

News Brief

June 20 – 26, 2020

Indian Agriculture

The Indian Sugar Mills Association (ISMA) has [estimated India's 2020-21 \(October- September\) sugarcane area will rise 8% to 5.2 million hectares, while sugar production will increase by over 12% to 30.5 million tonnes](#) from 27.2 million tonnes expected in the current season. The area under sugarcane cultivation will rise in Maharashtra and Karnataka by 43% and 15% respectively. Sugar production in Maharashtra is estimated to be around 10.1 million tonnes in 2020-21, as against 6.2 million tonnes produced in 2019-20, and in Karnataka it is estimated to rise to 4.3 million tonnes from 3.4 million tonnes expected to be produced in 2019-20. The area under sugarcane is likely to fall by 1% in Uttar Pradesh, one of the major sugar producing States.

[According to a report by analytics firm Fitch Solutions, India's agricultural trade, which was disrupted during the COVID-19 lockdown due to logistic issues in March-June, is expected to rebound in H2 2020.](#)

However, the total volumes over 2020 will be in line or below 2019 levels due to the decline recorded in H1 2020. The farm trade was greatly disrupted during the lockdown due to logistic issues with both exports (rice, sugar) and imports (palm oil) collapsing over March-June. Although farm work and port operations were allowed to continue operating under the lockdown, the disruptions to transport and labour availability impacted agribusiness production.

The livestock production sector is also significantly impacted as the transport of livestock was restricted or became extremely complicated. The feed prices rose up and meat producers struggled to sell their products due to transport disruptions. Meat production likely to decline in 2020. The dairy sector fared much better with milk supply to consumers across India relatively smooth, unlike for perishables such as fruit and vegetables, which witnessed recurrent price volatility. Although cooperatives and milk producers under their network seem to be operating relatively normally, the independent producers are struggling as they are unable to sell their products.

Locust Attack

[A new wave of locust swarms has arrived in Rajasthan, in the west of India,](#) from Pakistan and is heading towards other States. The government has increased measures to counter the threat using various methods including drones but has been able to kill only 50% of the swarms. The locusts are in pink immature adult stage, which is the most active stage and can fly swiftly, escaping the pesticide spray. The States of Madhya Pradesh, Uttar Pradesh, Punjab, Haryana and Gujarat are on high alert and have already seen the first swarm attacks a few weeks ago. The control operation is going on with the cooperation and coordination of the State Agricultural Departments, Local Administration and Border Security Force. [Rajasthan government has so far deployed total 2142 tractors and 46 fire brigade vehicles,](#) Madhya Pradesh 83 tractors and 47 fire brigade vehicles, Uttar Pradesh 4 tractors and 16 fire

brigade vehicles, Punjab 50 tractors and 6 fire brigade vehicles and Gujarat deployed 38 tractors for locust control. Supply order for 60 sprayers has been placed with Micron, UK. An order of 5 CD Atomizer kits with GPS Trackers for aerial spray capabilities have also been placed with the same company. As on June 21, 2020, locust control has been undertaken in 114,026 hectares area in Rajasthan, Punjab, Gujarat, Uttar Pradesh, Maharashtra, Madhya Pradesh and Chhattisgarh.

Monsoon and Kharif planting

[Crop planting for the kharif, or summer-sown season, has jumped 40% year-on-year, helped by the strong start of the monsoon season.](#) The surge in planting has been led by oilseeds and coarse cereals. Rainfall since June 1 has been 31% higher than that a year ago, giving a big boost to crop planting. Total area under cultivation has risen to 13.13 million hectares so far, from 9.42 million hectares a year ago. The government is expecting another bumper crop this year.

[Monsoon has advanced to cover the entire country two weeks earlier than the scheduled date.](#) The annual monsoon usually hits Kerala on June 1 and takes about 45 days to reach Sriganganagar in western Rajasthan, its last outpost in country.

Government Aid and Policies

The EUR [1.8 billion Animal Husbandry Infrastructure Development Fund \(AHIDF\)](#), introduced as part of the EUR 235 billion stimulus package announced in May to help people affected by the lockdown to prevent the spread of COVID-19, has been approved by the Indian cabinet. An interest subvention of 3% to 4% will be provided to farmer producer organisations, MSMEs and private players for setting up of dairy, meat processing and animal feed plants. It is expected to create 3.5 million jobs. The beneficiaries will have to contribute 10% margin towards the proposed infra project and the rest 90% would be a loan component to be made available to them by scheduled banks. The scheme is expected to help increase farmers' revenues and promote exports through improvement in processing and value addition infrastructure.

Trade

[Indian tea exports have gone down by 5.6% from 254.50 million kg in 2018-19 to 240 million kg in 2019-20.](#) The decrease in exports has been attributed to the worldwide economic slowdown. While exports to Commonwealth Independent States decreased marginally from 60.72 million kg to 59.40 million kg in 2019-20, exports to Iran and China increased. Iran continued to be second largest importer buying 46.47 million kg in 2019-20, up from 41.02 million kg the year before. Exports to Pakistan saw a significant decrease from 14.6 million kg in 2018-19 to 3.3 million kg in 2019-20.

[Indian coffee exporters may have lost their market share in Europe to Brazil,](#) which has been able to export more quantities due to a larger crop, lower prices and devaluation of the Brazilian currency since the beginning of the pandemic, while Indian exporters faced liquidity problems and higher prices. India is the second top seller of coffee in Italy after Brazil. Germany, Belgium, Russia are also big buyers of

Indian coffee. India's coffee export declined by 17% to 167,445 tonnes for the period from January 1 to June 23, 2020, compared with the same period in the previous year.

The coffee sector has demanded an increase of export incentive from 3% to 5% and a 20% rise in working capital and 2% interest subvention on loans to tide over the situation.

For year 2020-21, [the Government has authorised imports of 500,000 tonnes of corn under Tariff Rate Quota \(TRQ\) at a concessional 15% import tax](#) to boost supplies for the poultry industry and starch supply sectors. India normally imposes a 60% import tax on the grain. A major exporter of corn until a few years ago, it has become an importer as output has fallen and domestic demand has grown. India corn imports jumped to 312,389 tonnes in 2019 from 30,962 tonnes in 2018.

The country also authorised import quotas of 150,000 tonnes each of rapeseed oil and sunflower oil at 45% and 50% import taxes respectively. India mainly imports rapeseed/canola oil from Canada and sunflower oil from Ukraine and Russia. However, Indian refiners may be unlikely to import rapeseed oil and sunflower oil under those tariff-rate quotas as the import tax on regular imports is actually lower, at 35%.

[Imports of 10,000 tonnes of milk and cream powder under TRQ at a concessional 15% import tax was also announced for this year](#). The decision has not been seen favorably by farmers and some industry members who fear that the Skimmed milk powder (SMP) prices will further go down in the country. Currently, SMP prices have dramatically reduced from EUR 3.65 in February to EUR 2.12 per kg in June due to lack of demand following the lockdown. However, the National Dairy Development Board (NDDB) has termed it as a strategic decision which will allow the government to import SMP to stabilize the domestic market if the prices shoot up. Notably, only government agencies will be allowed to import SMP.

Food Safety

[The Food Safety and Standards Authority of India \(FSSAI\) has directed the Central and state licensing authorities to strictly implement the limitation with respect to Recommended Daily Allowance \(RDA\)](#) prescribed by the Indian Council for Medical Research (ICMR) for nutrients while granting licences to the FBOs for products such as health supplements and nutraceuticals governed under Section 22 of the FSS Act. FSSAI has received several complaints that many FBOs were flouting norms for the RDA. While India currently is only 2% of the global nutraceuticals market, valued at EUR 186 billion, it does have tremendous potential for growth. The market is still at its nascent stage with a mix of old and new players.

Trends

[Immunity boosting products are seeing a rising](#) popularity as the country starts opening up after the lockdown. Food and beverage companies have launched immunity-boosting products such as biscuits, juices, protein bars, and variety of Indian snacks. New innovative products like herbal cookies, soya protein cookies, camel milk powder and colostrum powder are also being introduced by these

companies. According to industry insiders, the sales of immunity-boosting foods have risen by 20-40% in the last few weeks and online searches for such products have gone up six-fold.