations on cutting farm support, as well as in WTO disputes launched by Brazil and Canada.

However, many WTO Members have called this US subsidy offer inadequate. The chair of the Doha Round agriculture negotiations, Ambassador Crawford Falconer (New Zealand), suggested in July that a potential consensus deal could require the US to cap OTDS between \$13 billion and \$16.4 billion. The US later indicated that it could accept these figures as a basis for negotiations - so long as the EU and major developing countries could accept the paper's terms for agricultural market access as well as the cuts to industrial tariffs set out in a companion text by the chair of the latter negotiations.

One of the sticking points in the talks has been the extent to which the US' cuts would affect its actual spending levels. Glauber argued that, because notified OTDS levels would have exceeded the upper limit of Falconer's suggested range in five out of the past eight years, they did represent the 'effective' cuts in overall

support to which Members are committed.

Some members of the G-20 developing country bloc have insisted that the US should cap subsidies at a level close to the \$11 billion which they estimate it to have spent last year, although the group's formal proposal is for a \$12 billion ceiling. Since Falconer circulated his draft negotiating text in July, the group has been calling for a figure in the 'low teens'.

US 'Amber box' in full

Glauber also unveiled figures for the share of US subsidies notified as 'amber box' -



a component of OTDS that includes the most heavily trade-distorting types of support, usually linked directly to prices or production levels. According to the US Department of Agriculture, this was notified as being \$9.6 billion in 2002, falling to \$6.9 billion in 2003, before rising again to \$11.6 billion in 2004 and \$12.9 billion in 2005.

The senior farm trade negotiator emphasised that US amber box spending remained below the \$19.1 billion ceiling in its WTO obligations. This has been disputed recently by Brazil and Canada, who have filed near-identical WTO challenges against US farm subsidy spending going back to 1999. Both charge that the US had only stayed within its amber box limits by improperly excluding payments under several different types of farm programmes from its calculations.

The US has claimed that fluctuating commodity prices prevent it from accept-

ing a substantially reduced cap on subsidy spending, since it wants the freedom to boost farm payments should prices fall in the future. However, prices for commodities like maize and wheat have been consistently high for some years, and have nonetheless coincided with dramatic fluctuations in notified OTDS.

According to a paper released last month by the German Marshall Fund of the United States, actual US spending on trade-distorting farm subsidies would be unlikely to intersect even the lower \$13 billion OTDS cap in Falconer's text until 2013, barring a substantial fall in commodity prices. The authors, David Blandford and Tim Josling, based their projections for future spending on the farm bill currently in the US Congress. They said that the OTDS ceilings that Falconer set out for the EU and US could be met by both "without major additional changes in domestic agricultural policies." The authors nonetheless suggest that Falconer's proposed new subsidy ceilings "would exert pressure" on Brussels and Washington to continue reducing trade-distorting domestic support, and prevent back-sliding in the future. Under the terms for extra-deep cuts to cotton subsidies, US cotton payments would face real reductions from the outset of Doha Round implementation.

Green Subsidies Reach Recovers

As for 'green box' payments, which ostensibly cause no more than minimal trade distortion and are hence exempt from cuts under the Doha Round, US expenditures have been rising dramatically. While in 2000 and 2001 these were a little more than \$50 billion, they rose to \$58.3 billion in 2002, \$64.1 billion in 2003, \$67.4 billion in 2004, and \$71.8 billion in 2005.

Brazil may seize on the fact that the US has notified its 'direct payments' under the green box category, even though these were ruled ineligible for the green box during the two countries' WTO dispute over US cotton subsidies. The Appellate Body decided that direct payments to US cotton farmers could not be categorised as 'decoupled' from production decisions, as the green box demands, since producers would have been ineligible to receive the payments if they planted fruit or vegetables instead.



WTO Releases Agri Export Subsidies Documents

The chair of the Doha Round farm trade negotiations on 7 November released a set of potential changes to WTO rules aimed at preventing countries from pursuing policies that effectively subsidise the export of agricultural products.

The three 'working documents' updated the terms of the draft deal Ambassador Crawford Falconer (New Zealand) were circulated to Members in July, in order to reflect subsequent convergence.

Unlike the negotiations on farm subsidies and market access, the export competition talks are widely seen as near resolution. This is not least because governments had less to do: they already agreed to eliminate export subsidies by 2013 at the Hong Kong Ministerial Conference nearly two years ago. They have spent the time since debating how to discipline food aid practices, export credits, and the functioning of exporting state trading enterprises to ensure that they do not have an 'equivalent effect'.

State trading enterprises

In the talks on exporting state trading enterprises (STEs), the US and the EU

have been keen to prohibit the monopoly powers of STEs in Canada, New Zealand and Australia, a move that the latter three resist. The only substantive change Falconer has made is to the definition, which

The paper underlines that recipient governments must be involved in all stages of the food aid process - a key point of concern for many African countries.

now refers to the definition of STEs in Article 17 of the General Agreement on Trade and Tariffs (GATT). This is significant because the GATT definition refers to enterprises which affect exports and imports "through their purchases or sales." The US does not like the reference to 'purchases', since this broader definition could potentially curb the activities of agencies such as its own Commodity Credit Corporation, one of whose functions is to purchase food domestically for donation to foreign government and international relief agencies.

Sale of Food aid

Differences on food aid have hinged on ensuring that in-kind donations of food (as opposed to cash grants) do not distort recipient markets or serve as a pretext for subsidising exports. The US is the world's main donor of in-kind food aid. One of the key outstanding issues is 'monetisation' – the sale of food aid to raise funds – in non-emergency situations. While the US is keen to allow the practice, other Members, such as Australia and Argentina, argue that it contributes to commercial displacement and should be severely curtailed. Falconer's working document provides two options for monetisation in non-emergency situations: prohibited except to raise funds for distribution, or permissible but discouraged.

The paper underlines that recipient governments must be involved in all stages of the food aid process - a key point of concern for many African countries. Sources say that Falconer has suggested that Members were near consensus on allowing regional or non-governmental organisations to play a role in assessing countries' needs in terms of food aid - so long as a relevant United Nations agency ultimately approved the assessment.

12-15% Products in Agro SP Basket for Dev Countries Proposed

The chair of the WTO agriculture negotiations has suggested a new set of potential parameters for the number and treatment of the 'special' farm products that developing countries will be able to slate for shallower tariff cuts based on food security, livelihood security and rural development grounds.

Some others in the Cairns group oppose the G-33 on this. Small and vulnerable farmers from negative impacts of trade liberalisation is pitted against export interests.

The special products would be divided into two tiers, to be treated differently. The first tier would include between 8 or 10 percent and 12 percent

of tariff lines. These would be required to undertake an average cut, perhaps somewhere around 20 percent, with each tariff line cut by a certain minimum percentage, say 15 percent, and by no more than a maximum, perhaps 25 or 30 percent. The exact figures could be negotiated, the chair said.

The second tier would include some 3 or 4 percent of tariff lines, and would be subject to a lesser cut, with some products eligible for no tariff reduction at all. Some special products would have to be fully exempt from reduction if Members are to reach an agreement. The G-33 had previously called for a tenth of all products to be eligible for exemption.

Small vulnerable economies could be allowed to undertake an average 24 percent tariff cut, with no minimum tariff cut for individual lines, along the lines he had suggested in his July draft text.

The G-33 had previously proposed allowing the imposition of safeguard duties if import volumes exceed a 'threshold' of 105 percent of recent average import volumes, the chair suggested that this figure should be somewhere between 110 and 130 percent instead. The average of the three preceding years to define average import levels could be used.

Commodity Briefs

Early Estimates Show Fall in Wheat Sowing

Mustard Down by a Quarter

Acreage sown under Wheat crop continues to lag behind this year, about 95.17 lakh hectares (lh) under the crop, as compared to the corresponding last year's coverage of 103.66 lh. According to the Directorate of Wheat Development's latest Weather Watch Report, area sown is lower mainly in Madhya Pradesh (15.78 lh versus 21.15 lh), Rajasthan (2.49 lh versus 4.75 lh), Uttar Pradesh (20.0 lh versus 21.58 lh), Gujarat (1.80 lh versus 4 lh) and Bihar (0.41 lh versus 0.92 lh). On the other hand, sowing area has gone up in Punjab (27.50 versus 25.04), Haryana (17.50 versus 14.5). However these are early sowing figures and there will be a substantial covering-up taking place in following weeks. The central government has enhanced Minimum Support Price of Wheat to Rs 1,000 per quintal. This is expected to lead to higher acreage under wheat this year.

Progressive area under rapeseed-mustard is lower this time, at 42.44 lh, against last year's corresponding 57.58 lh. Acreages have fallen sharply in Rajasthan (20.13 lh against 27.78 lh) and Madhya Pradesh (3.99 lh against 6.26 lh), and marginally declined in Uttar Pradesh (6.46 lh against 6.93 lh), Haryana (5.50 lh against 5.97 lh) and Gujarat (2.94 lh against 3.32 lh). The total area sown so far under all rabi oilseeds is lower this year at 57.32 lh, over last year's cumulative figure of 75.33 lh.

Besides rapeseed-mustard, acreages have also declined for sunflower (8.10 to 6.82), groundnut (from 2.60 lh to 2.12 lh), safflower (2.92 to 2.59), linseed (3.15 to 2.47) and sesames (0.41 to 0.37).

Area sown under pulses falls

Acreage under gram also remain low with overall coverage declining from 52.30 lh to 51.05 lh and more so in MP (from 21.53 lh to 17.98 lh). Maharashtra and Karnataka also have registered small drops, from 6.53 lh to 6.31 lh and from 6.22 lh to 6.04 lh, respectively. At the

same time, these have been somewhat made up by increased planting in Rajasthan (from 7.72 to 8.58), UP (4.15 to 4.74) and Andhra Pradesh (3.89 to 4.38). The overall rabi pulses area, too, has registered a marginal fall from 79.07 lh to 78.88 lh, including from 9.21 lh to 7.66 lh for lentil (masur), 4.77 lh to 4.36 lh for peas (matar), 4.34 lh to 3.83 lh for kulthi (horsegram) and lathyrus (from 3.44 lh to 3.02 lh). However, more area has come under urad (from 1.73 lh to 3.48 lh) and moong (from 0.67 lh to 1.48 lh).

World Wheat Trade may be Lower

According to the International Grains Council (IGC), world wheat output in 2007-08 is expected to increase from the previous year by some 12 mt to 603 mt, while consumption likely rise by a modest 2 mt to 611 mt resulting in ending stocks to reach a recent low of 110 mt. World wheat trade in 2007-08 is expected to be lower because of lower imports anticipated from India, Bangladesh and Algeria. IGC has projected the trade at 104 mt, down from 111 mt in 2006-07.

World wheat area in 2008 is forecast to total 222 million hectares, a 4 per cent increase from 2007. Reporting on wheat planting for 2008, IGC said Northern hemisphere planting was nearly complete, with significant area increases in the US (at the cost of corn/maize), Europe and CIS. Conditions in most of European Union have been favourable and wheat is entering dormancy in the CIS in good shape, although parts of Ukraine are too dry. The report pointed out that the US winter crop was in less good condition than last year because of dry weather in the Southwest, while Government support was expected to maintain a high level of planting in China and India.

Global Pepper Production may Fall this Year

World pepper production is projected to decrease in 2008 at 2,62,400 tonnes from 2,72,040 tonnes in 2007 and 2,89,230 tonnes in 2006 following weak crop in India, Brazil, Indonesia and Vietnam. According to the International Pepper Community, there could also be a fall in the carry forward stock which is projected at 61,719 tonnes in 2008 as against 73,404 tonnes in 2007 and 88,384 tonnes the previous year. Total exports during the current year is estimated at 2,01,700 tonnes as against 2,45,741 tonnes last year while the projection for 2008 has been put at 1,90,800 tonnes. It is against an estimated demand of 2,45,000 tonnes and hence, there could be a gap of around 55,000 tonnes between demand and supply next year.

Though the Indian production has been projected at 50,000 tonnes by the IPC, according to farmer groups it is likely to be around 45,000 tonnes. They attributed the decline to continuous rains in the Madikeri region of Karnataka resulting in severe berry drop. Karnataka normally produces 20,000 – 22,000 tonnes of black pepper annually and because of the berry drop it is likely to be in the range of 15,000 – 16,500 tonnes. The domestic consumption in India for the current year is estimated at 55,000 tonnes while for 2008 it has shown a drop of 10,000 tonnes to 45,000 tonnes, probably anticipating an increase in prices and consequent consumer resistance.

In the world scenario, Brazilian output in 2008 is projected at 33,000 tonnes as against 36,000 tonnes in 2007 while Indonesian production is at 20,000 tonnes compared to 25,000 tonnes this year. Vietnam production is also projected to be less by 10,000 tonnes at 80,000 tonnes from 90,000 tonnes in 2007. In 2006 Vietnam produced one-lakh tonne of pepper. However, Malaysian production is likely to be at 23,000 tonnes as against 20,000 tonnes this year while that of Sri Lanka is projected to be marginally up at 14,900 tonnes compared to 14,640 in 2007.

Wheat Hits All Time High of \$15.53 in Minneapolis

Inventories Fall in US and Canada

In Minneapolis, where spring wheat is traded, the March contract also rose the 30-cent limit, gaining 2 percent, to \$15.53 a bushel. The contract breached \$15 on 6 February, the first time any U.S. contract for the grain has done so. The price has advanced the daily limit 11 of the past 12 days of trading.

Wheat, one of the largest consumable staple food of the world, surged to a record in Chicago, leading other grains and oilseeds higher on shrinking U.S. and Canadian supplies of high-protein varieties used for bread and pasta.

On February 5, 2008, inventories of the grain of Canada, the largest wheat exporter after the U.S., plunged by almost a third after adverse weather hurt crops. U.S. spring-wheat inventories will total 88 million bushels on May 31, down 25 percent from a year earlier.

In the past year, Chicago wheat futures more than doubled and in Minneapolis, where spring wheat trades, prices almost tripled because drought hurt production in Canada and Australia, and a freeze, followed by excessive rainfall, curbed U.S. yields.

Wheat hits upper circuit

On the Minneapolis Grain Exchange, wheat for May delivery rose the daily limit of 30 cents, or 2.3 percent, to \$13.6475 a bushel. The contract has gained the exchange-imposed maximum in seven of the past nine sessions. On Chicago Board of Trade wheat futures, for the March-delivery contract was 3 percent higher at

\$10.33 a bushel on February 6, 2008, beating the previous record of \$10.095 set Dec. 17.

In Canada, inventories of all wheat varieties including durum fell to 15.1 million metric tons on Dec. 31 from 21.6 million tons a year earlier. Durum wheat inventories stood at 2.9 million tons at the end of the year, according to reports.

U.S. demand isn't affected by a slowdown in the economy as the grain is a staple food, people without much money to spend tend to eat grains more, as meat and other more expensive products are not affordable. Overseas demand for U.S. wheat is also rising because of reduced supplies in rival exporters such as Australia.

On the Kansas City Board of Trade, where hard red winter wheat is traded, the March-delivery futures rose 30 cents, or 2.8 percent, to \$11.1025 a bushel.

Hard red-winter wheat, which has less protein than spring varieties, is also used to make bread. The grain is grown mostly in the southern Great Plains, including Kansas and Oklahoma.

Global inventories of wheat are expected to fall to 110.9 million tons in the year ending May 31, the lowest since 1978, the USDA said last month. U.S. stockpiles may fall to 292 million bushels, or 7.95 million tons, USDA data showed.

The decline may also reflect expectations that record prices will force investors to reduce holdings as they roll into the May contracts.

India-Italy to Set up Agro Food Park

A meeting was held on 16 January between the Indian delegation led by Union Agriculture Minister Sharad Pawar and the Italian delegation led by Agriculture Minister of Italy, Mr. Paolo de Castro.

Joint foundation

The MoU on 'Cooperation in Agro Food Sector' proposes a "Joint Foundation" for exchange of know-how and technology

between Indian and Italian Agro Food enterprises for the promotion of the agro-food sector. It also aims at creation of business joint ventures, support to research and development activities, setting up of agro-food parks etc. in India. As per Memorandum, an agro-food park will be set up in India within a period of 18 months.

Indonesia Threatens Tax to Cut Palm Oil Export and Build Domestic Supply

Palm oil rose to a record on speculation that supplies for food and alternative fuel will be limited after Indonesia, the world's biggest producer, linked export taxes to gains in the global price of the commodity.

Indonesia's government, seeking to boost domestic cooking oil supply, it would impose a 15 percent tax if palm oil exceeds \$1,100 a metric ton, compared with 10 percent below that price. The vegetable oil jumped to a record 3,458 ringgit (\$1,070) a ton on 4 February.

Palm oil for April delivery on the Malaysia Derivatives Exchange, the global benchmark, rose for a fifth day, gaining 3.1 percent to trade at 3,449 ringgit.

The price of competing soybean oil also rose to a record, extending gains for a ninth day to 56.24 cents a pound on the Chicago Board of Trade. The contract for March delivery was 0.8 percent higher at 56.20 cents at 11:53 a.m. Singapore time.

The new Indonesian tax structure keeps the export levy unchanged at 10 percent when the commodity is below \$1,100 a ton, according to a ministry statement on 3 February.

Palm oil, used mainly in cooking and for making soaps, is the main substitute for soybean oil and rapeseed oil. Vegetable oils are also being increasingly used to make bio-fuels to reduce the costs of fossil fuels, tightening supplies.

Organised Retail in India has a Small Share, Long Way to Go

Organised Retailing	Countrywise Share
USA	80%
Western European Countries	70%
Argentina	40%
Brazil	40%
Thailand	40%
China	20%
Malaysia	20%
India	02%**

** FDI (Foreign Direct Investment is not allowed in India)

Robusta Import up 50% in Indonesia after Drought

Indonesia, Asia's second-biggest coffee grower, may import 50 percent more beans this year after a drought reduced output and depleted stockpiles, potentially benefiting rival producer Vietnam.

Shipments from overseas may rise to a record 150,000 metric tons, compared with 100,000 tons in 2007, to meet demand, Hassan Widjaja, Chairman of the Association of Indonesian Coffee Exporters, said on 30 January.

"The weather hurt production and inventory of about 25,000 tons disappeared," Widjaja said. "We have run out of stockpiles and the harvest has been delayed until May. There's no supply until then. We'll need to raise imports."

Indonesia and Vietnam, Asia's biggest producer, both grow mainly bitter-tasting robusta beans used in espresso and instant drinks. The price of robusta, which accounts for two-fifths of global coffee output, has risen 38 percent in 12 months.

Indonesia produced about 350,000 tons of coffee last year, compared with 400,000 tons in 2006, as shrubs recover from the drought, output may return to 400,000 tons, Widjaja said.

The drought in 2006 and early 2007 in parts of Indonesia, Southeast Asia's most populous nation, hurt crops including coffee. The coffee harvest's start was delayed to June from April and it ended in October. Flowering this year was also delayed.

"The plants are just starting to flower," Widjaja said. "Any prediction can be off the mark. But what is clear is our output is not substantial. Consumption has risen dramatically."

Indonesia needs to raise imports, which will come from Vietnam, to blend with local beans to produce a drinkable powder favored in instant coffees, he said.

"There's increasing demand for imports to make instant coffee," he said. "Here in Indonesia, where people used to drink one or two cups a day, they can now drink five, six."

Coffee exports from Indonesia's three main growing areas – Lampung, Bengkulu and South Sumatra – declined 21 percent to 183,070 tons last year. The three provinces account for about 80 percent of Indonesian coffee output and exports.

which reached a record \$5.1925 on Jan. 15, gained 17 percent in 2007 after rising 81 percent in 2006, on record demand to produce ethanol and feed livestock.

Soybeans for March delivery rose as much as 10 cents, or 0.8 percent, to \$12.845 a bushel and last traded at \$12.825. The contract gained 5 percent in January, rallying for a sixth month. It reached a record \$13.415 on Jan. 14. Futures gained 78 percent last year after U.S. farmers planted the fewest acres in 12 years.

Record Output of Mentha Oil Expected

According to trade estimates, the total mentha oil output is expected at 34,000-38,000 tonnes in 2007, up nearly 35 per cent from the previous year. Chandausi, Barabanki, Sambhal, and Rampur are the key mentha oil growing areas. Carry-over stock is expected at 5,000 tonnes from the previous year resulting in total availability in the current year in the range of 40,000-42,000 tonnes. The domestic and export requirement may not exceed 20,000-22,000 tonnes in the current year, according to traders.

Record Gains in World Wheat, Corn, Soybeans

Wheat futures gained in Chicago as sales of U.S. supplies increased on the dollar's weakness and lower shipping costs. Corn and soybeans also advanced.

Exporters sold 508,800 metric tons of U.S. wheat in the week through Jan. 24, a 20 percent increase from the prior week, the U.S. Department of Agriculture said on January 30. Advance sales to overseas buyers are up 66 percent since June 1 compared with this time a year earlier, government data show.

Wheat for March delivery gained as much as 15.25 cents, or 1.6 percent, to \$9.4475 a bushel in after-hours electronic trading on the Chicago Board of Trade.

The wheat price reached a record \$10.095 on Dec. 17 after importers began buying U.S. supplies on concern global farmers wouldn't produce enough.

The Baltic Dry Index of shipping costs for commodities has dropped 41 percent in the past two months and the dollar lost 11 percent in the past year against six major currencies.

Soft red-winter wheat, used to make cookies and cakes, is produced mostly in the eastern Midwest and trades in Chicago. Hard red-winter wheat, used to make bread, is grown in the southern Great Plains and traded in Kansas City.

Spring wheat, a high-protein variety, trades on the Minneapolis Grain Exchange and is grown in the northern Great Plains, including North Dakota and Minnesota, and in Canada. In the export market, Japan was seeking to buy 41,000 metric tons of U.S. wheat on Jan.31.

Corn for March delivery rose as much as 4.75 cents, or 1 percent, to \$5.06 a bushel and traded at \$5.05 a bushel. The contract gained 10 percent last month for the fifth straight monthly increase. Corn,

Additional Rs 50/quintal bonus for Paddy

The Centre has announced an additional bonus of Rs 50 per quintal for paddy to be procured by Government agencies in the current 2007-08 marketing season (October-September). The Centre had earlier, on October 9, declared a bonus of Rs 50 per quintal over and above a minimum support price (MSP) of Rs 645 for common paddy and Rs 675 for grade 'A' varieties fixed for the 2007-08 season.

With the Cabinet Committee on Economic Affairs (CCEA) approved an additional bonus of Rs 50, resulting in the effective procurement price works out to Rs 745 per quintal for common paddy and Rs 775 per quintal for grade 'A' varieties. The corresponding prices (inclusive of bonus) during the 2006-07 season amounted to Rs 620 and Rs 650, respectively. Paddy growers will thus be entitled to a total price increase of Rs 125 per quintal this year.

Commodity Futures News

Settlement of Penalty for Failure to Meet Delivery Obligations

As per the revised norms the penalty amount in case of delivery default i.e. 2.5 % would be debited from the sellers account on the day of the "Delivery/Funds pay in pay out". Further the difference between the final settlement price and the last available spot price prevailing on the day of the "Delivery/Funds pay in pay out" if any, would be settled on the next working day.

Margins and Limits – Changes in Regulatory Measures in Mentha oil

According to the directives from Forward Markets Commission and in terms of the Bye-laws, Rules and Regulations of the Exchange, the open position limits for Mentha oil futures have been revised as follows applicable with effect from the beginning of day on October 29, 2007:

Particulars	Member	Client
Open position across all the contracts, including near month	1000 MTs or 15% of market wide open position whichever is higher	300 MTs

Open position limits for near month contracts	300 MTs	60 MTs
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Further the FMC has withdrawn the additional margin of 5% on the Mentha oil contracts. Accordingly, the margins applicable in Mentha Oil contracts shall be the initial margin of 7.5%.

Position Limits – Changes in Regulatory Measures in Barley

The trading and clearing members are hereby informed that, as per the approval from the Forward Markets Commission and in terms of the Bye-laws, Rules and Regulations of the Exchange, the open position limits for Barley futures have been revised as follows:

Particulars	Member	Client
Open position across all the contracts, including near month	32,500 MTs or 15% of market wide open position whichever is higher	6500 MTs
Open position limits for near month contracts	3,250 MTs	650 MTs

The above revision in limit on open position is effective from currently running April 2008 and May 2008 contracts

& all contracts to be launched henceforth. The revised limits would be made operational with effect from the beginning of day on November 21, 2007.

Tolerance Limit for Outbound Deliveries

As per the rules, regulations and bye laws of the Exchange and with the approval of the Forward Markets Commission (FMC), Exchanges has specified tolerance limits for variation in quality parameters in respect of outbound deliveries for the commodities. Variation in quality parameters within the prescribed tolerance limit as per specifications will be treated as good delivery. Such permissible variations shall be with reference to immediate preceding test certificate given by exchanges approved assayer.

Tur Rises inspite of Ban on Futures

At the time of delisting on January 23, 2007, the tur price in spot market at Latur, in Maharashtra, was Rs 2,500 per 100 kg. In November 2007, the price went up to Rs 3,050. Futures market had anticipated fall in (tur) production, later it pushed up spot prices also. In 2006/07, tur output fell 12.4% to 2.40 million tonne, as compared to 2.74 million tonne a year ago.

At the time of delisting, urad prices were going down and the trend just continued, though it was still higher than the previous year.

The Forward Markets Commission (FMC) had delisted tur (red gram) and urad (black gram) Futures on January 23, 2007, attributing a rise in spot prices of these commodities to Futures trading.

In February 2007, the government banned new wheat and rice Futures contracts and set up a committee headed by Abhijit Sen to probe a possible link between futures trading in commodities and price rise in spot market.

US to Dole out Rs. 4,000 crs in Disaster Payments to Farmers

Acting Agriculture Secretary Chuck Conner announced that USDA will begin issuing payments on 19 December to tens of thousands of farmers and ranchers across the country who suffered losses because of natural disasters.

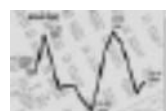
USDA is currently processing about \$1 billion in payments under the Crop Disaster Program, Livestock Compensation Program and Livestock Indemnity Program. Sign-up for these programs is ongoing. The programs provide payments to agricultural producers who suffered crop, livestock and feed losses in 2005, 2006, and before Feb. 28, 2007. But, producers must choose one year for which to receive payments.

The Crop Disaster Program (CDP) provides benefits to farmers who suffered quantity and quality losses from natural disasters and related conditions that happened in 2005, 2006 and for 2007 crops if the crop was planted or prevented from being planted before Feb. 28, 2007. At this time, USDA is only compensating producers for quantity losses under this program. Payments for the quality losses will not be distributed until early 2008, after sign-up for quality loss.

Indian Commodity Prices

Wheat Rises 10-18%

- Wheat prices increased by Rs 10- 40 per quintal at all the markets this fortnight over previous one. Compared to previous two years, wheat prices increased by 10 to 18% in all the markets.
- Though barley remains marginally weak this fortnight at Jaipur, but prices have risen about 50% over last year.
- Maize prices continued firm at Davangere and Nizamabad markets.
- Soyabean, soy oil and soymeal prices continued bullish this fortnight with an increase of 3 to 6%. Prices of Soyabean witnessed an increase of Rs 80- 120 per quintal. All the oilseeds, meal and vegetable oils prices witnessed an increase of 45-80% over previous two years and 20-75% over previous year same fortnight.
- Sesame seed prices jumped up this fortnight by 10% at Rajkot market.
- Among pulses, gram traded weak while yellow pea prices witnessed slight improvement this fortnight over previous. Lentil and yellow pea prices witnessed an improvement of 70-90% over previous two years and 40-50% over previous year. Gram prices declined by 12-15% over previous year.
- Among spices cumin seed, pepper and turmeric traded firm this fortnight.
- Mentha oil remain marginally weak this fortnight, prices dropped by about 35% over last two years and 21% less compared last year prices.
- Guar seed prices jumped up by 6-7% this fortnight at Jodhpur and Bikaner markets.
- Sugar traded firm with 3-5% increase in prices this fortnight.



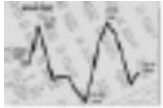
Market	Jan. 06	Jan. 07	Juy. 07	Dec. 07	Jan. 08	% Change in Current Fortnight over			
	1st half	1st half	1st half	2nd half	1st half	Last 2 year	Last year	Last 6 month	Last half

Cereals

Wheat (Rs/Qt)	Ahmedabad	979.4	1175.6	1057.4	1079.4	1108.6	13.2	-5.7	4.8	2.7
Wheat (Rs/Qt)	Bareilly	940.6	1091.6	1018.6	1008.8	1050.8	11.7	-3.7	3.2	4.2
Wheat (Rs/Qt)	Delhi	968.0	1097.0	1014.4	1064.0	1089.1	12.5	-0.7	7.4	2.4
Wheat (Rs/Qt)	Kanpur	953.3	1112.9	1018.4	1020.5	1052.9	10.4	-5.4	3.4	3.2
Wheat (Rs/Qt)	Karnal	896.6	1045.1	1002.2	1039.0	1048.1	16.9	0.3	4.6	0.9
Wheat (Rs/Qt)	Khanna	938.9	1068.5	1056.1	1049.7	1066.3	13.6	-0.2	1.0	1.6
Wheat (Rs/Qt)	Kota	908.8	1094.1	1065.6	1046.9	1076.1	18.4	-1.6	1.0	2.8
Wheat (Rs/Qt)	Shahjahanpur	969.8	1095.4	1082.1	1038.7	1067.4	10.1	-2.6	-1.4	2.8
Barley (Rs/Qt)	Jaipur	NA	833.8	769.4	1226.6	1224.6	NA	46.9	59.2	-0.2
Maize (Rs/Qt)	Davangere	528.0	690.6	749.1	677.3	692.6	31.2	0.3	-7.5	2.3
Maize (Rs/Qt)	Nizamabad	554.1	711.3	763.8	701.4	716.8	29.4	0.8	-6.1	2.2

Oilseeds and Derivatives

Soybean (Rs/Qt)	Indore	1182.6	1369.7	1607.5	1949.9	2030.5	71.7	48.2	26.3	4.1
Soybean (Rs/Qt)	Kota	1195.9	1331.9	1549.8	1926.8	2044.3	70.9	53.5	31.9	6.1
Soybean (Rs/Qt)	Nagpur	1191.5	1378.4	1646.0	1959.3	2078.3	74.4	50.8	26.3	6.1
Soymeal (Rs/Qt)	Indore	864.8	907.1	1083.5	1500.2	1546.4	78.8	70.5	42.7	3.1
Soymeal (Rs/Qt)	Kota	823.1	888.9	1060.8	1447.1	1512.8	83.8	70.2	42.6	4.5
Soymeal (Rs/Qt)	Nagpur	839.0	876.1	1124.6	1457.3	1520.5	81.2	73.6	35.2	4.3
Yellow Soybean Meal Export (Rs/Qt)	Kandla	927.0	977.8	1150.6	1579.8	1618.4	74.6	65.5	40.7	2.4
Refined Soyoil (Rs/10 kg)	Indore	342.3	454.9	493.5	539.8	564.9	65.0	24.2	14.5	4.7
Refined Soyoil (Rs/10 kg)	Nagpur	345.8	458.7	501.8	540.4	560.8	62.2	22.3	11.8	3.8
Refined Soyoil (Rs/10 kg)	Mumbai	352.6	477.0	500.8	553.7	587.1	66.5	23.1	17.2	6.0



Market	Jan. 06	Jan. 07	July. 07	Dec. 07	Jan. 08	% Change in Current Fortnight over				
	1st half	1st half	1st half	2nd half	1st half	Last 2 year	Last year	Last 6 month	Last half	
Groundnut in Shell (Rs/Qt)	Junagarh	NA	2174.9	2881.8	2610.4	2722.5	NA	25.2	-5.5	4.3
Groundnut oil (Rs/10 kg)	Rajkot	NA	571.3	786.6	673.1	694.6	NA	21.6	-11.7	3.2
Mustard Seed (Rs/Qt)	Alwar	1719.5	1861.0	2198.3	2413.9	2463.3	43.3	32.4	12.1	2.0
Mustard Seed (Rs/Qt)	Jaipur	1702.8	1858.4	2206.4	2432.2	2475.7	45.4	33.2	12.2	1.8
R&M Oil (Rs/10 kg)	Sriganganagar	NA	577.4	480.9	512.1	524.9	NA	-9.1	9.2	2.5
Sesame Seed (Rs/Qt)	Rajkot	3033.8	3148.8	4126.7	5022.9	5532.1	82.4	75.7	34.1	10.1
RBD Palm Olein (Rs/10 kg)	Kakinada	369.3	466.7	465.4	507.2	529.8	43.5	13.5	13.8	4.5
Castor Seed (Rs/Qt)	Disa	1456.3	1801.1	1988.9	2149.9	2234.8	53.5	24.1	12.4	3.9
Pulses										
Chana (Rs/Qt)	Delhi	2025.1	2477.2	2362.3	2200.3	2175.2	7.4	-12.2	-7.9	-1.1
Chana (Rs/Qt)	Bikaner	1914.0	2462.8	2299.8	2115.0	2098.2	9.6	-14.8	-8.8	-0.8
Chana (Rs/Qt)	Indore	1924.1	2363.0	2364.2	2095.3	2081.0	8.2	-11.9	-12.0	-0.7
Masoor Grain Bold (Rs/Qt)	Indore	1693.6	1869.2	2777.4	2833.4	2847.4	68.1	52.3	2.5	0.5
Yellow Pea (Rs/Qt)	Kolkata	1032.2	1306.1	1718.6	1863.8	1906.8	84.7	46.0	10.9	2.3
Yellow Pea (Rs/Qt)	Mumbai	990.2	1335.9	1731.0	1859.7	1886.8	90.6	41.2	9.0	1.5
Spices										
Chilli- LCA- 334 Pala (Rs/Qt)	Guntur	2674.8		4681.8	4123.2	4044.3	51.2	NA	-13.6	-1.9
Jeera (Rs/Qt)	Unjha	6546.1	9030.4	13117.0	10535.1	10983.1	67.8	21.6	-16.3	4.3
Pepper Malabar Garbled (Rs/Qt)	Kochi	7017.7	11046.5	14878.1	13292.2	14003.5	99.5	26.8	-5.9	5.4
Turmeric (Rs/Qt)	Nizamabad	2595.7	1927.0	2133.2	2565.0	2643.3	1.8	37.2	23.9	3.1
Essential Oil										
Mentha Oil (Rs/ kg)	Chandausi	743.5	620.7	518.2	492.5	490.3	-34.1	-21.0	-5.4	-0.5
Plantations										
Cashew (Rs/Kg)	Kollam	206.1	215.7	197.6	233.2	232.9	13.0	7.9	17.9	-0.1
Guar										
Guar Gum (Rs/Qt)	Jodhpur	4537.4	5106.6	4297.4	4168.0	4277.9	-5.7	-16.2	-0.5	2.6
Guar Seed (Rs/Qt)	Jodhpur	1672.5	1870.6	1651.6	1598.9	1695.0	1.3	-9.4	2.6	6.0
Guar Seed (Rs/Qt)	Bikaner	1664.8	1889.3	1633.7	1587.1	1701.3	2.2	-9.9	4.1	7.2
Cotton										
Indian 28.5 mm Cotton (Rs/Qt)	Kadi	NA	5023.7	5659.1	5602.1	5798.7	NA	15.4	2.5	3.5
Indian 31 mm Cotton (Rs/Qt)	Guntur	5984.2	5376.9	5810.3	5651.5	5775.4	-3.5	7.4	-0.6	2.2
Medium Staple Cotton (Rs/Qt)	Abohar	4539.3	4573.0	5703.2	5457.3	5745.4	26.6	25.6	0.7	5.3
Sugar										
Sugar M (Rs/Qt)	Kanpur	1899.8	1681.7	1456.0	1466.7	1504.0	-20.8	-10.6	3.3	2.5
Sugar M (Rs/Qt)	Delhi	1896.5	1638.5	1422.7	1426.1	1478.0	-22.1	-9.8	3.9	3.6
Sugar S (Rs/Qt)	Kolkata	1893.2	1650.4	1441.6	1463.6	1540.7	-18.6	-6.6	6.9	5.3
Sugar S (Rs/Qt)	Vashi	1862.8	1575.4	1381.7	1358.4	1404.1	-24.6	-10.9	1.6	3.4

NA- Not Available

Source: Daily spot prices collected from NCDEX (www.ncdex.com).

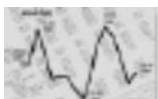
Note: Prices quoted are the simple average of daily prices for the respective fortnight.

World Agro Commodity Prices

(World Bank Monthly Commodity Prices released as "The Pink Sheet")

Wheat and Edible Oils at Record High

- Tea, Coffee and Cocoa up.
- Copra up. Edible oils on the rise, Palm oil down.
- Thai Rice up, Maize and Sorghum up.
- Wheat on the rise. Bananas(EU) up and Oranges down.
- Beef, Fishmeal and Shrimp up. Lamb down.
- World sugar up.
- Plywood, Logs and Sawnwood down.
- Wood pulp steady.
- Cotton down. Rubber(US) up.
- Fertilizers up.



	Monthly averages			Quarterly averages				Annual averages		
	2007			2006	2007			2005	2006	2007
	Oct	Nov	Dec	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Dec

Beverages

Cocoa c/kg	191.1	196.8	211.8	160.6	181.3	200.0	199.9	199.9	153.8	159.2	195.3
Coffee, Arabica c/kg	296.1	288.8	304.3	265.5	267.2	255.1	271.1	296.4	253.2	252.2	272.5
Coffee, robusta c/kg	200.8	204.1	202.7	168.0	172.8	188.3	200.4	202.6	111.5	148.9	191.0
Tea, auctions (3), average c/kg	224.9	220.6	230.9	182.2	178.0	199.9	211.0	225.5	164.7	187.2	203.6
Tea, Colombo auctions c/kg	290.1	291.3	308.7	201.1	226.4	231.1	254.7	296.7	184.3	191.0	252.2
Tea, Kolkata auctions c/kg	209.6	199.8	210.7	173.2	141.5	208.7	211.3	206.7	162.1	175.4	192.0
Tea, Mombasa auctions c/kg	175.0	170.8	173.3	172.4	166.0	159.8	167.1	173.0	147.8	195.2	166.5

Fats and Oils

Coconut oil \$/mt	1,010	1,131	1,148	671	754	900	923	1,096	617	607	918
Copra \$/mt	658	748	757	444	499	599	607	721	414	403	606
Groundnut oil \$/mt	1,486	1,691	1,780	1,121	1,170	1,190	1,397	1,652	1,060	970	1,352
Palm oil \$/mt	881	952	943	546	609	762	822	925	422	478	780
Palmkernel oil \$/mt	1,001	1,116	1,128	602	678	876	917	1,082	627	581	888
Soybean meal \$/mt	384	397	425	230	256	260	309	402	214	209	307
Soybean oil \$/mt	1,012	1,138	1,155	662	710	794	917	1,102	545	599	881
Soybeans \$/mt	450	489	515	290	318	338	396	485	275	269	384

Grains

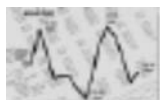
Maize \$/mt	164.2	171.3	180.3	155.7	170.9	159.4	152.5	171.9	98.7	121.9	163.7
Rice, Thailand, 5% \$/mt	329.2	342.0	359.5	300.8	315.6	319.1	327.1	343.6	286.3	304.9	326.3
Rice, Thailand, 25% \$/mt	313.4	327.8	346.0	276.1	292.6	297.4	306.5	329.1	265.4	277.1	306.4
Rice, Thailand, 35% \$/mt	310.6	326.3	345.0	268.6	285.8	288.8	298.0	327.3	261.8	272.0	300.0
Rice, Thai, A1.Special \$/mt	288.6	307.3	323.0	222.5	252.3	255.2	262.7	306.3	217.8	218.0	269.1
Sorghum \$/mt	163.2	170.1	187.0	158.6	175.2	151.4	150.7	173.4	96.2	122.9	162.7
Wheat, Canada \$/mt	386.3	391.0	473.2	230.8	232.4	244.7	310.1	416.8	197.6	216.8	301.0
Wheat, US, HRW \$/mt	335.1	321.8	368.6	208.7	198.4	205.7	274.9	341.9	152.4	192.0	255.2
Wheat US SRW \$/mt	325.5	307.7	345.4	193.5	173.7	187.0	267.5	326.2	135.7	159.0	238.6

Other Food

Bananas EU \$/mt	1,104	1,045	1,054	845	1,036	1,045	999	1,068	1,176	897	1,037
Bananas US \$/mt	658.7	651.1	647.6	601.8	647.2	705.0	698.6	652.5	602.8	677.2	675.8
Beef c/kg	255.5	260.3	263.5	265.0	261.2	259.9	260.3	259.8	261.7	254.7	260.3
Fishmeal \$/mt	1,068	1,069	1,087	1,244	1,251	1,260	1,123	1,075	731	1,166	1,177
Lamb c/kg	439.3	443.2	431.3	399.3	394.2	399.3	416.5	437.9	443.8	403.6	412.0
Oranges \$/mt	975	1,046	928	920	817	893	1,135	983	875	829	957
Shrimp, Mexico c/kg	1,003	1,056	1,075	953	988	1,003	1,003	1,045	1,034	1,024	1,010
Sugar EU domestic c/kg	70.68	72.93	72.39	64.10	65.10	66.98	68.28	72.00	66.54	64.56	68.09
Sugar US domestic c/kg	44.71	44.18	44.55	43.85	45.17	46.47	46.98	44.48	46.93	48.76	45.77
Sugar, world c/kg	22.05	22.27	23.52	25.71	23.49	20.90	21.86	22.61	21.79	32.59	22.22

Timber

Logs, Cameroon \$/cum	387.7	422.1	418.9	327.4	371.3	372.8	371.6	409.6	334.4	318.5	381.3
Logs, Malaysia \$/cum	271.7	279.4	275.3	256.6	264.8	262.0	269.6	275.5	203.1	239.4	268.0
Plywood c/sheets	656.6	674.1	668.2	637.2	629.5	639.6	653.9	666.3	508.6	595.6	647.3
Sawnwood, Cameroon \$/cum	801.2	866.0	846.7	657.8	720.1	725.1	756.2	838.0	559.1	622.9	759.8
Sawnwood, Malaysia \$/cum	813.0	806.3	788.3	779.1	794.4	807.4	820.9	802.5	659.4	749.3	806.3
Woodpulp \$/mt	802.2	802.2	802.2	747.2	727.4	751.3	769.8	802.2	635.5	698.6	762.7



	Monthly averages			Quarterly averages				Annual averages		
	2007			2006	2007			2005	2006	2007
	Oct	Nov	Dec	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Dec

Other Raw Materials

Cotton A Index c/kg	152.0	153.7	152.1	127.8	128.8	127.4	148.9	152.6	121.7	126.7	139.4
Cotton Memphis c/kg	155.4	155.8	153.5	132.7	135.9	130.0	150.3	154.9	129.8	133.5	142.8
Jute \$/mt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rubber, Malaysia c/kg	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.
Rubber, US c/kg	249.8	271.4	273.2	199.4	241.6	251.6	234.2	264.8	166.1	231.3	248.0
Rubber, Singapore c/kg	235.8	250.6	249.0	176.0	223.3	233.9	213.8	245.1	150.2	210.8	229.0
Sisal \$/mt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Wool c/kg	n.a.	n.a.	n.a.	565.0	565.0	565.0	565.0	n.a.	580.0	557.6	565.0

Fertilizers

DAP \$/mt	451.3	521.0	594.0	254.2	344.5	431.1	432.5	522.1	247.0	260.3	432.5
Phosphate rock \$/mt	80.0	80.0	135.0	45.5	45.5	59.9	80.0	98.3	42.0	44.2	70.9
Potassium chloride \$/mt	220.0	232.5	240.0	175.0	175.6	184.8	209.4	230.8	158.2	174.5	200.2
TSP \$/mt	402.9	423.8	446.9	203.2	225.7	331.0	375.0	424.5	201.5	201.6	339.1
Urea, E. Europe, bagged \$/mt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Urea, E. Europe, bulk \$/mt	333.7	377.1	385.3	234.0	297.4	291.3	283.6	365.4	219.0	222.9	309.4

Description of Price Series

Cocoa (ICCO), International Cocoa Organization daily price, average of the first three positions on the terminal markets of New York and London, nearest three future trading months.

Coffee (ICO), International Coffee Organization indicator price, other mild Arabicas, average New York and Bremen/Hamburg markets, ex-dock

Coffee (ICO), International Coffee Organization indicator price, Robustas, average New York and Le Havre/Marseilles markets, ex-dock

Tea, average three auctions, arithmetic average of quotations at Kolkata, Colombo and Mombasa/Nairobi.

Tea (Colombo auctions), Sri Lankan origin, all tea, arithmetic average of weekly quotes.

Tea (Kolkata auctions), leaf, include excise duty, arithmetic average of weekly quotes.

Tea (Mombasa/Nairobi auctions), African origin, all tea, arithmetic average of weekly quotes.

Coconut oil (Philippines/Indonesian), bulk, c.i.f. Rotterdam. Copra (Philippines/Indonesian), bulk, c.i.f. N.W. Europe

Groundnut oil (any origin), c.i.f. Rotterdam. Palm oil (Malaysian), 5% bulk, c.i.f. N. W. Europe

Palmkernel Oil (Malaysian), c.i.f. Rotterdam. Soybean meal (any origin), Argentine 45/46% extraction, c.i.f. Rotterdam; prior to 1990, US 44%

Soybean oil (Dutch), crude, f.o.b. ex-mill. Soybeans (US), c.i.f. Rotterdam

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