

Weekly Economic Updates for the Week Ended August 13, 2010

Agriculture & Food Processing Sector

- ✚ The area under **millets** in 2009-2010 is 186.43 Lakh Hectare as compared to rice (418.70 lakh Ha) and wheat (283.42 lak Ha)
- ✚ **Kharif crops** have been sown in 889.23 lakh ha area so far. It is about 79.65 lakh ha more than the acreage on this date last year (807.82lakh ha). This comes to 10.08 % increase in acreage.
- ✚ Government has raised the **Minimum Support Price (MSP)** of maize from ` 840/- per quintal in 2009-10 to ` 880/- per quintal for the year 2010-11.
- ✚ Government Released ` 58242 Crore as **Food Subsidy** in 2009-10
- ✚ The **processing levels of the food processing sector** in the country have increased from 6% in 2006 to 11% in 2010. This sector is growing over 13% per annum.
- ✚ The **food processing sector** is dominated by the un-organised sector. However, for organized sector number of registered FPI's are 25,367 with total investment of ` 84,094 crores with average annual turnover of ` 2, 04,267 crores.
- ✚ **30 Mega Food Parks** envisaged for 11TH Plan
- ✚ Shri Subodh Kant Sahai, Union Minister for Food Processing Industries inaugurated an **e-portal** to bring farmers, suppliers and customers together www.efreshindia.com
- ✚ It has been estimated by studies conducted by various stakeholders that ` 30,000 crores worth of **agricultural produce is wasted** every year for want of basic infrastructure in the country items like cereals, fruits, vegetables, fishes etc. This information was given by Shri Subodh Kant Sahai, Minister of Food Processing Industries in the Rajya Sabha in a written reply.
- ✚ Banking System Issued 925.17 Lakh **Kisan Credit Cards** Till 31st March 2010 ` 417,326 Crore Sanctioned Under Kisan Credit Cards (KCCs) Till 31st March 2010
- ✚ The **support provided to agricultural producers in developed countries** such as the United States, several European countries and others, include various forms of support based on commodity production/output, input-use and general support for research and development, infrastructure, marketing and promotion etc. As per the latest statistics released by the OECD (Organisation for Economic Cooperation and Development), the level of support to agricultural producers (expressed as a percentage of producer revenues) in 2007-09 was 9% in the US and 23% in the European Union (EU).
- ✚ **NDDB** to Hold Surplus Imported Milk Powder and Milk Fat as Buffer Stock Allotment to State Milk Federations on Demand

Cargo, International Trade & Shipping

- ✚ During 2009-10 **Major and Non-Major Ports** in India accomplished a total cargo throughput of 844.9 million tones reflecting an increase of 13.6% over 2008-09 compared to a marginal increase of 2.5% in 2008-09.
- ✚ The **growth in cargo** handled at Major and Non-Major ports in 2009-10 was 5.7% and 33.2% respectively compared to 2.2% and 3.3% achieved in 2008-09. The robust overall growth in India's seaborne cargo traffic in 2009-10 reflects fairly strong recovery in India's growth during the course of 2009-10.
- ✚ While **the share of Indian shipping** in the overall overseas trade is only about 8.4% for the period 2008-09, the cargo shipped through Indian vessels by TRANSCHART, the Chartering Wing in the Ministry of Shipping was 38.79%. The total quantum of cargo for which the shipping arrangements have been made by the TRANSCHART, during 2009 was 278.43 lakh MT through 476 vessels out of which 108.01lakh MT was carried by 150 Indian vessels.
- ✚ **Total trade between India and France** during 2009 is US \$ 6,279 millions. As per available information, there are around 600 French companies based in India and they employ around 40, 000 persons. As per available data, there are about 70 Indian companies based in France and they employ around 6,073 persons in France.
- ✚ As per WTO 2010 Press Release, India ranked at 12th position in World trade in **commercial services** in 2009. India's services export during 2009-2010 US \$ 93791 million

- ✦ The **total excise collections from all the tobacco** in the years 2008-09 and 2009-10 is ` 13300.31 crore and ` 13853.29 crore respectively.
- ✦ The **total marine product exports** from the country in 2009-10 is 6, 78,436 MT that is \$ 2,132.84 million / ` 1, 0048.53 crore. The exports to the Euro market is 16,4800 MT, USA 33,444 MT, Japan 62,690 MT
- ✦ In a significant policy initiative to increase the **rail share of automobile traffic** from present level of 3 to 4 per cent to about 30 percent in the next five years, the Ministry of Railways has formulated a policy on Automobile Freight Train Operator (AFTO) Scheme to attract private investment in high capacity auto carriers. This policy has become effective from 19th July, 2010. Under this policy, for the first time, private players permitted to use advantages of rail transport to market railway services to end users in the fast growing automobile sector.
- ✦ **Indian Railways** have carried 292.50 million tonnes of revenue earning freight traffic during April-July 2010. The freight carried shows an increase of 7.49 million tonnes over the freight traffic of 285.01 million tonnes actually carried during the corresponding period last year, registering an increase of 2.63 per cent.
- ✦ The total approximate **earnings of Indian Railways** on originating basis during 1st April – 31st July 2010 were ` 29274.55 crore compared to ` 27464.14 crore during the same period last year, registering an increase of 6.59 per cent.
- ✦ The **total goods earnings** have gone up from ` 18489.09 crore during 1st April – 31st July, 2009 to ` 19796.56 crore during 1st April – 31st July 2010, an increase of 7.07 per cent
- ✦ Comments / suggestions on the **Draft Point of Taxation (for Services Provided or Received in India) Rules, 2010**

Environment

- ✦ According to the recent report prepared under the aegis of Indian **Network for Climate Change Assessment (INCCA)**, the total **Green House Gases (GHGs)** emissions of anthropogenic origin from the sectors such as Energy, Agriculture, Industry, Forestry and Wastes was of the order of 1,727 million tons of CO₂ equivalent. Between 1994 and 2007, some of the sectors indicate significant growth at a Compounded Annual Growth Rate (CAGR) in GHG emissions such as cement production (6.0%), electricity generation (5.6%) and transport (4.5%).
- ✦ As on date India has 520 registered **Clean Development Mechanism (CDM)** projects, out of the total 2313 projects registered by the CDM Executive Board of the UNFCCC. These projects have the potential to generate 43 million Certified Emission Reduction Units (CERs) per annum which amount to approximately 12% of the total annual CERs generated by registered CDM projects globally. As on date 79 million CERs have been issued to Indian projects and assuming a conservative price of \$10 per CER, the value of actual CER issued to Indian projects amounts to US\$ 790 million.
- ✦ A tripartite Memorandum of Understanding (**MoU**) for preparation of Detailed Project Reports (DPRs) of Par-Tapi-**Narmada & Damanganga-Pinjal links** was signed among the Chief Minister of Gujarat, Chief Minister of Maharashtra and the Union Minister for Water Resources on 3.05.2010. As per the MoU, the Maharashtra State Government will get the benefits through the Damanganga – Pinjal Link Project by way of augmentation of water supply to meet the domestic water requirement of Mumbai city, while Government of Gujarat will be free to utilize remaining water spilled from Bhugad & Khargihill dams.
- ✦ GOI is Inviting public opinion on **Western Ghats Ecology** www.westernghatsindia.org.

Economy

- ✦ Based on the recommendations of Foreign Investment Promotion Board (**FIPB**) in its meeting held on July 30, 2010, the Government has approved 12 Proposals of Foreign Direct Investment amounting to ` 2305.835 Crore approximately
- ✦ **NABARD** to Refinance Cooperative Banks @ 4% p.a. during 2010-11
- ✦ The Union Cabinet approved the implementation of the Swavalamban Scheme to cover **workers in the unorganized sector** and to provide old age security to all sections of society, particularly the vulnerable sections.
- ✦ The share of **Micro and Small Enterprises** in the manufacturing sector of the country is 45.24% for the year 2007-08 (latest available). As per the 'Quick Results : Fourth All India Census of Micro, Small & Medium Enterprises 2006-2007', the average value of fixed investment in Micro, Small and Medium Enterprises (MSMEs) for Registered sector is ` 32.26 lakh per unit.
- ✦ The report brought out by **Small Industries Development Bank of India (SIDBI)** on Micro, Small and Medium Enterprises Sector (MSME), 2010 provides a systemic coverage of various aspects pertaining to the MSME sector, such as status, structure, policy initiatives, institutional support, credit dispensation etc. The Report, while discussing various issues concerning the MSME sector, has mentioned one such issue being the inadequate infrastructure facilities, including power, water, roads, etc.

- ✚ Since January 2010, continuing the process of exit, the Reserve Bank of India (RBI) has so far cumulatively raised the CRR by 1 per cent to 6.0 % of scheduled bank's Net Demand and Time Liabilities (NDTL), thereby absorbing Rs. 48,500 crore of surplus liquidity. The repo rate has been increased by 100 basis points to 5.75% and reverse repo rate has been increased by 125 basis points to 4.5% during 2010.
- ✚ Direct Taxes Code (DTC) to Cover SEZs Profit Linked Incentives to be Replaced by Investment Linked Deductions
- ✚ The Union Cabinet approved the proposal for formation of societies for each of the six AIIMS-like institutions being set up under the Pradhan Mantri Swasthya Suraksha Yojana (PMSSY). These societies will be functional till the AIIMS-like institutions are brought under an Act of Parliament.

Notifications

- ✚ Service tax on commission received by Primary Dealers dealing in Government Securities: Government securities are not securities of a body corporate. As the service tax law stands today, service tax liability does not arise on Underwriting Fee or Underwriting Commission received by the Primary Dealers during the course of the dealing in Government Securities.
- ✚ The Department of Economic Affairs, Ministry of Finance has issued a notification today i.e., 9th August, 2010, amending the Securities Contracts (Regulation) (Amendment) Rules, 2010 which had been notified on June 4th, 2010. This notification allows for a lower public shareholding for public sector enterprises (PSEs). It also provides flexibility to all companies in attaining 25% (or 10% for public sector enterprises) public shareholding level within three years without any annual floor. The main feature of the amendment is that the minimum requirement of public shareholding for all PSEs is lowered to 10%. A listed public sector company which has a public shareholding below 10% on the date of commencement of the Securities Contracts (Regulation) (Second Amendment) Rules, 2010 shall increase its public shareholding to at least 10% within a period of three years. Any listed company which has public shareholding below 25% on the commencement of the Securities Contracts (Regulation) (Amendment) Rules, 2010 shall increase its public shareholding to at least 25% within a period of three years.
- ✚ Central Board of Excise and Customs (CBEC), Department of Revenue has issued a Notification No.76/2010-Customs (N.T.) dated August 13, 2010 and thereby notifying tariff values of edible oils, brass scrap (all grades) and Poppy seeds

The Insurance Regulatory & Development Authority (IRDA)

- ✚ All Unit Linked Products to Offer Minimum Return to Policyholders from 6th Year Onward: Unit Linked Pension Products to Ensure Minimum Guaranteed Return on Maturity: Locking Period Increased From Three to Five Years
- ✚ IRDA Circular No. 102 dated 28th June, 2010 – This prescribes the minimum quantum of death and health coverage that a unit linked life insurance product must offer. All pension/deferred annuity products must offer a minimum guaranteed return as specified by the IRDA. The minimum guaranteed rate is 4.5% pa for the current financial year and based on reverse repo-rate from 2011-2012 onward. The circular also prescribes the maximum reduction in yield to the policyholders from year 6th policy year and onward.
- ✚ IRDA (Treatment of Discontinued Linked Insurance Policies) Regulations, 2010 – The regulations aim to benefit the policyholder who discontinues to pay future premium on account of certain difficulties, by assuring him a fixed rate of interest on his policy monies available at the date of discontinuance and the payment can only be made by insurer after 5th policy anniversary of the said insurance policy.
- ✚ IRDA Circular No. 124 dated 4th August, 2010 - The circular clarifies the limit on premium allocation and policy administration charges and also on guaranteed rates of interest on unit linked pension/deferred annuity products.
- ✚ The aforesaid circular and regulations shall be implemented with effect from 1st September, 2010.