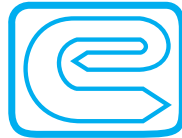




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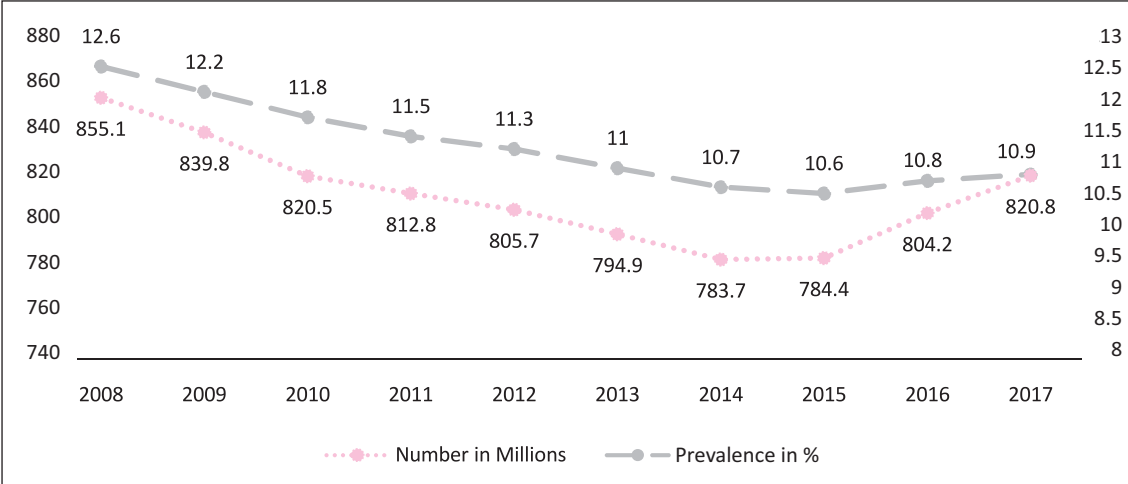
Global Food Security and Biodiversity

The United Nations, as per the Goal Number 2 of the Sustainable Development Goals (SDGs) is committed to “end all forms of hunger and malnutrition by 2030, making sure all people – especially children – have access to sufficient and nutritious food all year round. This also involves promoting sustainable agricultural practices: supporting small scale farmers and allowing equal access to land, technology and markets. It requires international cooperation to ensure investment in infrastructure and technology to improve agricultural productivity”.

Global Undernourishment

According to a 2017 report on ‘The State of Food Security and Nutrition in the World’, it was projected that the decade-long decline in the prevalence of undernourishment in the world had reached an end, and was possibly in reverse as the number of undernourished increased in 2015 and 2016. This was largely attributed to persistent instability in conflict-ridden regions, adverse climate events that have hit many regions of the world, and economic slowdowns that had affected more peaceful settings and worsened the food security situation.

Number of Undernourished in the World



Source: FAO

Further, lower levels of per capita food consumption in some countries, and increased inequality in the ability to access food in the populations of other countries, have contributed to a further increase in the percentage of people in the world having insufficient dietary energy consumption in 2017.

Approximately 820 million in the world are undernourished. While India has reduced the number of undernourished in the recent years, according to FAO, India still accounts for 23.8% of the global burden of malnourishment, and has the second-highest estimated number of undernourished people in the world after China. Further, Asia alone has almost $\frac{2}{3}$ rd of the undernourished people in the world.

The prevalence of undernourishment in Africa and Oceania has been increasing for a number of years. Africa remains the continent with the highest Prevalence of Undernourishment (PoU), affecting almost 21% of the population (more than 256 million people). It is also revealed that the decreasing trend that characterized Asia until recently may have come to an end. The PoU for Asia in 2017 points to a situation in which 11.4% of the population is estimated to be undernourished, which represents more than 515 million people, confirming it as the region with the highest number of undernourished people in the world. In Africa, the situation is more pressing in the region of sub-Saharan Africa where an estimated 23.2% of the population have suffered from chronic food deprivation in 2017.

Biodiversity

While undernourishment is majorly a result of output of the agriculture as well as the resources with the country, biodiversity is something which is encapsulated in the very core of agriculture. Biodiversity is the variety of life at genetic, species and ecosystem levels. Biodiversity for food and agriculture (BFA) is, in turn, the subset of biodiversity that contributes in one way or another to agriculture and food production. It includes the domesticated plants and animals that are part of crop, livestock, forest or aquaculture systems, harvested forest and aquatic species, amongst others.

Biodiversity makes production systems and livelihoods more resilient to shocks and stresses, including those caused by climate change. It is a key resource in efforts to increase food production while limiting negative impacts on the environment. It makes a variety of contributions to the livelihoods of many people, often reducing the need for food and agricultural producers to rely on costly or environmentally harmful external inputs.

However, many key components of biodiversity for food and agriculture at genetic, species and ecosystem levels are in decline. The proportion of livestock breeds at risk of extinction is increasing. Overall, the diversity of crops present in farmers' fields has declined and threats to crop diversity are increasing.



Risk status of associated biodiversity for which a significant threat of extinction or loss is reported

Risk status	Responses	Distinct species
Extinct	17	17
Extinct in the Wild	1	1
Critically Endangered	154	151
Endangered	811	766
Vulnerable	304	300
Data Deficient	13	13
Near Threatened	65	63
Least Concern	36	38
Threatened	362	336
Not known	34	34
Not specified	277	261
Total	2074	1980

Source: FAO

Note: A “response” is a mention by a specific country of a specific component of biodiversity (species or higher taxonomic group). The “threatened” category encompasses all responses indicating that a species is threatened but without further specification of the degree of threat according to the IUCN Red List Categories and Criteria. The figures refer to the risk statuses assigned to species in the country reports. Analysis based on 91 country reports.

BFA is being affected by major global trends such as changes in climate, international markets and demography. These are giving rise to other challenges such as land-use change, pollution,

overuse, overharvesting and the proliferation of invasive species.

Way Ahead

Biodiversity for food and agriculture (BFA) contributes to food security and nutrition in many ways, including by enabling food to be produced in a wide range of environments, helping to maintain the stability of food supplies through the year and through shocks such as droughts and pest outbreaks, supplying a wide variety of nutritionally diverse foods and contributing to the supply of water and fuel used in food preparation. Actions need to be taken to strengthen the contributions of BFA to food security and nutrition such as taking steps to maintain and restore ecosystems and habitats of importance to food and agriculture and at the same time, promoting the sustainable use and conservation of relevant species and populations.



Global Dairy Industry

Production

World milk output reached 811 million tonnes in 2017, which was 1.4% higher than in 2016. The milk output varied across regions – in Asia, the Americas and Europe it expanded; it stagnated in Africa; while it declined in Oceania.

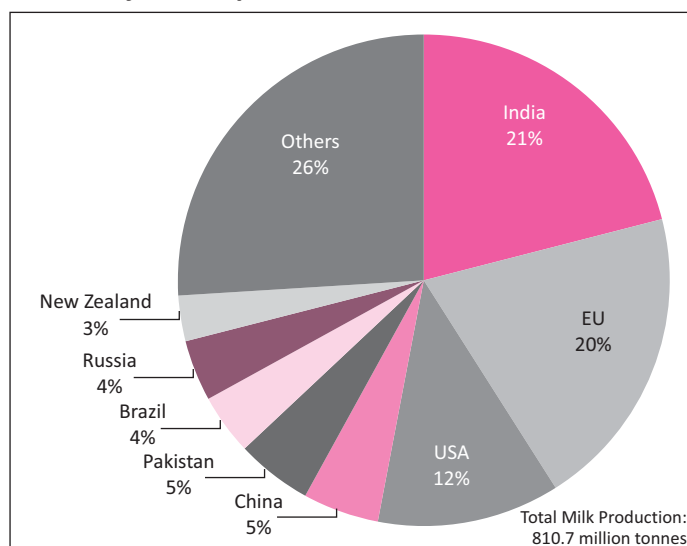
In Asia, milk output rose by 1.9%, principally contributed by India and Pakistan, compensating for

declines in China and Turkey. India’s output expansion was mainly a result of rising numbers of dairy animals, as yields continued to rise slowly reflecting the limited availability of quality feed and fodder. China’s milk output declined for a second successive year, as expansions in the large, organized sector were inadequate to compensate for reductions in the smallholder sector. Smallholder dairy farmers who could not cope with the costs of



relocating away from urban centres and areas designated as environmentally sensitive, as required by the new environmental regulations left the sector altogether.

Major milk producers in the world: 2017



Source: FAO

Europe's milk output increased by 1.3% to 224 million tonnes. In the EU, a small increase in milk productivity per animal enabled milk output to be positive while the EU-wide phosphate reduction plan led to some reductions in the number of dairy cows. Milk output in Russia increased, as dairy farming became profitable for the first time in several years, supported by higher investment as well as farm consolidation and improvements in farm management practices.

North America produced 1.8 million tonnes of more milk, a rise of 1.7% from 2016. The United States accounted for 90% of milk output in North America, with production continuing to expand because of rising dairy herd numbers, stood at 9.3 million dairy cows at the beginning of 2017, and productivity growth.

In Oceania, milk output declined by 2.9% in 2017 to 30.7 million tonnes. In Australia, milk output continued to suffer from dry weather that affected pasturelands in some highly productive dairying regions. At the same time, New Zealand's 2017 milk output also declined by 1.1% to 21.3 million tonnes, as a result of an unfavourable weather that went from being cold, wet to occasionally dry.

Trade

The global exports of dairy products were valued at US\$ 77.6 billion in 2017, down from US\$ 87.7 billion in 2013, registering an AAGR of (-) 1.2%. It showed a big recovery in 2017 vis-à-vis 2016, when the exports grew at 18.6%. New Zealand was the highest exporter with 12.8%, followed by Germany at 12.5% and Netherlands at 11.4% in 2017.

Major exporters and importers of select dairy products

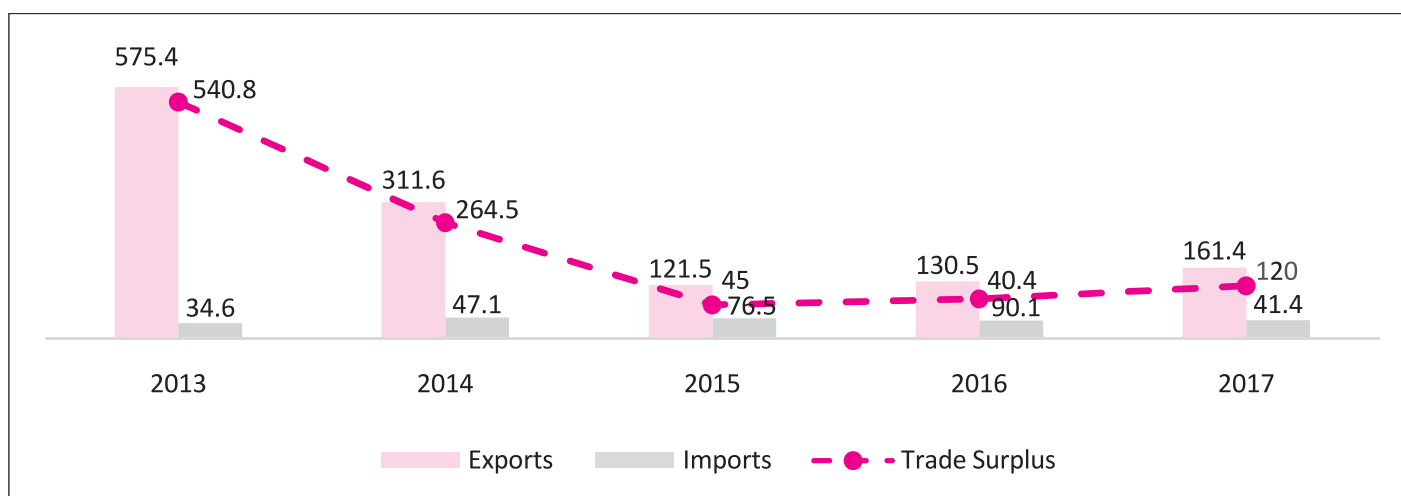
Milk and Cream (HS Code 0401 and 0402)						
Exports (values are in USD billion)						
	2013	2014	2015	2016	2017	AAGR in %
World	34.3	36.4	25.5	23.6	28.1	-3.0
New Zealand	7.3	7.9	4.7	4.4	5.6	-2.8
Germany	3.6	3.9	2.7	2.6	3.0	-2.7
Netherlands	2.5	2.7	2.0	2.0	2.6	2.7

	2013	2014	2015	2016	2017	AAGR in %
Imports (values are in USD billion)						
World	33.8	38.0	27.1	25.1	29.5	-1.5
China	3.8	4.9	2.0	2.2	3.1	4.7
Germany	1.7	1.8	1.4	1.4	2.0	7.1
Belgium	1.5	1.5	1.0	1.1	1.4	1.6
Buttermilk (HS Code 0403)						
Exports (values are in USD billion)						
World	5.0	5.0	4.2	4.2	4.4	-2.5
Germany	1.0	1.0	0.9	0.9	0.9	-1.3
France	0.8	0.8	0.6	0.6	0.6	-7.3
Saudi Arabia	0.3	0.2	0.3	0.3	0.3	1.2
Imports (values are in USD billion)						
World	4.9	4.9	4.3	4.3	4.5	-2.0
United Kingdom	0.6	0.6	0.5	0.5	0.5	-2.1
Italy	0.4	0.4	0.3	0.4	0.4	2.9
Netherlands	0.2	0.2	0.2	0.2	0.2	0.5
Whey (HS Code 0404)						
Exports (values are in USD billion)						
World	5.8	6.0	4.1	3.8	4.6	-4.0
United States of America	1.0	1.0	0.7	0.6	0.7	-4.5
France	0.8	0.8	0.6	0.5	0.6	-5.3
Germany	0.8	0.8	0.5	0.4	0.5	-6.7
Imports (values are in USD billion)						
World	6.0	6.2	4.3	3.7	4.6	-4.6
China	0.9	0.8	0.5	0.5	0.7	-1.8
Netherlands	0.8	0.7	0.5	0.4	0.5	-6.6
United States of America	0.3	0.3	0.3	0.3	0.3	-1.2
Butter (HS Code 0405)						
Exports (values are in USD billion)						
World	8.3	8.6	6.7	7.1	9.9	6.8
New Zealand	1.8	2.1	1.6	1.7	2.4	9.2
Netherlands	1.2	1.2	1.0	1.2	1.7	10.3
Ireland	0.8	0.7	0.7	0.7	1.1	10.0

	2013	2014	2015	2016	2017	AAGR in %
Imports (values are in USD billion)						
World	8.1	8.7	6.8	7.0	9.7	6.8
France	0.9	1.0	0.7	0.7	1.2	10.6
Germany	0.7	0.6	0.5	0.5	0.8	7.1
Belgium	0.7	0.7	0.5	0.5	0.8	6.0
Cheese (HS Code 0406)						
Exports						
World	32.3	33.5	27.0	26.8	30.6	-0.6
Germany	5.2	5.1	3.8	3.7	4.4	-2.3
Netherlands	4.4	4.5	3.4	3.5	4.1	-1.1
France	4.0	4.0	3.3	3.3	3.4	-3.3
Imports (values are in USD billion)						
World	31.9	32.6	27.2	26.9	30.3	-0.7
Germany	4.4	4.7	3.8	3.7	4.2	-0.1
United Kingdom	2.3	2.4	2.0	1.8	2.0	-2.3
Italy	2.4	2.4	1.8	1.7	2.0	-4.0

Source: UN Comtrade

India's trade in Dairy Products (US\$ Million)



Source: UN Comtrade

India's Trade

While India is one of the largest producer of the dairy products, especially milk, in the world, it doesn't have much trade in it, due to a huge domestic market. India's exports were recorded at US\$ 161.4 million in 2017, against the imports of

US\$ 41.4 million. It continues to enjoy a huge trade balance.

Almost 50% of the exports in the Dairy category by India were of Butter in 2017, while almost 50% of imports were of Whey. India though doesn't have exports of huge level vis-à-vis the global markets, it

can certainly target the regions such as South East Asian and Asian markets. For instance, the imports of butter by the ASEAN markets increased from US\$ 493 million in 2013 to US\$ 618 million in 2017 (AAGR of 10.1%) and the imports of cheese and curd jumped from US\$ 414 million in 2013 to US\$ 618 million in 2017, recording an AAGR of 11%.

Outlook

World milk output in 2018 was forecasted to reach 827 million tonnes, up 2% from 2017, driven by output increases in all major regions, with the largest gains in Asia, Europe, North America and

South America, and recoveries in Africa, Oceania and Central America.

Dairy prices weakened in the second half of 2018 globally, driven by the rising export availabilities, signifying an increasing supply of the dairy products. Milk production among major exporters in 2019 is still expected to increase by 1%, with the biggest gains expected to occur in the European Union and the United States. As a result of this expanding production, it is unlikely that the dairy prices will rise in the near future.

Indian Spices Industry

Spices are produced in huge quantity in India and have an enormous global demand. They are used in food and beverages, cosmetics, medicines, flavouring, feeds, and perfumery. The growing importance of aroma in cuisines and the high demand for ethnic foods are driving the growth of this market. In addition, the increased interest in multi-cuisines is making it a popular commodity.

India, known as the home of spices, boasts of a long history of trading with the ancient civilizations of Rome and China. Today, Indian spices are the most sought-after, globally, given their exquisite aroma, texture, taste and medicinal value. India has the largest domestic market for spices in the world. Traditionally, spices in India have been grown in small land holdings, with organic farming gaining prominence in recent times. India is one of world's largest producer, consumer, and exporter of spices.

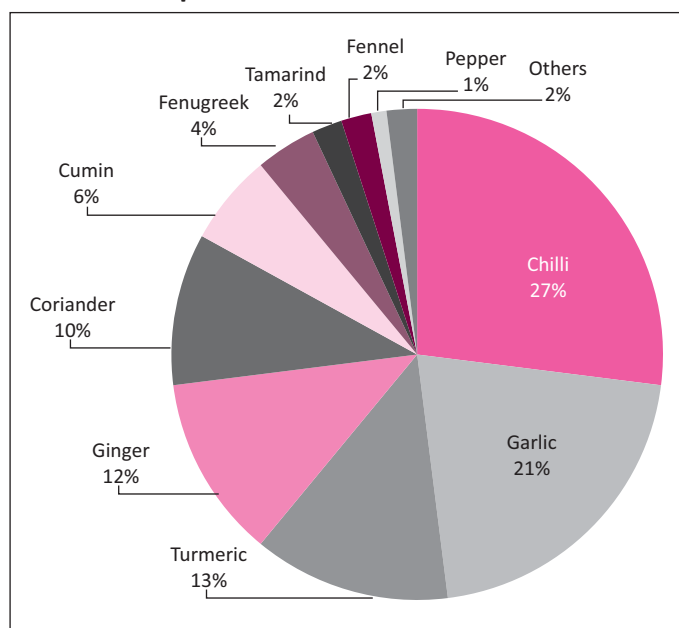
Production

In 2017-18, close to 4 million hectares of land in the country was under spice cultivation which produced close to 8.4 million tonnes of spices.

Major spice produced in India in 2017-18 were chilli; garlic; turmeric; ginger; coriander; cumin; fenugreek; tamarind; fennel; and pepper.

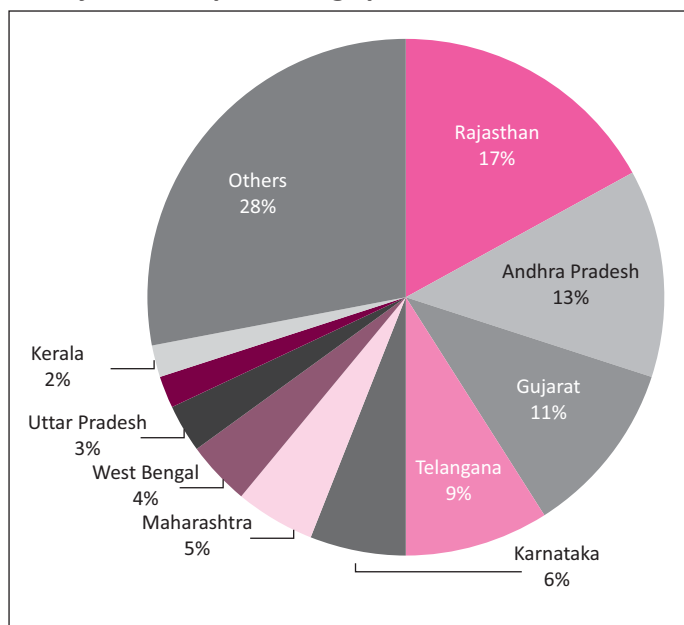
Spice production is concentrated largely in ten states, with Rajasthan topping the list for being largest producer of spices in 2017-18; followed by Andhra Pradesh, Gujarat, Telangana, Karnataka,

Spice wise Production: 2017



Source: Spices Board of India

Major States producing spices in India: 2017-18



Source: Spices Board of India

Maharashtra, West Bengal, Uttar Pradesh, Odisha, and Kerala.

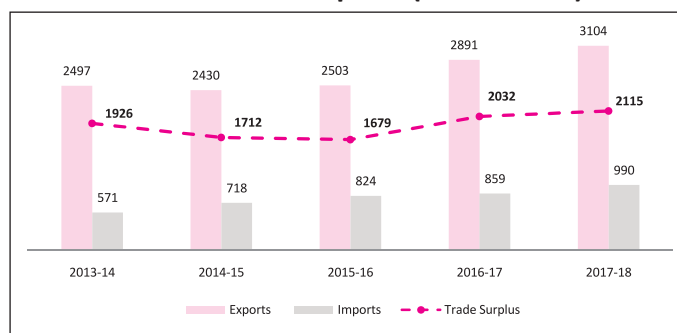
While the top 10 spices contributed to 98% of the spices production in India in 2017-18, the top 10 states accounted for approximately 73% of total volume of spices produced in the country during the same year.

Trade

India's exports of spices increased from US\$ 2497 million in 2013-14 to US\$ 3104 million in 2017-18 and its imports during the same period increased from US\$ 571 million to US\$ 990 million. While the exports during this period registered an AAGR of 5.8%, the imports grew at an average rate of almost 15%, annually. The trade surplus during this period increased from US\$ 1926 million in 2013-14 to US\$ 2115 million in 2017-18.

India's top 5 exported spices contributed to almost 76% of the exports revenue from spices in 2017-18. During the same year, top 5 export destinations, namely, USA, Vietnam, China, UAE, and Thailand

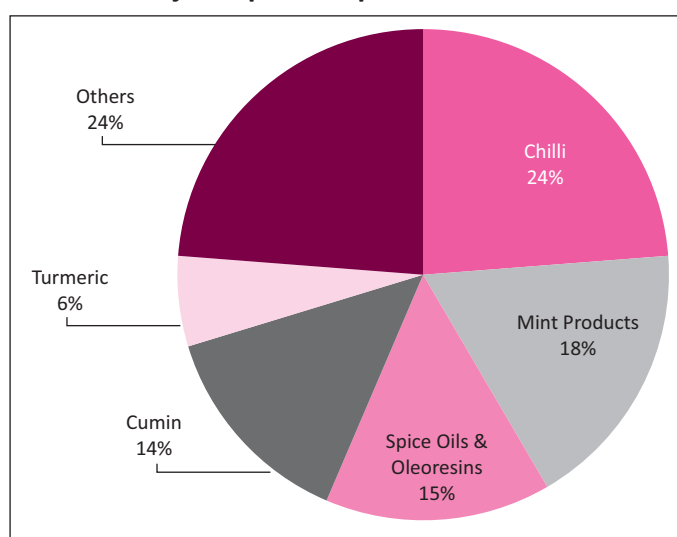
India's trade in Spices (US\$ Million)



Source: DGCIS

contributed to almost 50% of the exports. Some other major exporting destinations were UK, Malaysia, Saudi Arabia, Germany, and Sri Lanka.

Major exported spices in 2017-18

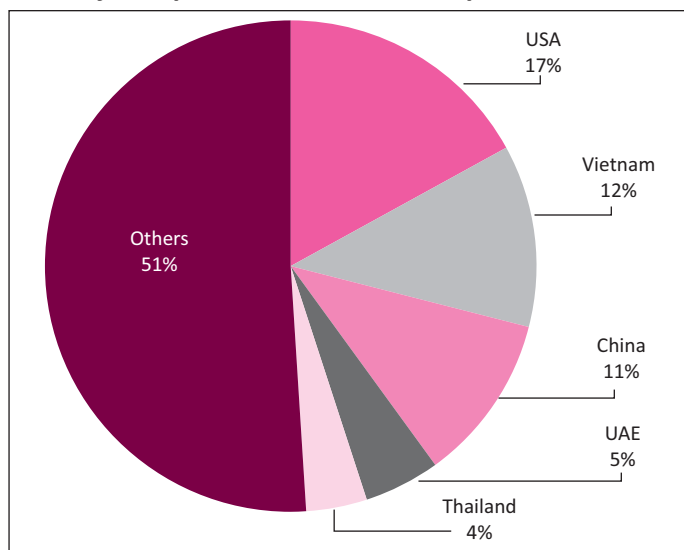


Source: DGCIS

Outlook

Being an integral seasoning and flavouring agent, spices would continue to see constant demand growth from the food and beverage sector. With shift in consumption pattern towards processed and packaged foods, consumption of spices from food & beverage sector would continue to increase. India is already a production hub for pharmaceutical products and production volume is only going to strengthen as domestic and export demand for pharmaceutical products increase. In the industrial

Major export destinations for spice: 2017-18



Source: DGCI

sector, demand from pharmaceutical sector is expected to play a vital role in increasing industrial consumption of spices.

On the export front, India is evidently expected to maintain its dominance as the leading spice exporter in the world. The Indian spices industry envisions becoming an international processing hub for supply of high quality spices to meet the global consumption demand for spices.

Sources

- Spices Board of India
- Dun & Bradstreet Research

Tractor Market in India

Agricultural machinery is of considerable importance in increasing yields and productivity of crops as it is used in various operations such as sowing, reaping, and application of fertilizers. Some of the principal agricultural machinery products are tractors, power tillers, rotovators and threshers. The significant factor boosting growth in the agricultural machinery industry is the rising population which leads to the increased requirement for food and related products. The other major determinant, driving the growth in the agricultural machinery segment, is the need to reduce the labour cost. The substitution of manual labour with machinery can help in reducing labour cost; moreover, upgrade in consistency and accuracy in operations are the other advantages of using agricultural machinery.

The domestic tractor demand prior to 1950 was met through imports; however, after this period, the Government banned the imports owing to deficiency of foreign exchange and removed restrictions on farm mechanisation. As per Crisil

Research, the domestic tractor sales have grown at an average annual rate of 4.2%, during 2013-14 to 2017-18.

India is one of the largest manufacturers of tractors globally, and the decline in the availability of labour has had a favourable impact in this regard. The gradual progress in the agricultural sector supplemented by rise in government subsidies for food, fertilisers and agricultural equipment, and schemes to waive farm loans has enabled the development of the Indian tractor market.

Segmentation of tractors

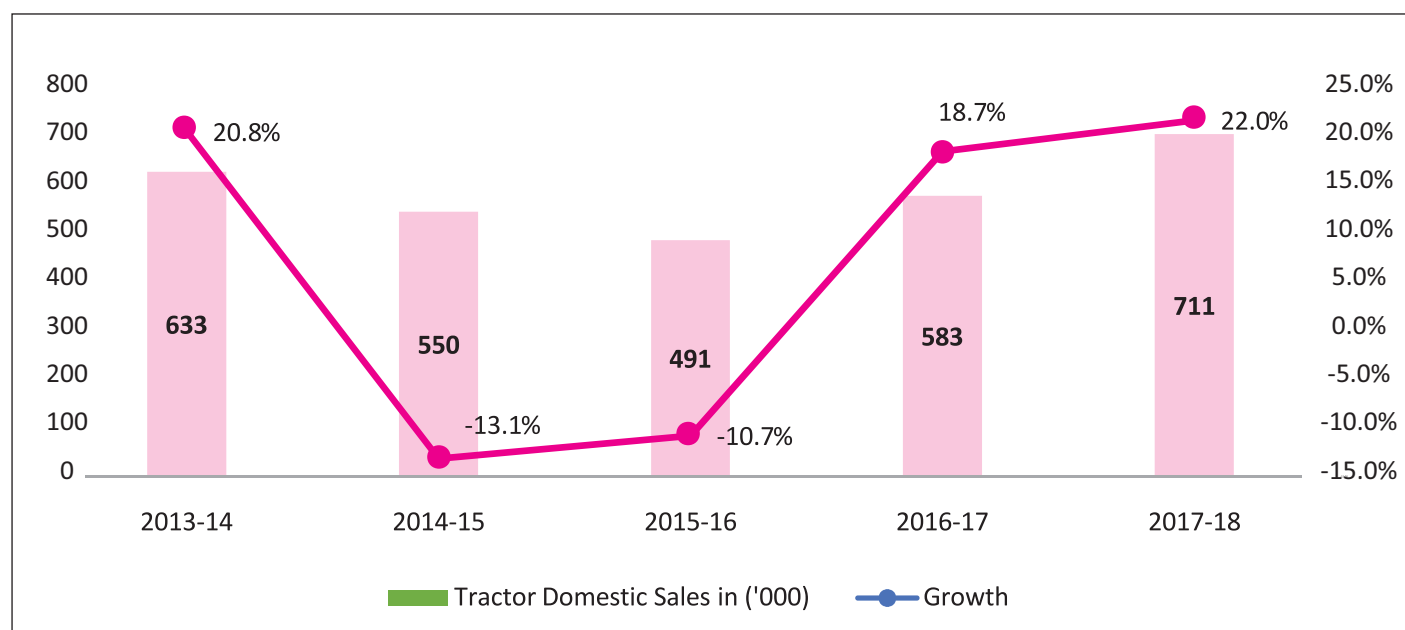
Tractors are classified as small, medium and large tractors depending on the engine's horsepower. The Indian tractors have an average size of 35 HP, while the small tractors in international markets begin from 50 HP. The tractors with power delivery of less than 30 HP are considered small, while those with 31-40 HP as medium sized, and those with over 40 HP as large sized. It is most preferable to use small tractors in the soft soil areas which are well irrigated

and it is majorly used in the northern states of the country. The medium sized tractors are utilized in southern and western parts of the country as the fields in these regions possess hard soil. The application of large tractors with power delivery greater than 40 HP is generally utilized by the large farmers owning extensive landholdings rather than the marginal or small scale farmers. There exists substantial demand for the large tractors in Punjab and Haryana.

Exports

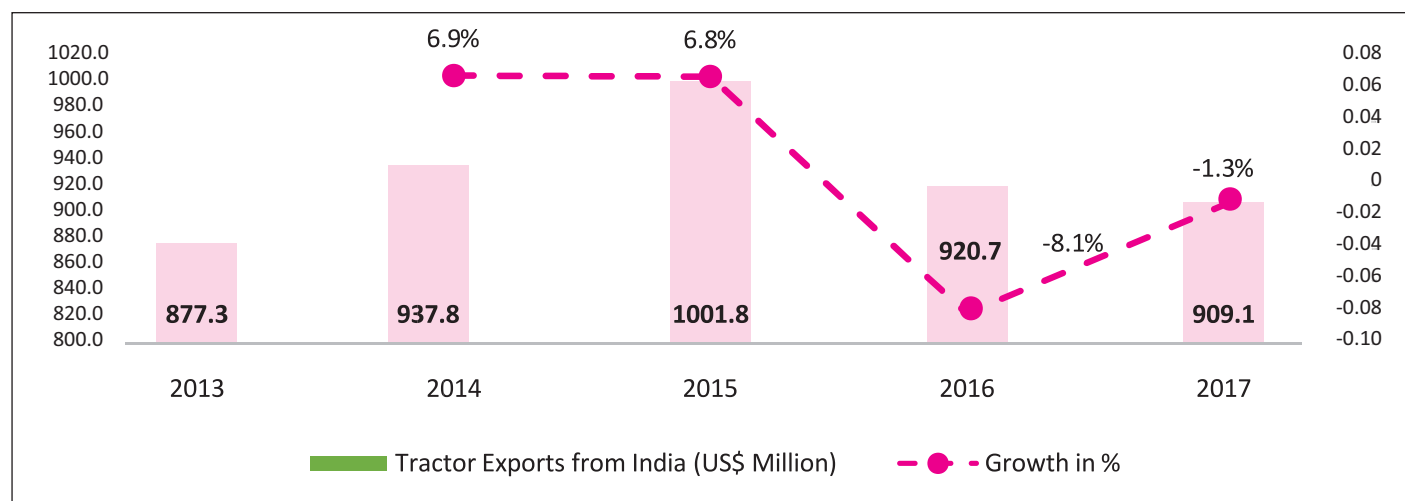
Exports of tractors from India amounted to US\$ 909.1 million during the year 2017, up from US\$ 877.3 million in 2017, registering an AAGR of just above 1%, during this period. USA is the leading export destination of Indian tractors and it accounted for nearly 22% of the aggregate share of exports during the year 2017. The other significant tractor sourcing countries from India are Bangladesh (11%), Nepal (9%), Turkey (7%), and Sri Lanka (4%).

Domestic Tractor Sales ('000 units)



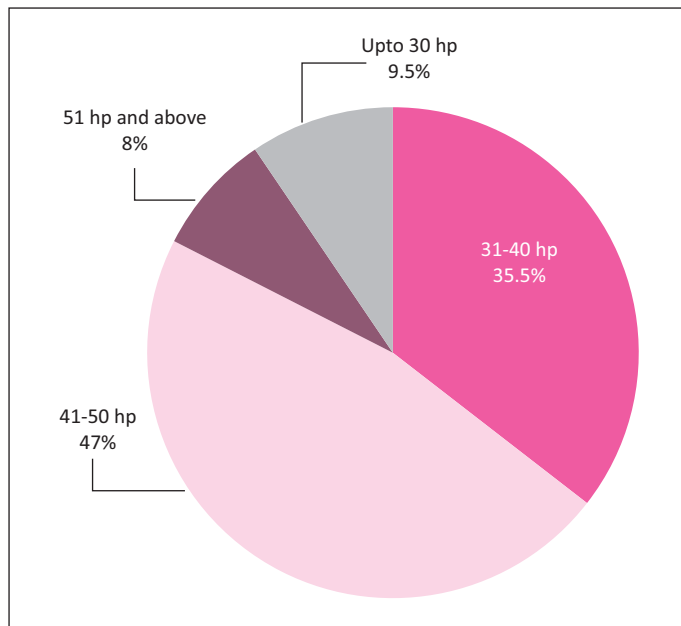
Source: Crisil Research

Tractor Exports from India (US\$ Million)



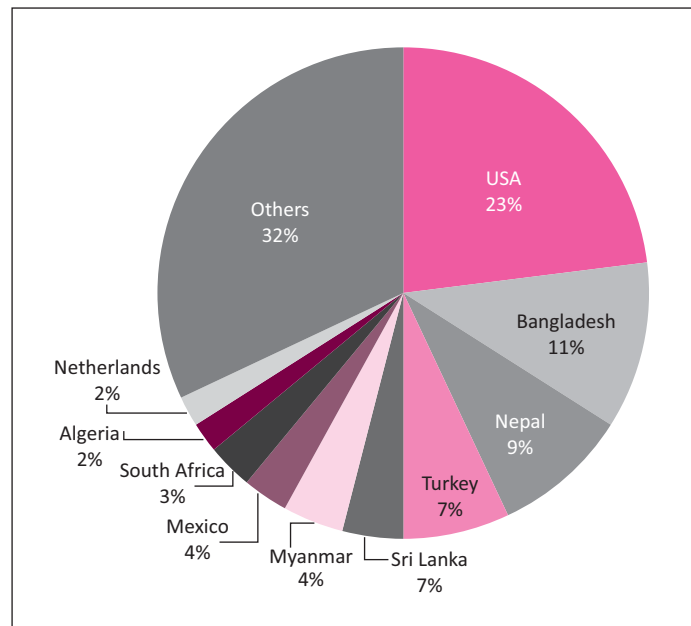
Source: UN Comtrade

Segment wise Tractor Sales (2017-18)



Source: Crisil Research

Major export destinations for Indian tractors



Source: Crisil Research

Challenges faced by the industry

- Deficiency of skilled workforce:** The leading constraint faced by the tractor industry is the limited availability of skilled labour as the talented workforce is not keen on working for this sector. The absence of proper infrastructural facilities in the rural areas and the uncertainty and insecurity of earnings from the repair and servicing of tractors is posing a major challenge for the growth of tractor industry.
- Financial constraint:** A major obstacle faced by the tractor industry is the deficiency of finances faced by the farmers. A large number of farmers in India are facing shortage in financing and are consequently unable to take the advantage of the benefits offered by farm mechanisation. Owing to the inadequate income from farming, the small scale farmers can't afford to buy expensive agricultural machinery, and it is only the affluent sections of the farmer's society who can avail the services of agricultural machinery.
- Escalation in the prices of raw materials:** The rise

in the cost of principal raw materials used in the production of tractors such as steel and iron is another challenge faced by the industry. The fluctuation in the prices of these raw materials presents a hurdle for the tractor manufactures as substantial price rises would make it unaffordable for the farmers to purchase tractors.

Outlook

The concern about feeding a growing population entails the need for greater mechanisation and increased focus on improving crop productivity, which encompasses the usage of higher levels of farm mechanisation. Moreover, the rural-urban exodus is also having a considerable impact on the farm machinery industry. Thus the prospects for the tractor industry are positive. The long term tractor industry CAGR from fiscal 2018 to fiscal 2023 is expected to be 7%-9%.

References:

- CRISIL
- UN Comtrade

News Focus

India's agriculture growth seen slipping

India's wheat production in the 2018-19 Rabi season is expected to be 99.12 million tonnes, marginally less than 99.7 million tonnes last year, according to the fourth advanced estimates. Overall food grain production too is projected to fall slightly to 281.37 million tonne, as less rains brought down output. India had produced 284.83 million tonne in the 2017-18 crop year (July-June), according to the fourth advanced estimates.

In the third quarter of 2018-19 (October-December), agriculture and allied activities grew at 2.7 per cent as against 4.6 per cent during the same period last year. For the full year in 2018-19, growth in agriculture and allied activities was estimated at 2.7 per cent, down from 5 per cent in 2017-18.

India is expected to harvest a lower rapeseed and gram crop in this Rabi season, as the monsoon rainfall has been less than normal by almost 9 per cent. Thereafter, winter rains in October to December, which is critical for Rabi harvest was 43 per cent less than normal.

According to the data, rice production is estimated to touch a record 115.6 million tonnes in 2018-19, from 112.91 million tonnes in the previous year. The production of coarse cereals is estimated to fall at 42.64 million tonnes from 46.99 million tonnes in the previous year. Pulse output, too, is seen lower at 24.02 million tonnes from last year's record of 25.23 million tonnes, during the same period.

Among non-food grain crops, total oilseeds production during 2018-19 is estimated at 31.5 million tonnes as against 31.3 million tonnes in the previous year. Sugarcane output is estimated at 380.83 million tonnes from 376.9 million tonnes. Production of cotton has been pegged lower at 30.09 million bales (of 170 kg each) from 34.88 million bales, while jute and Mesta output is seen at 10.07 million bales (of 180 kg each) against 10.13 million bales.

India has been witnessing bumper food grain, oilseeds, cotton, sugarcane, fruits, vegetables production over

the last few years, which has resulted in lower prices for farmers.

Source: Business Standard

Transport scheme to boost agriculture exports

The Government of India introduced a scheme called 'Transport and Marketing Assistance (TMA) scheme' or providing financial assistance for transport and marketing of agriculture products with a view to boosting export of farm commodities to certain countries in Europe and North America.

Under this scheme, the Government would reimburse a certain portion of freight charges and provide assistance for marketing of agricultural produce. The scheme covers freight and marketing assistance for export by air as well as by sea (both normal and refrigerated cargo).

Assistance under TMA would be provided in cash through direct bank transfer as part reimbursement of freight paid. FOB (freight on board) supplies where no freight is paid by Indian exporters are not covered under this scheme.

The scheme would be applicable for a period as specified from time to time. Presently, it would be available for exports effected from March 1, 2019 to March 2020. The level of financial assistance would be different for different regions and shall be admissible for exports made through EDI (electronic data interchange) ports only.

The assistance shall be admissible only if payments for the exports are received in free foreign exchange through normal banking channels. For the exports by sea, TMA will be based on the freight paid for a full Twenty - feet Equivalent Unit (TEU) containers. The assistance will not be available for less than Container Load (LCL) and a container having both eligible and ineligible category of cargo. The assistance for products exported by air would be based on per ton freight charges on the net weight of the export cargo, calculated on the full ton basis.

Source: Business Today

The news items and information published herein have been collected from various sources, which are considered to be reliable. While every care has been taken for authenticity of the material published, Exim Bank accepts no responsibility for authenticity or accuracy of such items.

Export-Import Bank of India, Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005. Tel: 2217 2600 Fax: 22182572 E-Mail: cag@eximbankindia.in / RahulMazumdar@eximbankindia.in Website: www.eximbankindia.in / www.eximmitra.in

Contact Numbers: Ahmedabad: 26576852, Bangalore: 25585755, Chandigarh: 2641910/12, Chennai: 28522830, Guwahati: 2237607, Hyderabad: 23307816, Kolkata: 22833419, New Delhi: 61242600, Pune: 25648856, Abidjan : (225) 79707149, Addis Ababa: (251116) 630079, Dhaka: +88 02 5504 2444, Dubai: (9714) 3637462, Johannesburg: (2711) 3265103, London: (4420) 77969040, Singapore: (65) 653 26464, Washington D.C: (1202) 223-3238, Yangon: (95) 1389520.