News Brief

26 September – 2 October 2020

Government Aid and Policies

The government has given three more months, till December, to millers to carry out the exports of their sugar quota allocated for this year. The government had allowed export of 6 million tonnes of sugar under the quota in the 2019-20 marketing year ending September. Out of 6 million tonnes, about 5.6 million tonnes have been exported as some mills faced difficulty in exporting due to the pandemic related restrictions. The government is providing EUR 728 million subsidy for export of 6 million tonnes of sugar during the 2019-20 marketing year, in order to liquidate surplus domestic stock and help mills in clearing sugarcane arrears to farmers.

Meanwhile, the Maharashtra State Co-operative Sugar Factories Federation is encouraging sugar mills in the State to cut down on the sugar production in view of surplus stock in the country and focus on ethanol production instead. India produces about 31 million tonnes of sugar every year and the domestic requirement is around 25 million tonnes. Maharashtra produces 9 to 10 million tonnes of sugar every year and is planning to cut the production by 1 million tonne every year, and take up ethanol production instead. The country is aiming to achieve a target of 10% ethanol blending with petrol by 2022 and 20% by 2030. The government has also decided to give incentives to those who switch to ethanol production.

The Uttar Pradesh government has come out with a new policy on forming and incentivizing "Farmer Producer Organisations" (FPOs) of the 20 million small and medium farmers in the state so they can get a better price for their produce. The policy aims at making the FPOs self-reliant by making them financially and technically strong. The policy will help deliver schemes of the central and state government and the latest farming techniques to farmers who are part of the FPOs. The FPOs will be brought on the e-NAM platform of the central government and will also be given a consolidated dashboard on a new portal to be set up by the state government to help them establish direct contact with buyers. The UP government will also help in the registration of these FPOs, help them file annual returns as well as obtain different kinds of permissions nand licenses. About 2,000 new FPOs are expected to be created in the next two years under the new policy.

In a first, the Kerala government has announced a minimum support price (MSP) for fresh fruits and vegetables with effect from November 1 and will procure the produce when prices drop below the cost of production. The MSP will be the cost of production plus 20 percent and will be revised every year. Initially, 16 crops which are affected by price fluctuation, like Nendran banana and pineapple, will be eligible for MSP. The government has allocated EUR 13 million for the scheme with the objective to fix the right price for the produce, raise production and encourage farming. The State government had earlier launched schemes to increase the vegetable production which have proved successful by increasing the production from 650 000 tonnes in 2016 to 1.5 million tonnes last year. This year's target is 1.6 million tonnes and the MSP announcement is a step to encourage farmers to grow more vegetables.

The Assam government has given the ailing tea industry a three-year tax holiday from payment of agriculture income tax. It has also announced interest subvention of 3% on the working capital loan taken by the tea estates, with the subvention capped at EUR 23,228 per annum. To boost the production of orthodox tea, which is mostly exported, the government will offer a subsidy of Rs 7 per kg with effect from April 2020. To assist the tea industry in the this, it will also provide a 25% interest subvention on the capital expenditure for purchase of plant and machinery. Production of orthodox tea is costly compared to CTC, which forms the bulk of Assam tea. With these four schemes, the State government will incur an outflow of EUR 23.2 million annually.

The Central government has offered to provide processed pulses (mung and black gram) from its buffer stock to state governments for retail sale at a subsidized rate. It is a new retail price intervention mechanism under which the central government will provide processed pulses to state governments either in bulk quantity or in one or half kilo pack for retail sale. Pulses will be offered at a subidised rate comprising minimum support price plus other charges for a period of two months till arrival of new crop. The processing, lifting and transportation charges as well as dealers' margin will be borne by the central government, which was not done earlier.

Crops

With monsoon rainfall 9% above average, the area under cultivation has been 4.5% more than last year and a record food grain production is expected. Compared to last year, the area under rice has grown by 5.2%, under oilseeds by 9.3%, under pulses by 3.8% and under cotton by 2%. As per the first advance estimate of the government, foodgrain production in *Kharif* is expected to be a record of 144.52 million tonnes in 2020-21, pushed by record production of rice, likely to be 102.36 million tonnes.

Harvesting of pulses and rice has started and the government has started procurement operations earlier than the scheduled date. Rice procurement has started in the mandis of Punjab, Haryana and at MSP of EUR 21.70 - 21.93 per quintal, depending on the quality, and the target for rice procurement has been set at 50 million tonnes for this year. Based on the proposal from the states, procurement of 1.41 million tonnes of pulses and oilseeds across Tamil Nadu, Karnataka, Maharashtra, Telangana and Haryana has been approved.

Indian Market

The price of saffron has fallen 15% in the past two months because of higher imports from Iran and a weak domestic demand. The demand is 30% less this year from retailers, sweet manufacturers, food processors and ayurvedic companies and they have huge stocks from the previous year.
Saffron is currently being quoted at EUR 1.51 – 1.74 a gram in the wholesale market, and is expected to drop further. The annual demand for saffron in India is 55 tonnes per year, with domestic output at 6-7 tonnes. Iran is the leading supplier, followed by Afghanistan.

Poultry demand in the home segment is growing by 15-20% over the last couple of months as people try to increase their nutritional intake. However, as supplies remain low, the prices of poultry products such as eggs and chicken meat have gone up. Poultry players have seen a decrease in their production costs due to lower prices of maize, which should be beneficial for the sector and help it to recover from the losses due to the pandemic. Poultry sales had suffered losses of about EUR 2.3 billion at beginning of the pandemic due to rumors that it spread coronavirus.

Trade

The Confederation of Indian Alcoholic Beverage Companies (CIABC) has asked the government to withdraw the proposal to reduce Basic Customs Duty (BCD) on alcoholic beverages imported from the United Kingdom. The Government of India is considering reduction in Basic Customs Duty (BCD) on alcoholic beverages as part of its negotiation with the Government of UK. CIABC, which represents leading liquor firms, has asked that any reduction in BCD should be gradual to provide protection to Indian liquor companies which have already been affected the pandemic.

Food Safety

FSSAI is planning to build two new National Food Laboratories (NFLs) in Chennai – for southern India and in Mumbai – for western India. At present FSSAI has two NFLs, one for Northern India in Ghaziabad (NCR) and second at Kolkata for Eastern India. The new labs would be capable of carrying out molecular biology testing, keeping in view future requirement of GMO testing in food products and will be functioning on PPP mode (public-private partnership).

FSSAI issued the final Gazette Notification prescribing healthy diets for school children, called Food Safety and Standards (Safe Food and Balanced Diets for Children in School) Regulations, 2020. The regulations will come into force from July 1, 2021. Through these regulations, the FSSAI has fixed the responsibility of the school authorities to ensure safe food and balanced diets on school premises. The School Canteen Contractor /FBO / Caterer will now need to have either a licence or registration from the food authority. Moreover, sale of food products high in saturated fat or trans fats or added sugar or sodium in school campus or to school children in an area within 50 m from the school gate in any direction will not be allowed.

FSSAI is planning to make it mandatory for edible oil manufacturers to fortify cooking oil with vitamins A and D. India has a very high burden of malnutrition, including micronutrient deficiencies and a lot of people suffer from deficiency of vitamins A and D. At present, 69% (7.94 million tonnes per annum) of packaged edible oil sold across India is fortified. Fortification of edible oil will ensure that people belonging to different socio-economic strata have easy access to fortified edible oil across the country.

The Ministry of health and family welfare has framed draft Food Safety and Standards (Amendment) Bill 2020 and introduced 70 amendments in the existing 2006 Act to give FSSAI more powers and extending its jurisdiction over animal feed, food packaging material, and enhancing penalties imposed for violations and simplifying processes. The Act was limited to food industry till now. Moreover, changes have been proposed to the selection and role of functionaries. The selection committee will now have no role in appointment of members and they would be selected by the Central government.

Enterprises

Danone India is going to revamp its adult nutrition portfolio by launching zero added sugar variants of Protinex. Danone had committed to FSSAI's Eat Right Movement and had pledged to reduce sugar in its portfolio by 20% by the year 2020. This move is a step in that direction. The nutrition portfolio, led by Protinex, has been the biggest contributor to Danone India's total sales, after its exit from the Indian dairy sector in 2018. Its infant nutrition business contributes to almost 50% of its sales. The company is expecting to post better growth in 2020 than last year, despite disruptions and loss of sales due to the pandemic. It is also planning to launch some of the major brands from its global portfolio in India.