

## News Brief

August 1 – 7, 2020

### Government Aid and Policies

[The government plans to review its newly launched EUR 11.3 billion Agri Infrastructure Fund \(AIF\) after the disbursement of EUR 2.2 billion.](#) Under this scheme, about EUR 11.3 billion will be provided by banks and financial institutions as loans to primary agri credit societies, farmer groups, farmer producer organisations (FPOs), agri-entrepreneurs, start-ups and agri-tech players and disbursement is scheduled in four years, starting with sanction of EUR 1.1 billion in the first year and EUR 3.4 billion each in the next three financial years. The scheme will be reviewed by the Department of Expenditure for evaluation and mid-course correction if required. It will be monitored regularly through an online platform. All assets created under this scheme will be geotagged for effective real-time monitoring.

[A panel under the 15th Finance Commission \(FC\) proposed a state government-led export plan to boost agricultural exports that would involve investments of \\$10 billion in inputs, infrastructure and processing.](#) The funding would come from a convergence of existing government schemes, allocations by the FC and private investment. The plan focuses on 22 crops that would add value to the international value chain, and would follow a demand-driven approach. The proposed plan could result in an increase in agricultural exports from \$40 billion to \$70 billion in a few years and 10 million additional agriculture sector jobs and increased farm productivity and farmer income.

[National Agricultural Cooperative Marketing Federation of India \(NAFED\) has procured 95,000 tonnes of onion directly from farmers at prevailing rates for creating a buffer stock on behalf of the government.](#) The target this time is to buy 100,000 tonnes of essential kitchen staple from the major producing states. Last year, NAFED had purchased a total of 57,000 tonnes of onion from the 2018-19 Rabi (winter) crop. NAFED has approached the States for the requirements of lean months in advance to ensure timely release of the stored onion to control the retail prices, which tend to go up in the period late August to November. A timely release to the States will also help in cutting the storage losses, as long duration of storage can lead to higher storage losses of up to 35 %.

[Maharashtra government has approved the EUR 113 million Maharashtra Agribusiness Network \(MagNet\) project aimed at boosting fruit and vegetable production](#) in the state and helping farmers across all districts for the next six years. Of the EUR 113 million, 70% would be lent by Asian Development Bank and the balance will be funded by the State government.

### Trade

[Indian basmati rice and tea exporters to Iran facing uncertainty as the Central Bank of Iran has slowed down allocation of currency against which Iranian traders were buying these commodities from India.](#) Indian basmati rice exporters are not entering into new contracts with Iranian importers in order to avoid payment-related problems. Meanwhile, Indian tea exports may also stop within a month if the payment issue is not resolved. Exporters are of the opinion that the Indian government should work out

a deal with Tehran so that exports can be carried out smoothly.

### **Covid-19 Impact and emerging trends**

[With the ongoing pandemic, Indian customers have started preferring hygienic packaged sweets from organized players over traditional ones, having an impact on the sales of traditional sweet shops.](#) The overall sales of these shops have gone down by 70-80% over the past few months due to low demand owing to changing customer preferences and ongoing restrictions on social gatherings. Clubbed with high rentals, it has led to the closing down of up to 10% of small and medium scale sweet shops since March. The government is pushing for modernisation of the sector to implement quality norms and the industry is hopeful that the government stimulus package for micro, small and medium enterprises will help many traditional sweets makers to join the organised sector with hygienically packaged products and better marketing. Currently, the organised sector accounts for only 5% of the overall sweets and snacks market estimated at about EUR 11.3 billion.

[India's poultry industry needs EUR 2.3 billion in loans after farmers suffered huge losses following rumours of poultry being carriers of the coronavirus at the beginning of the pandemic.](#) According to industry insiders, the prices have now recovered to just above production costs, but the industry needs funding as there is a risk of default on existing loans totaling as much as EUR 2.8 billion. The banks are however unwilling to lend money to poultry farmers. Bank financing is crucial to the EUR 11.8 billion industry which directly or indirectly employs 5 million people and supports 25 million producers.

[The Confederation of Indian Alcoholic Beverage Companies \(CIABC\) has reported that the States which imposed more than 50% COVID-tax on liquor after the lockdown have seen around 59% decline in sales in May and June due to higher tariffs.](#) The retail sales of liquor resumed in many States in May following six weeks of lockdown and most of the States levied a higher tax on alcoholic beverages to make up for the lost revenue. Liquor industry contributes around EUR 28 billion in tax revenues to state governments, but this year it is likely to see a fall and sales are going to see a decrease of 25-30%.

### **Locust Attack**

[The Rajasthan Chief Minister has written to Prime Minister Narendra Modi requesting him to declare the locust attack a nationwide catastrophe so that farmers will be compensated for the crop loss that they've suffered.](#) Rajasthan is the worst hit State with almost 670000 hectares affected by locust infestation. The Chief Minister has stated that the farmers would suffer a loss of EUR 113 million, though well timed warnings and joint locust management operations by the Centre and the State lowered the effect of the locust infestation.

### **Food Safety**

[The Food Safety and Standards Authority of India \(FSSAI\) has further extended the timeline for the renewal and new application of licensing or registration of Food Business Operators \(FBOs\)](#) and they can

apply for changes until December 31, 2020 without incurring penalties. Previously, the grace period was given until July 31 for FBOs to renew their licences/registration, which have expired or were about to expire during the period - March 22 to June 30.

[The rise in the use of margarine in hotels and restaurants has been a cause of concern for the government.](#) On PM's office's behest, the FSSAI has issued clarification, directives and future course of action to control the use of the margarine in edible items. FSSAI clarified that limit of trans fats is fixed at not more than 5% in bakery and industrial margarine. The process is on for reducing the limit of trans fats in edible oils and fats to not more than 3% by 2021 and not more than 2% by 2022. Moreover, it has been made mandatory to declare the quantity of trans fats and saturated fats on the labels of products in which margarine is used.

## **Other news**

[In its macroeconomic report for the month of July, the Indian Finance Ministry has stated that the worst seems to be over for the Indian economy and the agriculture sector will cushion the shock of the pandemic on the economy in 2020-21 as there are prospects of a good monsoon.](#) However, the rise in Covid-19 cases and subsequent intermittent lockdowns may make the recovery prospects fragile and call for constant and dynamic monitoring. The report stated that the timely exemptions to agricultural activities from lockdowns helped with uninterrupted harvesting of rabi crops and enhanced sowing of kharif crops. Moreover, the deregulated and liberalized agricultural sector after the announcement of the recent reforms, will empower the farmers to become a bigger and more stable participant in India's growth journey.

[According to a study by Central Marine Fisheries Research Institute \(CMFRI\), the availability of Indian oil sardine, popular in Kerala, will remain at a low level along the coastal waters of the State during the current year as well.](#) Oil sardine production was adversely affected in the recent past due to ecological modifications following El Nino, which impacted the normal spawning process of the species and its growth. Experts working in the oil sardine and fishery sector have requested the fishing community to abstain from juvenile fishing and to spare matured spawning stocks to allow them to release eggs. CMFRI had initiated the oil sardine forecasting programme last year.

[AgriBazaar, a three year old digital market place for farm products, is expecting a major jump in transactions on its platform after the government allowed farmers to sell their produce outside the regulated markets in May.](#) The lockdown and the ensuing closing down of *mandis* (agricultural products' marketing hubs) also pushed many farmers to go digital and the platform has recorded a 400% growth in transactions since the beginning of the lockdown. From transactions worth EUR 677 million in 2019-20, the company is targeting transactions worth EUR 2.26 billion in 2020-21. More than 200 Farmer Producer Organisations, about 300,000 farmers and 16,000 processors are currently registered with AgriBazaar. It operates near 32 cities in 16 States and plans to expand its operations in 75 cities soon. It is also planning to set up 500 labs across the country in partnership with agri-entrepreneurs for providing quality services, assaying and certification and has partnered with a few logistics players in some regions.