

CPS 1-7/2011-NFSM (NCAER). Vol.41
Government of India
Ministry of Agriculture
Department of agriculture & Cooperation
(NFSM Cell)

Krishi Bhawan, New Delhi
Dated the 8th March, 2013

Subject: Fifteenth Monthly Briefing of NCAER project on "Agricultural Outlook and Situation Analysis for Food Security"-reg.

The undersigned is directed to enclose herewith a copy of the minutes of Fifteenth Monthly Briefing of NCAER project on "Agricultural Outlook and Situation Analysis for Food Security" held on 8th February, 2013 in Krishi Bhawan, New Delhi under the Chairmanship of Secretary (A&C) for information and necessary action.

Encls: a/a.


(Narender Kumar)
Joint Director (NFSM)

Distribution:

1. As per list enclosed.

Copy to:

1. Sr. PPS Secretary (A&C).
2. PS to Agriculture Commissioner.
3. PS to JS (Crops).
4. PS to Addl. Commissioner

**List of participants for Fifteenth Monthly Briefing under NCAER Project on
“Agricultural Outlook and Situation Analysis for Food Security” held on 8th
February, 2013 at 3.00 PM under the Chairmanship of Joint Secretary (Crops).**

1. Shri A.K. Srivastwa, Addl. Secretary Agriculture, DAC, Krishi Bhawan, New Delhi.
2. Dr Anandi Subramanian, Member Secretary, CACP, New Delhi, (e-mail: ms_cacp@nic.in)
3. Dr. M.Tamil Selvan, Additional Commissioner, (Horticulture), Horticulture Division, DAC, Krishi Bhawan, New Delhi (e-mail: tselvan@rediffmail.com)
4. Shri Sanjay Sharan, Director (H-II), Room No.247, DAC, Krishi Bhawan, New Delhi (e-mail: sanjay_sharan@hotmail.com)
5. Sh. Dinesh Arora, DS(Finance), DAC, Krishi Bhawan, New Delhi (email: dinesharora@nic.in)
6. Shri Ajit B. Charan, DS-EP Agri.-D.C., Dept. of Commerce, New Delhi (e-mail: charan@nic.in)
7. Shri Pravin Dongre, Chairman, IPGA, Mumbai
8. Dr. S.K. Singh, Managing Director, D.M.I., Head Office Faridabad.
9. Shri B.S. Bhandari, Adviser, Directorate of Economics & Statistic, DAC, Krishi Bhawan, New Delhi
10. Shri S.K. Mukherjee, Adviser, Directorate of Economics & Statistic, DAC, Krishi Bhawan, New Delhi
11. Dr. Anita Kumari, IEG, New Delhi, (Phone No. 9910137273 e-mail: anita@iegindia.org)
12. Dr. Prahlad Ram, AHU, Central Ground Water Board, Ministry of Water Resources, Govt. of India, NG-IV, Faridabad
13. Shri Saurabh Bhartia, IPGA, Mumbai (Phone No. 9819977610)
14. Dr. S. Bhide, NCAER, New Delhi

**Summary Record of the Fifteenth Monthly Briefing meeting held under
NCAER Project on Agricultural Outlook on 8th February, 2013.**

Fifteenth monthly briefing under NCAER Project on "Outlook and Situation Analysis for Food Security" was held at 3.00 pm on 8th February, 2013, in Committee Room No. 142, Krishi Bhawan, New Delhi. List of participants is attached.

Mr. Khullar, Jt. Secretary (Crops) and Mission Director, National Food Security Mission, Ministry of Agriculture, chaired the meeting. He welcomed the participants and gave a brief introduction to indicate the context of the presentations and requested Dr. S. Bhide to make his presentation.

Two presentations were on the agenda: (1) A presentation on Third Quarterly Agricultural Outlook Report (3rd Q-AOR) and Draft First Medium Term Agricultural Outlook Report by NCAER, New Delhi and (2) An assessment of Pulses Outlook Scenario by Indian Pulses and Grains Association, Mumbai.

Initiating his presentation Dr. Bhide said all sectors of the economy recorded slower growth in the first half of 2012-13 as compared to the growth rate achieved in the first half of 2011-12. While the economy grew at 5.37% in the H1 2012-13 vis-à-vis 7.33% in H1 2011-12, Agriculture and Allied Sectors grew 2.14% vis-à-vis 3.42% in the same period. Although inflation rate dropped a tad towards the end of 2012; fiscal pressures intensified.

Following were the key points from his presentation:

Global agencies like FAO, USDA, ABARES and IGC have projected a lower output of wheat and coarse grains, unchanged or a marginally increased production of rice from their previous estimates for 2012-13. Production outlook for oilseed in general and soybean in particular has marginally improved supported by a higher crop in Canada. He said global sugar production forecast for 2012-13, although down from earlier forecasts, remains marginally higher than the 2011-12 production, despite production setback in India, Thailand, EU and Russia, which was offset by higher production in Brazil, Mexico and the U.S.

Global pulse production in 2012-13 has been projected to remain more or less at the level of 2011-12 due to increased production in major exporting countries such as Canada (dry peas), USA (dry peas), Australia (chick peas and dun peas) and Myanmar (tropical pulses such as urd, mung), offsetting expected decline in pulse production in India.

On the global price scenario he said the FAO Food Price Index averaged 210 in January 2013, unchanged from the slightly revised December, 2012 value. Following three months of consecutive declines, the Index stabilized in January,

2013as rebound in edible oil prices were offset by a decline in cereals and sugar prices. Dairy and meat values remained generally steady.

In the emerging global scenario Indian wheat and maize is likely to remain export competitive due to reduced marketable surplus in major exporting countries. Rice exports are likely to be lower in 2013 due to reduced domestic exportable surplus and burgeoning rice stocks in Thailand (which could prompt Thailand to release supplies). As for pulses, despite forecast of increased production, prices are likely to remain firm due to lower carryover stocks in Canada and reduced field pea (mutter) production in Europe.

Indonesia and Malaysia are expected to boost exports of palm oil prompted by large stocks which should prove beneficial for India and encourage substitution for the high priced soybean oil. Thus the share of palm oil in India's vegetable oil import basket is expected to grow significantly during the year.

Indian sugar will be less competitive in the international sugar market combined with lower domestic production, high prices and increasing sugarcane prices vis-vis rising global production and declining international prices.

As regards domestic production scenario, there is likely to be no change in the production prospects of Sugar and Milk during 2012-13 in the Third Q-AOR (December, 2012) vis-à-vis the production projected in the Second Q-AOR (September, 2012) i.e. sugar production is likely to be 24 million tonnes as compared to 26 million tonnes in 2011-12 and milk production is likely to increase by 5 million tonnes during 2012-13. We are anticipating higher onion production at 16.7 million tonnes, 1 million tonnes higher than 2011-12 in the Third Q-AOR significantly higher projection than the Sept. Quarter Report projection of lower onion production. Potato production may not be as better as projected in the Second Q-AOR i.e. an increase by 5-7% over 2011-12, we anticipate an increase of only 2% over the previous year. Marginal increase has been projected in production level of banana in the Third Q-AOR (December, 2012) for 2012-13 as compared to 2011-12 vis-à-vis no change predicted in the Second Q-AOR.

An assessment based on the analysis of recent patterns in price data shows that over the next 3-4 months, wheat prices are likely to stabilize at the current high level and decline from April with arrival of new crop. Rice and Maize prices are likely to strengthen in coming months and decline with the harvest of winter crop. Pulse prices would remain stable or increase marginally and then decline from April. Vegetable oil prices would remain stable in the next three to four months and then increase. Sugar prices would increase through March and then decline.

For the food sector in general, the prices are likely to remain a matter of concern until the harvest of new Rabi crop.

Projected significant growth in palm oil production in Indonesia and Malaysia would ensure adequate supplies at reasonable prices to meet India's increasing demand for vegetable oils. India's soybean meal exports are projected to decline as domestic use increases and export competition from South America intensifies. As such, there is an urgent need to increase the productivity of Indian oilseeds in general and soybeans in particular. Biodiesel is an unpredictable factor.

Development of an econometric model

Dr. Bhide stated that we are developing an econometric model in collaboration with ISEC, Bangalore. Production is estimated using either crop area and yield equations or directly production equations, the choice is determined by the statistical properties of the estimated equations.

The factors influencing production are lagged area of the crop, lagged price of the crop relative to the price of other commodities competing with it for land and other inputs, irrigated area, price of fertiliser relative to crop price. When area and yield equations are estimated independent variables are selected in a logical manner.

Net exports are modeled as a function of world income, export prices, domestic production, domestic price, exchange rate. Domestic price is estimated as a function of domestic production, MSP, export price and own lagged value.

Projections based on an econometric model

Dr. Bhide also presented his assessment on Medium Term Projections and comparison with the 12th Five Year Plan projections for 2016-17 for foodgrains and oilseeds and projections by FAO for 2017 for rice and wheat. He said our assessment is higher at 120-122 million tonnes in the case of rice as against an assessment of 98-106 million tonnes and 112 million tonnes given by the 12th Plan Working Group and FAO respectively. In the case of wheat our assessment is higher at 93-101 million tonnes than the FAO projections at 86 million tonnes but lower than 12th Plan Working Group projections of 93-104 million tonnes. Our projections for coarse cereals and oilseeds are also higher than the 12th Plan Working Group projections but for pulses Working Group projections are little higher than our assessment.

The following issues were raised and discussed during and after the presentation:

Dr. Anandi (CACP) said in the case of wheat higher procurement and subsequent non availability in the market affects prices and exports too are a relevant factor, she inquired whether these factors had been captured in the

The Medium Term Outlook

At the outset Dr. Bhide stated that the key objectives of the Medium Term Outlook are to review the production conditions at the global level based on the assessments provided by international agencies and to make an assessment of supply and demand conditions for food commodities at the national level.

Production conditions as projected by international agencies like FAO, USDA and FAPRI for the medium term indicate slower production growth rates for most crops caused by a slowdown in yield growth and high marginal cost of bringing in additional land in some areas while livestock growth rates do not change significantly. A larger share of production and consumption is shifting toward emerging economies. The higher share of production in emerging countries comes with an uncertainty of higher yield variability, thus likely to result in volatility in prices in the future.

Based on a review of the global projections, following points were highlighted:

The global projections indicate that with high oil prices, biofuel production becomes viable without any policy support. Further investment in agriculture is needed to tackle yield stagnation, frequent weather events etc. to ensure an adequate supply response.

Although slowing population growth results in slower demand growth over the projection period compared to the previous decade, absolute growth in supply and demand remains considerable. Concerns about consumer inflation prevail as higher prices for commodities are passed through the food chain, raising concerns in particular in developing and emerging economies, where food still represents a substantial part of disposable income.

Implications for India are in terms of easing of global wheat prices to be lower than in recent years, which combined with India's increasing support prices and increasing competition from Black Sea Region could make Indian wheat exports non-competitive in coming years. There is need to improve the quality of Indian wheat and resolve phyto-sanitary issues with some major importing countries such as Iran, so that Indian wheat becomes acceptable in Egypt, and China, which are likely to remain major importers of wheat in future.

Export growth in basmati rice may be limited and we should encourage production of long-grain rice as bulk of the growth in rice trade in future will be in long-grain rice. There is likely to be increased competition from Vietnam and Thailand. With a surge in import demand for maize in South East Asian countries and China in the coming years, India has an opportunity to expand exports to these countries due to its geographical proximity.

Presentation by Sh. Pravin Dongre, President, Indian Grains and Pulses Association (IPGA), Mumbai.

Sh. Dongre presented a snapshot of global pulse production and usage. He said the total world production of pulses is around 68 million tonnes and trade is around 15 million tonnes. India continues to be the largest pulse producing country followed by Canada, Myanmar, Australia and Europe. As Indian Subcontinent constitutes 1/3rd of world trade, the pulses trade flows from North & South America, Canada & Australia to mainly Asia and then Europe and Middle East.

He said India produces about 27% and consumes about 40% of world pulse production. On the world usage of pulses he said it is around 25% for feed, 65% for food and around 10% for seed. The feed usage is falling due to increased food usage. International trade in pulses is ruled by Dry Peas, Dry Beans, Lentils and Chickpeas. He added that pulse production is increasing in almost all major pulse exporting countries, however, India seems to be lagging as production has reduced sharply from 18.25mn MT in 2010-11 to IPGA's projected production of 16mn MT in 2012-13. The reason for this decline is attributed to poor realisations by Indian farmers who at times had to sell his produce way below Minimum Support Price.

He said pulses imports to India are expected to continue to rise due to increasing population and stagnant to declining production rate. India has the highest acreage and production of pulses in the world but still has shortfall in supply due to low yield of around 700kg/ha. Pulses are important source of protein for the country's poor, who cannot afford a non vegetarian diet to supplement their protein requirement, and also a vast majority of vegetarian population.

He further added that Indian farmer is now much better informed than in the past and is quick in selecting remunerative crop alternatives. With rising MSP y-o-y for wheat and rice, rising market prices of sugar and cotton have led to shift in acreage in these commodities.

Sh. Dongre also listed some of the trade issues in his presentation. He said Indian Specification of foreign matter in the imported consignment is more stringent than followed by USA & Australia leading to additional cost charged by the overseas supplier, in turn escalating the prices. Because of the shortage of pulses internationally and supply from limited number of sources, the norms need to be relaxed. Underdeveloped countries where the norms are less stringent prefer to export raw pulses. He said even the details which are to be printed on the bags require amendment as the present norms are not practical.

He said IPGA for sometime now has been actively advocating to the government to allow export of processed pulses against import of raw pulses and

model. Dr. Bhide said that at present the price equations in the model capture the effect of minimum support prices and production levels. The variables such as net availability that reflects procurement and distribution are not included among explanatory factors. She noted that global assessment indicates that India is going to be a net importer of wheat by 2017. Dr. Bhide replied by saying that the projections may reflect the impact of declining competitiveness of Indian wheat.

Mr. Khullar said there is need to analyse the contributing factors affecting growth in production in coarse cereals and pulses. Dr. Bhide said when input subsidies are withdrawn effect would be to raise input prices. The medium term outlook would be affected by this policy environment. He said although we have provided some discussion on the policy issues and their implications, policy options, and quantitative assessment of the impact would be taken up in the subsequent reports.

Mr. Khullar wanted to know whether the current report is only based on past trends and not on any kind of analysis, whether the report covered 'Food Security Bill' and Will if it affect the demand side Dr. Bhide said model has not captured the impact of 'Food Security Bill' on demand, side. The main issue here is subsidy and its fiscal implications. The model has captured MSP and other factors affecting production and on the demand side, it is income and prices.

Mr. Malik (DAC) raised the issue of total cropped area, cropping intensity, irrigation intensity etc. which need to be captured in the model. Dr. Bhide said they are considering crop wise area and not cropping intensity.

Dr. Anandi wanted to know whether the Medium Term Outlook will be updated every six months and which scenario out of the two presented in the draft is closed to the reality. Dr. Bhide said that the Report will be updated every six months and the scenario one is closer to the reality.

On the issue of agricultural growth rate raised by Mr. Khullar, Dr. Bhide said as we are covering only 13 crops we are not providing assessment of overall agricultural growth.

Mr. Khullar wanted to know whether it is possible to arrive at state level projections and analysis? Dr. Bhide said average growth rate for area, production and yield at the 5 regional level cropping patterns and crop mix is being presented now. Detailed state level modeling may be considered at a later stage if adequate data are available.

Dr. Bhide clarified that the draft Medium Term Agricultural Outlook Report will be sent to the members of the Advisory Committee and Technical Support Group for their comments before finalization. It is likely to be finalized by 20th Feb. 2013.

Dr. Bhide wanted to know about the substitution across pulses. Mr. Dongre said tur has its consumption base but it is being replaced with yellow peas in UP, Bihar and in Northern States. Yellow peas are also being increasingly used in making "basen".

Mr. Bhandari asked if it is possible to share APY data collected by the association. Mr. Dongre agreed and that the association would like to cooperate with the government.

Mr. Bhandari also wanted to know whether importers are willing to invest in storage, logistics etc. Mr. Dongre said private parties may invest in storage but warehousing is not a viable proposition unless usage is guaranteed. Further stock limits also prevent such investments.

The meeting ended with a vote of thanks from and to the chair.

also impose duty on import of processed pulses like split tur & lentils as imports have been steadily growing in processed pulses. He further said considering the volume of pulses at Mumbai Port at around 1 million tons, IPGA has requested the authorities to allocate more vacant space at Port for construction of storage space for Pulses.

He said, these steps, IPGA believes, will increase liquidity in pulses market, making the market dynamic and will yield better returns to farmers.

Issues raised and discussion that followed are summarized below.

Mr. Khullar wanted to know the members and the country coverage by the Association. Mr. Dongre said the Association has a Pan-India presence with a membership of 250 leading importers and exporters of pulses and grains.

He said stock limit on pulses is pulling prices lower. The limits are there for traders and not for farmers. In order to increase pulses production, Government has to compensate the cost of production to the farmers.

Dr. Anandi said MSP plays a key role. Farmers find production of wheat, rice and sugarcane very attractive. Further pulses may not be popular relative to other food items. Per capita consumption of pulses is declining. Mr. Dongre agreed and said MSP for pulses is only a psychological number, as often prices may rule below or above MSP. More important is the machinery to ensure purchases to give farmers a confidence of market support. Area is also being diverted to sugarcane and cotton in Maharashtra, as farmers find them more remunerative. In such a situation imports of pulses in the country is going to increase.

Dr. Bhandari added by saying that it needs increasing use of inputs and improved technology to raise productivity and production of pulses.

Lack of storage facilities is a major problem that needs immediate attention of the government. Space with conditions of disrepair is allocated to pulses. Further there is acute silting problem near the port, as a result of which ships cannot land at the port. It gets stranded far away from the port for which vessels are used to transport goods to the shore.

When asked about the survey conducted by the association, Mr. Dongre explained that the survey is conducted by mapping the field before sowing, capturing data at the time of sowing, at pre-harvest stage and then at harvest stage for yield estimates. Sample size is fairly large and includes farmers, traders and processors of pulses. Individual telephone calls are also made to the target respondents.

**List of participants for Fifteenth Monthly Briefing under NCAER Project on
“Agricultural Outlook and Situation Analysis for Food Security” held on 8th
February, 2013 at 3.00 PM under the Chairmanship of Joint Secretary (Crops).**

1. Shri A.K. Srivastwa, Addl. Secretary Agriculture, DAC, Krishi Bhawan, New Delhi.
2. Shri Mukesh Khullar, J.S. (Crops), DAC, Krishi Bhawan, New Delhi.
3. Dr Anandi Subramanian, Member Secretary, CACP, New Delhi, (e-mail:ms_cacp@nic.in)
4. Smt. Reena Saha, Director (Crops), DAC, Krishi Bhawan, New Delhi (Phone No. 9868138998 e-mail: reena.saha@nic.in)
5. Dr. D.P. Malik, Additional Commissioner, (Crops), DAC, Krishi Bhawan, New Delhi (e-mail:dpmalik69@gmail.com)
6. Dr. M.Tamil Selvan, Additional Commissioner, (Horticulture), Horticulture Division, DAC, Krishi Bhawan, New Delhi (e-mail:tselvan@rediffmail.com)
7. Shri Sanjay Sharan, Director (H-II), Room No.247, DAC, Krishi Bhawan, New Delhi (e-mail: sanjay_sharan@hotmail.com)
8. Sh. Dinesh Arora, DS(Finance), DAC, Krishi Bhawan, New Delhi (email:dinesharora@nic.in)
9. Shri Ajit B. Charan, DS-EP Agri.-D.C., Dept. of Commerce, New Delhi (e-mail:charan@nic.in)
10. Shri Pravin Dongre, Chairman, IPGA, Mumbai
11. Dr. S.K. Singh, Managing Director, D.M.I., Head Office Faridabad.
12. Shri B.S. Bhandari, Adviser, Directorate of Economics & Statistic, DAC, Krishi Bhawan, New Delhi
13. Shri S.K. Mukherjee, Adviser, Directorate of Economics & Statistic, DAC, Krishi Bhawan, New Delhi
14. Dr. Anita Kumari, IEG, New Delhi, (Phone No. 9910137273 e-mail:anita@iegindia.org)
15. Dr. Prahlad Ram, AHU, Central Ground Water Board, Ministry of Water Resources, Govt. of India, NG-IV, Faridabad
16. Shri Saurabh Bhartia, IPGA, Mumbai (Phone No. 9819977610)
17. Dr. S. Bhide, NCAER, New Delhi
18. Shri. V.P. Ahuja, Consultant, NCAER, New Delhi
19. Shri. S.K. Mondal, Consultant, NCAER, New Delhi
20. Smt. Laxmi Joshi, NCAER, New Delhi
21. Ms. Mandira Bhattacharya, NCAER, New Delhi
22. Shri Narender Kumar, Joint Director (INSIMP), DAC, Krishi Bhawan, New Delhi
23. Vikrant Singh, STA, DAC, Krishi Bhawan, New Delhi
24. Dr. S.K. Yadav, STA, DAC, Krishi Bhawan, New Delhi