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contents

Trade Negotiations Committee Meeting, Geneva, 2008

In the recently concluded Trade Negotiations Committee Meeting (TNC), held at Geneva, in July 2008, India brought the development dimension of international trade on center stage, which was also the primary objective of the Doha Development Agenda. The stand taken by India and other like-minded developing countries was based on the livelihood interests of billions of poor and vulnerable farmers of the developing world, especially considering the current food crisis and abnormal rise in food prices.

It may be mentioned that in view of the subsistence nature of farming in developing countries and the need to insulate the poor and vulnerable farmers of developing countries, from the shock of large tariff reductions, the instruments of Special Products and Special Safeguard Mechanism (SSM) were built into the Doha mandate. The July Framework and the Hong Kong Declaration also built upon it. While the Special Products are designed to allow developing countries to take less than formula cuts on their vulnerable products, specially the products affecting the livelihoods of subsistence farmers and affecting the food security of a nation, the SSM is designed to protect the farmers from sudden import surges and price dips by applying an additional safeguard duty over and above the bound rate.

There was disagreement over the setting the trigger level under SSM. The trigger level is an important aspect because it determines when a safeguard duty can be imposed. If the trigger is too high, the SSM loses its effect because it can only be used in the most exceptional circumstance. Thus, the developing countries were in favour of a reasonable trigger level.

The US negotiated for a trigger level of 40% higher than the average imports of the last three years. That is, if the average import of a product over the last three years is 100 MT, unless the imports crossed the level of 140 MT, the safeguard duty could not be activated. This is much higher than the trigger for the Special Safeguards, which the developed countries themselves have used since the beginning of the Uruguay Round (1995) to protect the commercial interests of their agriculture.

The proposal was considered unacceptable by the broad coalition of developing countries because it would have rendered the SSM virtually inoperable. When there was lack of consensus on this issue in the meeting, which had the Ministers of more than 30 countries present, the matter was referred to a group of seven countries (US, EC, Japan, Australia, Brazil, China, India) by the Director General, WTO. However, because of disagreement over this proposal, all the proposed solutions were also found unacceptable and the mini-Ministerial had to be halted.

The SSM was not the only issue on which progress could not be made. There were several other important developing country issues like cotton, preference erosion, tropical products, duty-free and quota-free market access, on which discussions were not held. The major developed countries also wanted the developing countries to agree to a 'restrictive anti concentration clause' and to take part in sectorals in the industrial goods area (NAMA). In recent weeks, developed countries started a major campaign for restricting the flexibilities given to developing countries in industrial products through an ambitious 'anti-concentration' clause, which was vigorously opposed, by most developing countries, as infant and vulnerable industries needed to be protected.

The breakdown in achieving a consensus on such issues is likely to affect all the developing and least developed countries of the world. These include: the G33 (which has 46 members), the African Group (with 53 members), the African-Caribbean-Pacific Group, and the Small Vulnerable Economies.

Source : Industry Sources

Rice: An important staple food

The Rice Plant

The rice plant, species *Oryza Sativa*, is from the family Gramineae (Grass Family). Rice is a major staple food and a mainstay for the rural population and their food security. Small farmers in holdings of less than 1 hectare mainly cultivate it. Rice is also a "wage" commodity for workers in the cash crop or non-agricultural sectors. This duality has given rise to conflicting policy objectives, with policy-makers intervening to save farmers when prices drop, or to defend consumer's purchasing power when there are sudden price increases. Rice is vital for the nutrition of much of the population in Asia, as well as in Latin America and the Caribbean and in Africa; it is central to the food security of over half the world population, not to mention to the culture of many communities. Rice is therefore considered a "strategic" commodity in many countries and is, consequently, subject to a wide range of government controls and interventions.

Varieties

There are more than 40,000 varieties of cultivated rice said to exist. But the exact figure is uncertain. Over 90,000 samples of cultivated rice and wild species are stored at the International Rice Gene Bank, which are used by researchers all over the world. The rice varieties can be divided into 2 basic groups, long grain and speciliaty rice.

Long grain

Long grain rice is a premium quality all-purpose rice belonging to Indica Rice (long grained) category. Long grain rice has a long, slender kernel. When it is harvested it is known as 'rough' or 'paddy' rice. It undergoes different milling techniques to give different types of rice. Cooked grains are separate, light and fluffy. Its versatility and full-bodied flavour make it a practical everyday choice for use as an ordinary steamed table rice. The grain is around 3-5 time longer than its width. It is grown in the warm climate region, such as Thailand, India, Pakistan, Brazil, and Southern USA.

Specialty

Specialty rice or aromatic rice is a general term used for rices having a flavor and aroma similar to that of roasted nuts or popcorn. The natural compound that gives the characteristic aroma and flavour is present in all rice, but in the aromatic or special varieties it is present in much higher concentrations. These contain a natural ingredient, 2-acetyl 1-pyroline, which is responsible for their fragrant taste and aroma. The fragrance quality of aromatic rice can differ from one year's harvest to the next, like wine. The finest aromatic rices are aged to bring out a stronger aroma. Another popular specie is the 'Basmati Rice', which is a slender, grained aromatic rice grown mainly in the foothills of the Himalayas in India and Pakistan. Sometimes described as the 'Prince of Rice', it has a fragrant flavour and aroma and is the rice used in Indian dishes. The grains are separate and fluffy when cooked. In Indian recipes it is often cooked with spices to enhance the grain's aromatic properties. Some specialty rices are prized not only for aroma, but also for their colour. Specialty rices of the world have a very bright future in the export sector as with growing prosperity, consumers are looking for better quality rice. Demand for high quality rice has risen dramatically. Thus, the future of specialty rices is linked to the growing prosperity of people. Aromatic rices or specialty rices appear to hold great promise.

Cultivation & Harvesting

Rice is cultivated in many different ways around the world; the different methods used can differ greatly even in the same locality. In most Asian countries, the ancient primitive methods for cultivating and harvesting are still practiced. The fields are prepared by plowing usually with a simple plough drawn by bull/ buffalo, which breaks up the soil. This is followed by smoothing where a log is dragged over the field to smooth the earth, and provide a smooth bed for the seedlings to be planted on and ensuring the water depth is equal. Seedlings are sown in beds and after a period of 30 –50 days they are transplanted by hand to fields, which have been flooded by rain or river water. The seedlings are often placed a hand-span apart. During the growing season, irrigation is maintained by dike-controlled channels or by hand watering. The fields are drained before cutting of the crop commences.

Milling

After the rice has been harvested, it is threshed to loosen the hulls, normally by failing, treading or working in a mortar and winnowed free of chaff by tossing it in the air above a sheet or mat. Once sold the rice, known as paddy or rough rice is screened to remove stones, loose chaff and paddy stalks (part of the plant). The rice is then slowly dried by warm air to reduce any moisture. Then the rice is screened to remove dust particles. The outer husk is removed next, but the bran layer is left intact, this forms brown rice. The rice is then cleaned and graded. If the brown rice is to be sold as white rice it then proceeds to the mill where it undergoes milling, an abrasive action that removes the bran layer surrounding the rice grain.

Production

The world production of rice has grown at a CAGR of around 3% during the period 2002-2006. Asian farmers produce about 90% of the total, with two countries, China and India, growing more than half the total crop. India remained the second largest producer of rice contributing almost 22% of the global produce. Ironically, the yield per hectare of rice in India has been significantly low as compared to the world standards (3123.8 kg/ ha). Trinidad & Tobago, Egypt, Greece, Turkey and USA have the highest yield per hectare in the world. Interestingly, for most rice-producing countries where annual production exceeds 1 million tonne, rice is the staple food. In Bangladesh, Cambodia, Indonesia, Lao PDR, Myanmar, Thailand, and Vietnam, rice provides 50-80% of the total calories consumed.

Top Producers of Rice in the World

(000 tonnes)

	2002	2003	2004	2005	2006
World Total	568993	584182	607317	631508	634594
China	176346	162308	180528	181999	184070
India	107730	132789	124697	137620	136510
Indonesia	51489	52137	54088	53984	54400
Bangladesh	37593	38361	36235	39795	43729
Viet Nam	34447	34568	36148	35790	35826
Thailand	26057	27038	28538	30291	29268
Myanmar	21805	23146	24718	25364	25200
Philippines	13270	13499	14496	14603	15326
Brazil	10457	10334	13277	13192	11505
Japan	11111	9740	10912	11342	10695
USA	9570	9068	10539	10125	8787
Pakistan	6717	7271	7537	8320	8137
Egypt	6105	6176	6352	6125	6500
Korea	6687	6015	6736	6435	6305
Cambodia	3822	4710	4170	5986	6264

Source: FAOSTAT

Trade

Developing countries are the main players in the world rice trade, accounting for 63 % of exports and 87 % of imports. The concentration is particularly high on the export side, since five countries (Thailand, India, USA, Pakistan and Italy) cover about three-quarters of world trade This situation is in contrast to the fragmentation of import markets and the wide year-to-year fluctuations in individual countries' purchases, resulting from the fact that importers do not rely consistently on the international market for rice supplies, but only as a last resort to fill the gap caused by a production shortfall. Thailand is the largest exporter of rice in the world followed by India and USA. India has been curtailing rice exports from time to time depending upon the domestic market conditions.

Global Rice Trade

(US$ million)

Top Exporters				Top Importers			
	2004	2005	2006		2004	2005	2006
World	8668.97	9357.5	8868.46	World	8668.97	9357.5	8868.46
Thailand	2691.39	2321.68	2579.06	Saudi Arabia	528.34	533.83	421.27
India	1478.07	1410.59	1552.1	UAE	289.02	350.16	386.76
USA	1168.56	1290.7	1284.85	Iran	228.63	282.46	370.06
Pakistan	682.86	1099.27	1151.88	Iraq	255.13	244.58	366.08
Italy	384.41	455.46	435.38	Cote d'Ivoire	228.6	233.75	338.07
China	232.55	224.65	408.74	USA	223.63	212.67	291.92
Uruguay	179.99	199.8	218.56	China	243.9	208.79	278.33
Australia	28.29	31.6	164.12	UK	239.81	245.45	266.89
Belgium	161.84	139.45	151.84	South Africa	335.31	305.14	266.6
Spain	168.24	119.49	141.88	Japan	274.43	325.72	260.72

Source: UN Comtrade

Indian Scenario: A brief

India has the maximum number of rice varieties in the world. In fact, basmati rice equals to only 1% production of the total rice grown in India. According to the recent statistics released by the Government of India, India which is the second largest rice producer in the world, has exported 53.14 lakh tonnes of non-basmati rice in 2007-08. India's export of non-basmati rice has increased from US$ 937.08 mn in 2006-07 to US$ 1838.03 mn in 2007-08. Major importing countries of Indian non-basmati rice are Nigeria, Bangladesh, South Africa, U.A.E and Ivory Coast etc.

As far as basmati rice is concerned, India is the largest producer and exporter with an annual production of around 1.5 million tonnes a year, of which around two-third is being exported. Pakistan is the sole competitor for India in the international market for basmati rice. India's export of basmati rice has increased from US$ 616.79 mn in 2006-07 to US$ 1077.23 mn in 2007-08. India's major markets for basmati rice exports have been Saudi Arabia, Kuwait, U.K, U.A.E and Yemen. In fact, Saudi Arabia traditionally has been the largest market for Indian basmati rice.

Source: Industry Sources

FORESTS – SOURCE FOR ALTERNATIVE FORMS OF ENERGY

Soaring energy consumption, increasing greenhouse gas emissions and concerns over dependence on import for energy are prompting global changes in the sources from which energy is expected to be derived in the coming years. It is estimated that energy consumption is projected to increase to the highest rates in developing countries, particularly in Asia. Fossil fuels are expected to account for the bulk of the increase in energy supply. Although per capita levels of consumption would remain below those in the industrialized world, energy consumption in developing countries is expected to surpass that of developed countries by 2010.

In this background, alternative forms of energy are receiving considerable interest as a means to reduce fossil fuel consumption and limit greenhouse gas emissions. Bioenergy, including wood energy, constitutes a large proportion of current supply from "renewable" sources of energy. Despite the recent oil price increase, it is unlikely that markets alone would support a major reorientation towards renewable energy; thus, any future trends would therefore depend largely on supportive policy measures.

Wood energy has been used for thousands of years for cooking and heating. In many of the world's developing countries, it remains the primary source of energy and in much of Africa, total consumption of wood fuel is still increasing, largely as a result of population growth. In other developing regions, consumption of wood energy at the national level is generally falling as a result of rising levels of income and increasing urbanization – two factors, which lead to increased use of more convenient fuels. In industrialized countries, and particularly countries with large wood processing industries, wood energy is used for both domestic and industrial purposes – often in significant volume.

Wood energy produced with efficient technology is already competitive with fossil energy in many countries and can offer some of the highest levels of energy and carbon efficiency among bioenergy feedstocks. Most notably, combined heat and power plants have conversion efficiencies of up to 80%, and wood pellet stoves have similarly high rates of conversion. It is expected that technology would also be available in the medium-term for commercially competitive production of liquid biofuels from cellulosic materials, including wood. Liquid biofuels are currently produced mainly from food crops; economic and carbon efficiencies are mostly low in these resources. However, one notable exception is the production of ethanol from sugar cane. In Brazil, bioethanol prices are already below those for petroleum-based transport fuels.

It is expected that production of second-generation liquid biofuels made from wood and other cellulosic feedstocks would be similarly competitive, both in terms of price and carbon emissions. Second-generation biofuel production is already under way in demonstration plants and commercially competitive production is expected to be in reach within the next decade. Most studies project that second-generation liquid biofuels from perennial crops and woody and agricultural residues could dramatically reduce greenhouse gas emissions relative to petroleum fuels. If technological developments make it more efficient, and at least as economical to produce liquid biofuels from cellulosic material rather than from food crops, the result would be reduced competition with food production, an increase in energy efficiency and improved overall energy balance.

In the longer-term, bio-refineries producing a range of products - from wood pulp to transport fuels and specialized chemicals - may become more widespread – especially in countries with sizeable wood processing industries. Opportunities may also exist for export of transport fuels made from cellulosic materials to large high-return markets. Associated increases in demand for wood are likely to push up prices until markets are able to re-equilibrate. Sawlog and pulp log prices, as well as wood panel prices are likely to be most affected and, indeed, prices are already responding in some markets.

With increasing demands on land from first-generation liquid bio-fuels, pressure on forests is likely to increase around the world. The opportunity costs of forests are likely to be too high in many cases to prevent conversion to bioenergy crop production, if markets develop in line with recent trajectories. Extensive degraded lands available in many developing countries have also been suggested as areas for potential expansion of bioenergy plantations. To realize these benefits, however, the expansion of biofuel production may need to be accompanied by clear and well-enforced land-use regulations, particularly in countries with tropical forests, at the risk of conversion to other land uses.

The attractiveness of markets, supported by bioenergy policies is already leading to forest clearance for the establishment of oil palm and other crops used to produce liquid biofuels. Policy objectives related to climate change are unlikely to be reached as the amount of carbon released in land clearance may be much higher than that may be recaptured by the bioenergy crop, cumulatively in many years. The situation is even more serious where peat lands have been cleared. In this context, it is important to note that bioenergy can only be considered renewable, if biomass growth exceeds the harvest, and carbon dioxide emitted during production, transportation and processing does not exceed that have been captured during growth. Carbon losses associated with conversion of land for bioenergy production should also be taken into account.

The extent to which wood energy would contribute to future energy production is likely to depend on: the competitiveness of wood-based energy in reaching the objectives of recent energy related policies; the costs and benefits of wood energy- related systems in social, economic and environmental terms; and policy and institutional issues that provide the framework within which forestry acts. The potential of any bioenergy strategy would also be highly influenced by local context including: location relative to supply and demand; infrastructure, climate and soil; land and labour availability; and social and governance structures.

At present, wood energy is most competitive when produced as a by-product of the wood processing industry. Wood residues provide possibly the greatest immediate opportunity for bioenergy generation given their availability, relatively low-value and the proximity of production to existing forestry operations. Wood residues from felling and processing operations generally constitute more than half of the total biomass removed from forests. In natural forests, up to 70% of total volume may be available for energy generation. Most of this material is made up of tree crowns and other rejected pieces that are left in the forest after harvesting operations. Wood residues from mills represent another, more easily accessible source of residues. Forest plantations established solely for the purpose of energy production are becoming more common in some countries; it is likely that plantations with multiple end uses may provide logs for wood fuels as well as logs for other purposes as per the market demand. Species not currently favoured by markets, areas of logged over forest, and trees outside forests provide additional potential sources of wood for energy, and therefore, more highly priced categories of forest products.

Especially, where human and financial resources are limited, bioenergy development should first explore opportunities based on already available biomass and proven technology. Integrating energy generation into industrial forest operations is a competitive way of reducing risks, increasing profitability and improving forest management. It also strengthens energy security and help mitigate climate change, and should thus be a priority area for exploration.

To ensure that sufficient cropland is available to produce food at affordable prices and to avoid loss of valuable habitats, it is imperative that bioenergy strategies are closely linked with, and integrated in, agriculture, forestry, poverty reduction and rural development strategies. Land-use planning and monitoring, as well as effective governance can play an important role in avoiding some of the social and environmental problems that are already being reported. All countries would benefit from better information about wood energy feedstocks, including biomass recovered from forest operations and trade of forest biomass.

Policies and programmes to support bioenergy development are still in their infancy. In relation to forestry, the following issues need to be addressed first:

- Sustainable mobilization of wood resources in relation to legal and institutional constraints, forest ownership, data access, forestry infrastructure;
- Supportive laws, regulations and policies; information dissemination to forest managers, entrepreneurs and other actors;
- Efficiency gains through more intensive use of ;
    - existing forest resources,
    - forest harvesting and processing residues,
    - woody biomass from trees outside forests, and
    - post consumer recovered wood products.
- Long-term expansion of the forest area and enhancements in the productivity of forest resources, for example, through silvicultural and genetic innovation;
- The potential use of marginal and degraded land to produce biomass for energy generation.

Transfer of advanced wood energy technologies to developing countries would be very important while achieving the objectives of climate change. The present situation represents a major opportunity and challenge for the forestry sector to find a new role in securing energy supply, mitigating climate change and supporting sustainable economic and environmental development.

Source: FAO

OLIVE OIL

Origin and history

Olive oil is known from the prehistoric ages as amphoras that contained the golden liquid, which was discovered all around the Mediterranean basin. Phoenicians grew olive trees in Syria and Palestine and later the Greeks spread the crop all over the Mediterranean countries. Christopher Columbus introduced it in America, and finally in 18th Century, Californian olive oil was commercialized. At present, it is also possible to find olive groves in Africa, Japan or China.

Farming

In the Northern hemisphere, white flowers bloom in olive trees in April, depending on countries and meteorology; during June, the colour of olive changes to be first green, then violet and finally black. The fruit is slowly filled with oil; in September, green olives are harvested; and later, in December, black olives are cropped.

Harvest is still made on a traditional way. Olives are beaten from the trees and collected on the floor or picked directly from the tree and put on a basket. Modern techniques use hoovers or machines that shake the trees.

Olive fields have between 100 and 250 trees per hectare. Each olive tree produces an average of 15 to 50 kg. of olives. Depending on variety and pressing method, a litre of olive oil requires between 4 and 6 kg. of olives. Therefore, olive oil production may get to 3000 litres per hectare in an year.

Olive yields are variable from a year to another depending on how the tree is treated, and by nature olive tree production changes by threefold every two years. Olive tree (Olea europea) is a robust tree that may live for several years. It needs little water and is generally grown in dry land. The tree can resist to cold weather, but it might be affected by long frost which would destroy leaf buds and reduce production considerably. If cultivated properly, an olive tree can start producing olives after 5 years. However, the yield is optimum only after tens of years.

Uses

Olive oil is only used for consumption purposes, as it can be inferred from its definition: oil exclusively obtained from olives for human consumption. Many people are interested in olive oil as a foodstuff. Olive oil so obtained may be used for livestock feeding or for oil used in industrial applications. The production of the latter is quite low. After the extraction of olive-pomace oil, the residue is used for livestock feeding. Olive is also used as table consumption. The varieties of olives produced for table consumption differ from the ones produced for olive oil. Table olives production is equivalent to 7 - 10% of production of olives for oil. World's olives production has varied during the last ten years between 9 and 15 millions of tonnes. Over 90% of this production is used in the production of olive oil and olive-pomace oil. Olive is mainly used in its processed forms. Olive oil production has normally been concentrated in the Mediterranean basin countries: Spain, Portugal, Italy, Greece, Turkey, Tunisia and Morocco.

Retail Grades In IOOC Member Nations

The main organization dealing with olive oil quality standards is the International Olive Oil Council (IOOC). The standards were adopted on June 6th 1996, during the 74th IOOC Congress and are accepted by most of the countries apart from US. In countries which adhere to the standards of the IOOC, the labels in stores show an oil's grade.

- Extra-virgin olive oil (EVOO) comes from cold pressing of the olives, contains no more than 0.8% acidity, and is judged to have a superior taste. Extra-virgin and virgin olive oil may not contain refined oil.
- Virgin olive oil has acidity, less than 2%, and is judged to have a good taste.
- Oils labeled as *Pure olive oil* or *Olive oil* are usually a blend of refined and virgin or extra-virgin oil.
- Olive oil is a blend of virgin oil and refined oil, of no more than 1.5% acidity. It commonly lacks a strong flavor.
- Olive-pomace oil is a blend of refined pomace olive oil and possibly some virgin oil. It is fit for consumption, but may not be described simply as *olive oil*. Olive-pomace oil is rarely sold at retail; it is often used for certain kinds of cooking in restaurants.
- Lampante oil is olive oil not suitable as food; *lampante* comes from olive oil's long-standing use in oil-burning lamps. Lampante oil is mostly used for the industrial purposes.

European Union: The Main Hub of Olive Oil

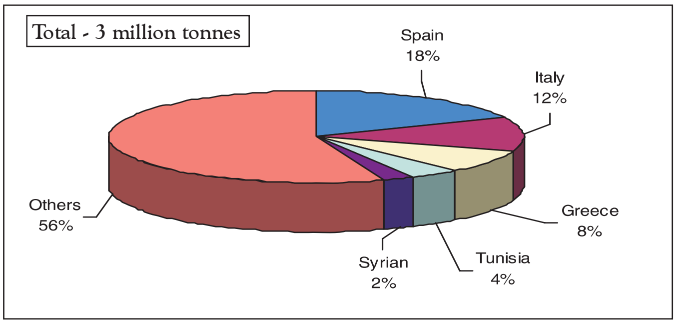
Olive oil is a versatile product. Long known to many generations in the Mediterranean world as essential to their health and diet, it is now widely appreciated in Europe and around the world for its nutritional, health and sensory properties. The European Union is the leading world producer, accounting for 80% and consuming 70% of the world's olive oil. Given its importance to the economies of many regions, demand is steadily increasing both in the EU and in third countries, helped by information and promotional campaigns supported by the EU and others. The main aim of EU olive oil policy is to maintain and strengthen its position in world markets by encouraging production of a high-quality product for the benefit of growers, processors, traders and consumers.

The sector consists of growers, cooperatives, pressing mills, refiners, blenders, and companies involved in various aspects of marketing. Three broad types of production can be distinguished: traditional groves, often with ancient olive trees; more managed traditional plantations involving a higher use of inputs; and intensive, generally recent, plantations using more mechanization and other technologies, including irrigation. This mix of ancient and modern helps explain the differing farm sizes, ownership characteristics and processing structures that exist within the EU. Likewise, large differences in production systems occur within each producing region. The average holding size is as low as 1 hectare in Italy, though olive holdings in Spain are larger (6 hectares on average).

Production

Olive cultivation is widespread throughout the Mediterranean region and is important for the rural economy, local heritage and the environment. The top five countries by themselves constitute almost 44% of the total global production during 2006. The other top 5 producers of olive oil in the world are Turkey, Morocco, Algeria, Jordan and Portugal.

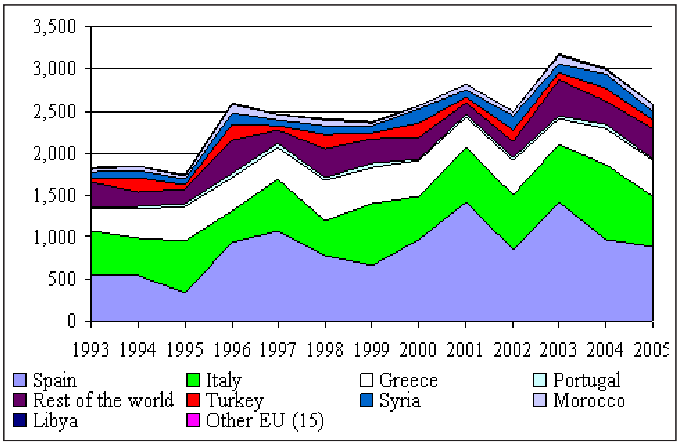
Exhibit – 1
Main producing countries in 2006



Source: UNCTAD based on data from the IOOC

The evolution of world production during the period 1993-2005 is shown in Exhibit - 2. Production trend by country is ascending but the great influence of the two major producing countries, Spain and Italy, introduced a high level of uncertainty in the production level. The production in Italy and Spain are critical for the global production levels since any change may cause high volatility in world market. Finally, it should be mentioned that the production of other countries (not included in the graph), such as Australia and United States, is increasing.

Exhibit -2
Production of olive oil, 1993-2005 (1,000 tonnes)

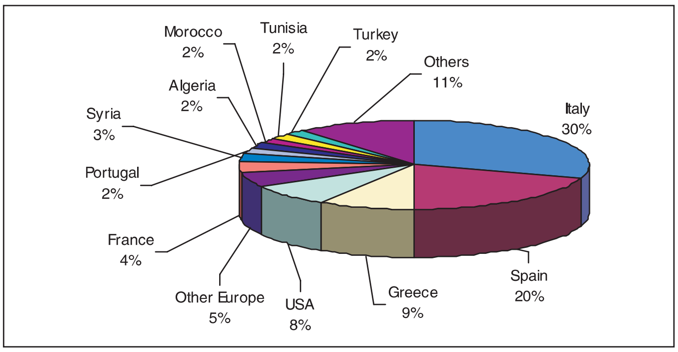


Source: UNCTAD based on data from the IOOC

Consumption

Main consuming countries are also the main olive oil producers as it can be seen from Exhibit - 3. European Union accounts for 71% of world consumption. Mediterranean basin countries represent 77% of world consumption. Other consuming countries are United States, Canada, Australia and Japan.

Exhibit -3
Main consuming countries in 2006

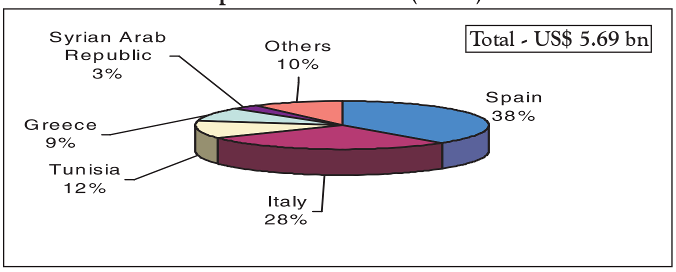


Source: UNCTAD based on data from the IOOC

International trade

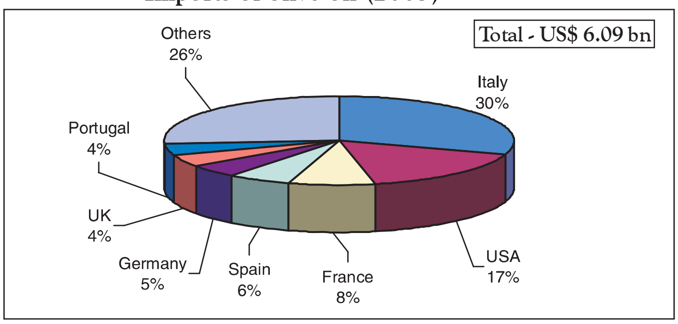
Olive oil trade is mainly an intra European trade, although there are also trade flows with industrialized countries out of the Mediterranean area. Main producing countries are also the main exporting counties as it can be seen from Exhibit-4. Once again, the Mediterranean basin countries concentrate more than 95% of total exports.

Exhibit-4
Exports of olive oil (2006)



Source: UN Comtrade

Exhibit -5
Imports of olive oil (2005)



Source: UN Comtrade

Imports of olive oil have largely been amongst the developed countries of the world, especially in Europe. Japan is the only Asian country figuring amongst the top ten importers of olive oil.

Conclusion

The future of the olive oil market is going to remain buoyant with the increasing number of customers across the globe. Developing countries like India is increasingly using olive oil in their day-to-day consumption and the market has scope for further expansion. Olive oil with increased marketing will be able to garner and move beyond the Mediterranean shores, as its usage gets popular.

Source: UNCTAD, EU, Industry Sources

THE INDIAN COFFEE MARKET

Introduction

The importance of coffee in the world economy cannot be overstated. It is one of the most valuable primary products in world trade. Its cultivation, processing, trading, transportation and marketing provide employment for millions of people worldwide. Coffee is crucial to the economy and politics of many developing countries; for many of the world's least developed countries, exports of coffee account for a substantial part of their foreign exchange earnings in some cases over 80%. Coffee is a traded commodity on major futures and commodity exchanges, most importantly in London and New York. The United States consumes one-fifth of all the world's coffee, making it the largest consumer in the world.

Growing Conditions in India

India cultivates coffee under a well-defined two-tier mixed shade canopy, comprising evergreen leguminous trees. Nearly 50 different types of shade trees are found in coffee plantations. Shade trees prevent soil erosion on a sloping terrain; they enrich the soil by recycling nutrients from deeper layers, protect the coffee plant from seasonal fluctuations in temperature, and play host to diverse flora and fauna. Coffee plantations in India are essential spice worlds too: a wide variety of spices and fruit crops like pepper, cardamom, vanilla; and fruit crops like orange and banana grow alongside coffee plants. India's coffee growing regions have diverse climatic conditions, which are well suited for cultivation of different varieties of coffee. Some regions with high elevations are ideally suited for growing Arabicas of mild quality, while those with warm humid conditions are best suited for Robustas.

Factors	Arabica	Robusta
Soils	Deep, rich in organic matter; well drained and slightly acidic (pH 6-6.5)	Same as Arabica
Slopes	Gentle to moderate slopes	Gentle slopes to fairly level fields
Elevation	1000-1500 m	500 – 1000 m
Aspect	North, East and North-East aspects	Same as Arabica
Temperature	15 – 25 degree centigrade, cool, equitable	20-30 degree centigrade, hot, humid
Relative humidity	70-80 %	80-90 %
Annual rainfall	1600-2500 mm	1000-2000 mm
Blosom showers	March - April (25-40 mm)	February- March (25-40 mm)
Backing Showers	April - May (50-70 mm) Well distributed	March - April (50-75 mm) Well distributed

Important Coffee Varieties

Kents: Kents is the earliest variety of Arabica, selected by an English planter with the same name during the 1920s. This variety remained popular with the planting community till 1940s, because it was less susceptible to rust. Today, it is grown in a few areas but it is still known for its exceptional cup quality.

S.795: This is by far the most popular Arabica selection released during the 1940s with high yields, bold beans, superior quality and relative tolerance to leaf rust. This selection was developed using 'Kents' Arabica, known for its high quality. Even today, the S.795 is a favourite with the planters and is a widely cultivated Arabica variety. S.795 has a balanced cup with subtle flavour notes of Mocca.

Cauvery: Popularly known as Catimor, Cauvery is a descendant of a cross between 'Caturra' and 'Hybrido-de-Timor'. Caturra is a natural mutant of the famous Bourbon variety. Thus, Cauvery inherited the high yielding and superior quality attributes of Caturra and the resistance of 'Hybrido-de-Timor'.

Sln.9: Selection 9 is a derivative of a cross between an Ethiopian Arabica collection, 'Tafarikela', and 'Hybrido-de-Timor'. Sln.9 has inherited all the superior cup quality traits of Tafarikela.

Coffee Growing Regions in India

Coffee is largely grown in the traditional areas representing the southern states of Karnataka, Kerala and Tamil Nadu. Non-traditional areas comprising Andhra Pradesh and Orissa in the Eastern Ghats of the country also contributes to the coffee production of the country. The plantations in the south are the cradles of Indian coffee. They include the Bababudangiris in Karnataka, known as the birthplace of coffee in India. The Eastern Ghats and the North Eastern states are newly developed areas of coffee.

Organic Coffee in India

Organic coffee means coffee grown under holistic agricultural production management system that includes composting of farm resources, mulching, shade regulation and eco friendly pest and disease control measures. It completely excludes the use of agro chemicals, with the aim of preserving the environment and to obtain residue free product. However, in order to provide authenticity to the product as organic, it has to be certified by a certifying agency. There is a lot of scope for production of organic coffee in India, due to natural advantages existing in cultivation of coffee, which are given below:

- Coffee is mainly grown in deep fertile jungle soil under well-defined mixed shade consisting leguminous and non-leguminous trees;
- Majority of the coffee holdings are dominated by small and tribal growers with low or zero inputs or synthetic inputs with sustainable yields, which are ideally suited for conversion to organic farming without any serious setbacks in yields ;
- Majority of small and tribal holdings are following traditional farming practices such as cattle manure, composting, manual weeding, recycling of organic wastes, which are prerequisites for organic coffee production;
- Coffee in principle is mainly grown under high degree of mixed cropping under shade with sustainable income.

Production & Consumption

Coffee production in India has increased by leaps and bounds over the last 15 years from a share of 2.9% in world production in 1991-92 to 4.14% in 2007-08. Between the two varieties, India produces more of Robusta than Arabica. The productivity of Robusta is around 874 kg/ha and that of Arabica 624 kg/ha with an overall productivity of 765 kg/ha. India is one of the top ten consumers of coffee in the world with consumption touching 1,430,000 bags in 2007-08 from 1,133,000 bags in 2002-03.

Production Pattern of Coffee in India

Year	World*	India*	India's Share (%)
1998-99	106163	4417	4.16
1999-00	115117	4867	4.23
2000-01	116619	5020	4.3
2001-02	108451	5010	4.62
2002-03	123723	4588	3.71
2003-04	105457	4508	4.27
2004-05	116895	4592	3.93
2005-06	110806	4567	4.12
2006-07	126320	4750	3.76
2007-08	117032	4850	4.14

* in '000 bags of 60 kg each
Source: ICO & Coffee Board of India

Production of Coffee in Major States in India

(in MT)

Post Blossom Estimation			
2008-09e			
	Arabica	*Robusta*	Total
Karnataka			
Chikmagalur	38,850	32,900	71,750
Kodagu	24,370	90,000	114,370
Hassan	18,050	10,000	28,050
Sub total	**81,270**	**132,900**	**214,170**
Kerala			
Wyanad	10	47,500	47,510
Travancore	815	7,000	7,815
Nelliampathies	600	1275	1,875
Sub total	**1,425**	**55,775**	**57,200**
Tamilnadu			
Pulneys	5,500	325	5,825
Nilgiris	1,875	3,325	5,200
Shevroys (Salem)	3,050	50	3,100
Anamalais	2,000	500	2,500
Sub total	12,425	4,200	16,625
Non Traditional Areas			
Andhra Pradesh & Orissa	4,800	80	4,880
North Eastern Region	80	45	125
Sub Total	**4,880**	**125**	**5,005**
Grand Total (India)	**100,000**	**193,000**	**293,000**

Consumption Pattern in India

Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
India*	1133	1167	1250	1337	1337	1430

** in '000 bags of 60 kg each*
Source: Coffee Board of India

Exports

India's exports of coffee to the world have increased steadily over the years. India exports 70-80% of its coffee output. During the first five months of 2008, coffee exports increased by 3.6%. India's major markets have been Italy, Russia and Germany. India's share in world exports has increased from 2.54% in 1991 to 3.14% in 2006. During 1995, share of India reached almost 4.83%. As a percentage share of total exports, Italy had a share of 24.78 % followed by Russia 8.2 % and Germany at 7.8%, respectively.

Top Export Destinations for Indian Coffee

US $ Million

Importing Country	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
World	205.79	236.48	237.84	358.78	434.85	464.22
Italy	35.5	43.02	50.76	82.73	99.57	115.42
Russia	46.3	46.05	40.45	67.38	50.9	38.89
Germany	24.95	25.38	21.94	34.5	42.24	36.24
Belgium	15.15	16.39	9.06	19.95	22.91	26.45
Spain	8.15	10.79	9.85	14.68	16	17.21
Finland	1.48	8.63	3.77	7.78	12.89	15.23
Slovenia	4.34	6.17	7.73	13.13	14.29	13.21
Ukraine	4.94	5.76	8.82	13.78	14.22	12.31
Kuwait	3.5	4.06	4.08	6.6	7.91	11.25
Jordan	1.81	2.14	3.05	3.71	5.98	11.21

Source: DGCIS

Government Initiatives

The Government of India recently gave its approval for signing and ratification of the International Coffee Agreement (ICA), 2007 which aims to strengthen global co-operation in coffee trade. ICA is a United Nations pact establishing the International Coffee Organization. It is designed to help stabilize coffee prices globally. Since India has significant interest in export of coffee, India would immensely benefit from the membership of ICA. ICA 2007 will replace the 2001 agreement, which expires on September 30, 2008. A total of 50 countries are invited to sign the agreement as they recognize the exceptional importance of coffee to their economies.

Source: Coffee Board of India
Industry Sources

MODELS FOR AGRICULTURE – INDUSTRY LINKAGES: GLOBAL EXPERIENCES

Introduction

All over the world, agri-food markets are in an unprecedented state of flux, with the markets undergoing rapid but uneven modernization. Market modernization offers increased economic opportunities for producers, small and medium-sized enterprises (SMEs), and other actors in the value chain, but there are also risks of local producers and domestic businesses being bypassed, or failing to meet costly market entry requirements which favour the better-resourced. Global experiences prove that commercially viable business models, within a market network of producers, suppliers and consumers, lead to a 'win-win' situation, beneficial to all the parties, and help in creating value within a market network. These business models for small farmers and SMEs must deliver essential services to producers and ensure reliable supply to buyers, while also addressing the high transaction costs and risks that buyers face when purchasing from large numbers of fragmented small farmers and SMEs.

Changing Agro Industry

Policies of privatization, liberalization and accession to the WTO were followed by a wave of investments by food manufacturers and retailers. Combined with rising urbanization and changes in consumer preferences and purchasing power, these have led to a growth of modern food processing and retailing, which often have requirements or industry standards for quality and safety built on traceability and certification. Conformity with labour and environmental standards may also be required, with compliance costs proportionately much higher for smallholders. To achieve the multiple objectives of quality, safety and consumer assurance, reliability of supply, lower prices and sustainability, the business models of modern processors and retailers are being built on collaboration, co-investment and knowledge sharing between producers, suppliers, processors and retailers. Ultimately, the extent of collaboration and co-investment depends on the nature of the product (perishable, differentiated or branded product, or bulk commodity) and the nature of the end buyer (branded retailer, wholesaler, etc.); but there is a general trend in most sectors and locations towards increased collaboration and co-investment among chain participants. The most collaborative supply chains are for perishable commodities such as fresh vegetables, and certified products such as organic or Freetrade certified products.

New Models For Linking Farmers To Agro-Industries And Changing Markets

The cornerstone of all business models for inclusion of small farmers is organization of the farmers to reduce the costs faced by corporates. The corporate organizations often prefer to work with organized farmers rather than individuals, despite the increased bargaining power that groups can enjoy. In addition, through collective farming, the challenges associated with dispersion of producers, diseconomies of scale, poor access to information, technology and finance, inconsistent volume and quality, lack of traceability, and management of risk could also be reduced. Producers themselves may get organized themselves, or by the companies buying from the producers, or by an intermediary such as an NGO, or the combination of all. Producer organization models such as co-operatives are established to provide members with economic benefits in terms of access to dynamic markets. These differ from social organizations in their entrepreneurial focus, and may build on existing informal networks of farmers and traders as well as inputs and support from buyers or other chain actors. Producer-driven models have had a mixed record of performance in provision of economic benefits to the producers, but collective action remains an important strategy for increased small farmer participation in emerging modern markets. Steps to improve the effectiveness of producer organizations in provision of business-oriented services are critical. Buyer-driven models seek efficiencies in the chain to the benefit of processing and retail companies. There are some very promising cases where organizing supply from a small farm base – frequently a necessity with milk procurement – has led to sustained inclusion of small farms. Much has been written about contract farming, which can be successfully used by businesses to link small producers to modern markets where capital, technology and market access constitute key limiting factors. New models of rural retailing, such as the Hariyali Kisaan Bazaar, are emerging. These models use a 'bottom of the pyramid' approach for poor producers as well as poor consumers. Working with small farmers is also a means to build community goodwill, contributing to a company's long-term licence to operate. Intermediary models include a strong dose of service provision – usually by the intermediary organization or specialized providers, in order to balance the needs of small farmers and SMEs, with the realities of emerging modern markets, in terms of quality and volume. Other key aspects of intermediation models include increased knowledge management (to improve chain coordination and quality), closer links to buyers, and incentives for product and process upgradation. This can be an important new role for NGOs, though there is also a growing appreciation that intermediation can be a commercial business service.

Increased Participation of Smallholders

The participation of smallholders and SMEs in modern markets is critical. Several reviews of successful farmer-owned rural businesses, farmer market linkages, and farm-agribusiness linkages point to the importance of skills development for:

(a) market linkages for goods and services,
(b) internal and bridging social capital, and
(c) professional business and technical management capacities.

Development of these skills requires access to effective support and financial services, alliances with other chain actors and an enabling environment. Effective support services may be technical, managerial or financial in nature but they share several common factors such as:

(a) effective solutions to bottlenecks that lead to small farmer exclusion,
(b) a business orientation to guarantee sustainability over time, and
(c) flexibility linked to clients' needs.

For many smallholders and SMEs, services provision between commercial actors – termed embedded services – holds promise in the sense that these services depend on commercial incentives rather than public or development subsidies. The use of participatory tools that strengthen the capacities of informal service providers to improve their embedded services is of critical importance. Financial services are crucial for farmers to access and sustain participation in dynamic markets. As supermarkets and processors tend to pay only after a certain period (often 45 days or more), there needs to be a mechanism to bring liquidity into the supply chain. In addition to working capital, financial services, in which the commercial relationship rather than collateral assets guarantee the loan, can be arranged as 3-way agreements between buyer, producer and financial institution. The biggest challenge for private companies to work with small scale farmers and SMEs is organizing supply, with a need to reduce transaction costs and ensure that trading agreements are honoured. Much can be done by businesses to ensure that their procurement practices work to the benefit of poor people. Actions that might be taken include: adjustment of reward systems in procurement programmes, prompt and transparent payments, full access to information, and shared decision-making with regard to chain rules and price and quality structures. Corporates also can set up preferential sourcing programmes to support small-scale producers and SMEs. For example, Carrefour, Indonesia, has established a dialogue with SME suppliers of fresh food, household equipment and textiles, to improve product quality and packaging and improve their shelf access. Similarly, Wal-Mart, Honduras, has established the 'Una Mano Para Crecer' ('Help to Grow') programme for SMEs. There are pro-smallholder approaches to private sector standards, including group certification, use of local certification agencies, and participatory development of standards. Ensuring transparent and timely access to information, including producers' perspectives in rule-setting and enforcement, and developing effective mechanisms to bridge gaps between producer capacities and market needs is important. Corporates can develop effective initiatives in partnership with governments, donors and NGOs, and can learn as much from the successes and failures of development agencies and NGOs as much the latter can learn from corporates.

Role of the public sector

The public sector can play an important role in the establishment of successful alliances between smallholders, SMEs and larger business, especially if successful small initiatives are to be scaled up. A priority area of intervention is that of the enabling environment. In the case of smallholder and SME participation in supply chains, the enabling environment refers to the consistent provision of key infrastructure services (roads, water, electricity and communications) and the existence of complementary public investments in services such as agricultural research. Policies to improve roads and marketing infrastructure, particularly in regions that are not endowed with the characteristics, attractive to downstream agents in the value chain, can be instrumental in facilitating farmers' participation in modern market channels. Relevant public policies to maintain a competitive market, and to oversee the working of contract laws and contractual enforcement are also central elements of an enabling environment. Recent work by the World Bank on agricultural innovation systems identifies a range of options for the public sector to support market linkages and knowledge management for innovation.

Conclusion

The nature of the business model for linking small farmers and SMEs to modern markets and agro-industries is one of the most important determinants of how value is created or lost by supply chain actors, including smallholders and SMEs. Effective business models help farmers and other chain actors by building alliances and linkages by all chain participants. This rarely occurs spontaneously, given the often-adversarial relationships that characterize commercial links in the agrifood sector. As a result, specific actions to clarify and develop plans for joint action at the chain scale are needed.

Global Agro Industries Forum, FAO, UNIDO, GOI – New Delhi, 2008

NEWS FOCUS

Brazilian agriculture faces huge losses from climate change

According to a joint study by the Brazilian Agricultural Research Center and the University of Campinas, global warming would cause heavy financial losses to Brazil's agricultural sector over the next decade. The losses would grow to US$5 bn by 2020 and US$14 bn by 2070.

The study found that higher temperatures and changes in rainfall patterns, along with an increase in storms, would cause crops like cotton, rice, black beans, coffee, sugar cane, sunflowers, cassava, corn and soybeans to migrate to places with a more hospitable climate. Soybeans would be most affected by the climate change because they require consistent rain. The least affected would be sugar cane, which would gain ground as other crops shrink.

Necessary steps to slow global warming and carbon emissions caused by deforestation must be taken and rapid investment must be made to help the threatened crops to adapt to climate change, a process that could take up to 10 years, the study suggested.

Agence France-Presse (AFP), August 11, 2008

Peruvian Fish Exports to Rise 12% to US$ 2.2 Billion

Peru, the world's largest fishmeal exporter, is expected increase fishing exports by 12% as the Andean country boosts processing capacity. Fishing exports are slated to rise to US$ 2.2 billion in 2008 from US$ 1.96 billion in 2007. Companies including Copeinca ASA and Austevoll Seafood ASA are also expected to invest a total US$100 million through 2009 in fish canning and freezing facilities.

Bloomberg, August 4, 2008

Agreement reached to liberalise trade in Agricultural and Fishery Products between the EU and Israel

Both EU and Israel have reached a preliminary agreement to further liberalise trade in agricultural and processed agricultural products and fish and fishery products, following technical verification of the Common Understanding reached on 30 April 2008 in Bet-Dagan (Israel) on bilateral tariff concessions. This will form the basis of a future agreement, subject to completion of both sides' internal procedures. The new trade concessions represent a major step forward in the integration of the EU and Israeli markets.

Within the framework of the Euro-Mediterranean Association Agreement, with the State of Israel, and in accordance with the Euro-Mediterranean Roadmap for Agriculture (Rabat Roadmap) adopted on 28 November 2005, the European Commission entered into negotiations with the State of Israel on further liberalization of trade concerning agricultural, processed agricultural, fish and fishery products.

For processed agricultural products, a level of full liberalization of trade for both parties, as high as 95 %, has been achieved. For the remaining sensitive products (5 % of trade value), some additional preferences have been exchanged in the form of tariff quotas or reduced duties (some confectionery products, biscuits, vermouth, grape spirits and starch based glues).

For agricultural, fish and fishery products, substantial progress has been made towards full liberalisation of trade. Regarding more sensitive agricultural products such as fruit and vegetables and sugar, improved market access has been achieved for both sides by means of increasing existing duty free quotas, extending existing calendars and by creating new tariff quotas, such as for goose liver, yogurts, sheep meat, lemons, oranges, mandarins, grapes, melons, kiwi, apricots, cherries, peaches, olives, preserved strawberries, and soya oil. In addition, in the absence of a standstill clause for agricultural products, the Israeli side has agreed to bind the applied tariff rates to a maximum below the MFN bound rates for around 200 tariff lines.

Once adopted, the agreement will create new trade opportunities for EU exporters in a large range of products that could not previously reach the Israeli market. Israel's major export sectors will benefit from further liberalization and better market access while respecting the entry price system without any further modification in relation to the currently applied situation. The result is a balanced deal beneficial for both sides.

Europa, August 08, 2008

Export-Import Bank of India, Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005. Tel.: 2217 2600 Fax: 2218 2572 E-Mail: cag@eximbankindia.in
Agri Business Group : agrigroup@eximbankindia.in / rahulmazumdar/@eximbankindia.in Website : www.eximbankindia.in

Contact Numbers: Ahmedabad: 26576852, Bangalore: 25585755, Chennai: 25224714, Guwahati: 24622951, Hyderabad: 23307816, Kolkata: 22833419, Mumbai: 22830761, New Delhi: 23326375, Pune: 26458599, Dakar: (00221) 8232849, Dubai: (009714) 3637462, Johannesburg: (002711) 4428010, London: (0044) 20-73538830, Singapore: (0065) 653 26464, Washington D.C.: (001) 202-223-3238