News brief 17-23 October 2020

Agriculture

Government Aid and Policies

The government has covered 15 million farmers under Kisan Credit Cards (KCC) scheme and sanctioned aggregate credit limit of INR 1350 billion (EUR 15.5 billion) to them. Under the Atmanirbhar Bharat Package (Self Reliant India) launched in May 2020, the government has been aiming at covering 25 million farmers under the KCC scheme with a credit boost of INR 2000 billion (EUR 23 billion) through a special saturation drive. The KCC Scheme was launched in 1998 for providing adequate and timely credit to the farmers. Under the scheme, the government provides interest subvention of 2% and Prompt Repayment Incentive of 3% to the farmers, thus making the credit available at a subsidized rate of 4% per annum. In 2019, the scheme was further extended to dairy and fisheries farmers, and the collateral free agriculture loan was raised from INR 100,000 (EUR 1146) to INR 160,000 (EUR 1834).

India has taken up the cultivation of Heeng (asafoetida). It is one of the top condiments and India imported about 1500 tonnes (worth Rs 9,420 million/EUR 108 million) of the spice crop from Afghanistan, Iran and Uzbekistan last year. With the help of agro-technology developed by a (Council of Scientific & Industrial Research) CSIR institution, asafoetida will be cultivated for the first time by farmers of the remote Lahaul valley in the northern State of Himachal Pradesh as the plant prefers cold and dry conditions. It's a perennial plant and produces oleo-gum resin from the roots after five years of plantation. Cultivation is being planned over 300 hectares initially and will be further expanded after a successful completion of the first five-year cycle. It will cost farmers nearly Rs 300,000 per hectare (EUR 3439) over next five years and will give them a net return of minimum INR 1 million (EUR 11,463) from fifth year onwards. The state government will provide support to farmers with finance and technical know-how.

The government has relaxed import norms for onions until 15th December and has used the buffer stock to increase supplies and moderate prices that have increased in the last few days. It has also asked Indian diplomats in onion-producing countries to contact traders for supply to India. Furthermore, the conditions for fumigation and some declarations under the Plant Quarantine Order have also been relaxed until the mid-December. There has been a sharp increase in onion prices in the past ten days and are hovering around INR 52 per kg, compared to last year's price of INR 46 per kg. The prices are expected to come down once the new onion harvest of about 3.7 million tonnes hits the market in November. In September, the government had taken a pre-emptive measure to ensure domestic availability of onion by announcing a ban on its export.

The government has so far procured 26% more rice this year than in the same period last year. Government agencies have procured 10.07 million tonnes of paddy (for INR 201.8 million/EUR 2.31 million) out of which 6.9 million tonnes have been procured from Punjab, where farmer groups were protesting against central government's farm laws. Procurement from farmers has also increased in other States including Haryana, Kerala, Uttar Pradesh, Uttarakhand and Tamil Nadu. In terms of rice, the procurement is around 6.7 million tonnes, against a target of 49.5 million tonnes for this kharif season. Procurement of oilseeds and pulses under Price Support Scheme (PSS) has also started and a target of purchasing 4.24 million tonnes of pulses and oilseeds has been set. Cotton procurement has also gone up from the same period last year. So far 236,000 cotton bales (1 Bale = 170 kg) have been procured at MSP benefitting 46,706 farmers, compared to only 2,335 bales procured during the same period last year.

In the last two months, Tea Board has disbursed subsidies amounting to INR 19.6 million (EUR 220000) under various schemes to 354 beneficiaries, including growers, factory owners and workers to help them tide over the economic crisis due to the pandemic.

Agricultural Reforms

A face-to-face survey conducted by Gaon >Connection in 53 districts of 16 states in India has found that opposing as well as supporting farmers are not fully aware of the new agriculture laws. 52% of the farmers surveyed oppose the agricultural reforms, however, more than 36% were not informed about the details of the three laws. Similarly, of the 35% farmers who supported the reforms, almost 18% did not know the details. 57% of the farmers surveyed fear that with the new laws, they will be forced to sell their produce at a lower price in the open market, while 33 % fear that the government will end the system of minimum support price (MSP). 39% of the surveyed farmers fear that the mandi system or the wholesale marketyards (APMC) will collapse in the country due to the new laws. The mandi system is preferred by 36% surveyed farmers (of which 78% are from the northern States which has seen the most protests). The survey also found that a bigger proportion of marginal and small farmers, who own less than 2 hectares of land, support these agri laws in comparison to medium and large farmers.

On 20 October, the Punjab Parliament adopted legislation aimed at thwarting certain provisions of the central government's agricultural market reform but, above all, securing farmers' incomes. While the new laws provide for the elimination of taxes from agricultural markets, Punjab has reinstated them, destined for a fund of agricultural support. It also made it mandatory to purchase paddy rice and wheat at the indicative price set by the central government.

Food Safety

Food Safety and Standards Authority of India (FSSAI) notified in the gazette of India the Food Safety and Standards (Food Products Standards and Food Additives) Ninth Amendment Regulations, 2020 related to the insertion of Appendix ‘C’ with respect to Processing Aids. It defines the different processing aids categories, their use in food products and the maximum residue level. The regulations are in force and Food Business Operators will have to comply with all the provisions of these regulations by 1st July, 2021.

FSSAI has announced that its Food Safety Compliance System (FoSCoS) will become operational in the entire country from November 1, 2020. The system was launched in June and has been operational in nine States and Union territories since then. FoSCoS is a cloud based, upgraded new food safety compliance online platform and replaces the existing FLRS. It is aimed at providing one point stop for all the engagements of a food business operator (FBO) with the FSSAI for any regulatory compliance transaction.

FSSAI has invited proposals for selection of training partner under Food Safety Training and Certification (FoSTaC) programme and has asked the interested agencies to submit their proposals by October 23, 2020. Under the programme, FSSAI intends to organise around 400 training sessions of basic catering for food handlers working with government canteens and places of worship. Launched in 2017, the FoSTaC programme has a network comprising 241 partners and over 2,120 master trainers, who conduct 17 courses across three levels of training programmes.

Other News

There has been a 15% increase in demand of ultra-high temperature (UHT) treated milk as people are trying to reduce the number of visits to milk booths and shops by stocking milk with longer shelf life. In India, majority of milk consumers prefer buying milk daily through dairies, milk booths selling pasteurized milk or packaged pasteurized milk packets as these are more affordable. But because of the pandemic, big dairies selling UHT milk have experienced an increased demand and new dairies are starting to enter the segment. Of the 52.5 million litre of packaged milk sold daily in the country, around 5% is UHT milk.

Assocham, one of the apex trade associations of India has done an analysis of government data and found that agriculture, forestry and fishing has emerged as the second-largest contributor to the India's GVA, surpassing 'Manufacturing' and other key sectors which suffered severe setbacks from the pandemic. The contribution of agriculture, forestry and fishing (AFF) to India's GVA has gone up to almost 18% in the first quarter of 2020-21 (INR 4,540 billion/EUR 52 billion) from about 13% during April-June quarter of the previous fiscal. Manufacturing contributed to 13% of the GVA in Q1 2020-21 (INR 3,510 billion/EUR 40.24 billion). Last year, AFF was at the fourth position in terms of its contribution to GVA at INR 4,390 billion (EUR 50.32 billion), behind manufacturing at INR 5,780 billion (EUR 66.26 billion). India's total GVA was estimated at INR 25,530 billion (EUR 293 billion) at constant prices, after adjusting the inflationary impact in the April-June quarter of 2020-21. It was at INR 33,070 billion (EUR 379.09 billion) in the same quarter of the previous fiscal. Assocham has said that agriculture continues to be a bright spot of the Indian economy and the food processing industry has a significant potential to drive future growth.