Agro-Economic Alerts

Aiding the future of India's farmers and agriculture

(Photo Source: www.stackpathcdn.com/media/10313/dairy-farming-technology.jpg)

For kind attention of:

The Hon'ble Prime Minister's Office,
the Ministry of Agriculture and Farmers Welfare,
and all others interested

Emerging Critical Situations and Threats in India's Agricultural Economy

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Contents

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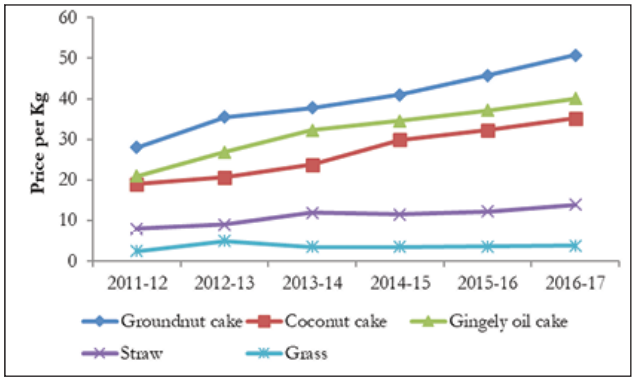
Price Hike of Feed and its Effect on Dairy Sector in Kerala

Key highlights

- In Kerala, the demand for feed and fodder far exceeds its availability, pushing up the prices of feed, especially of the concentrates. (Figure 1).
- As a result, local milk prices have increased. Farmers under Milma (also known as the Kerala Co-operative Milk Marketing Federation), get Rs. 34.5 per litre of milk which is then processed and sold at market at a rate of Rs. 42 per litre.
- Milk from Tamil Nadu which costs Rs. 22-23 per litre is available in plenty in the border places and the intermediaries get it on wholesale and sell it in the state for the same market price of Rs. 42 per litre. Since this practice fetches a very good profit for the agents, the milk price hike in the state indirectly helps this parallel market and distorts domestic dairy economy.

Figure 1: Trend in Average Prices of Feed and Fodder from 2011-17.



Source: *Kerala Economic Review 2017 & Animal Husbandry Department, Government of Kerala.*

Observations

- Kerala Feeds Limited (KFL) which occupies 40 percent share of the cattle feed market in the state and is largely responsible for regulating cattle feed prices in the state has incurred operating losses of Rs. 72 crores since 2015 on account of input price increase.
- The demand for cattle feed in the market had shot up as a result of the popularity of Central Government's Rashtriya Gokul Mission programme in northern India which offers cattle feed for free. This resulted in increased demand for raw materials for the cattle feed production by a number of new firms in the market. Since most of the raw materials for the production of cattle feed are not available in Kerala and about 90 percent are imported from other states, the rise in price for these inputs has seriously affected the dairy sector in the state.
- Kerala has no grazing lands and hence the fodder availability such as straw (dry fodder) is poor, which makes it almost impossible to maintain cattle without giving feed in concentrate form. Tamil Nadu has abundant agricultural wastes (such as corn residues) as it is a major vegetable producer which helps them in reduced need for concentrate cattle feed. As a result, the total cost of producing milk in Tamil Nadu is relatively less.
- Hence, the dairy farmers in Kerala are hit by the KFL's price hike. KFL has no subsidy or grant. According to the KFL officials, the prices of raw materials like maize, oil-less chaff and rice cake, soybean and molasses used in feed production have gone up by as much as 35 percent since December. However, KFL has affected a hike of Rs. 25 per packet since then, which means the company still loses Rs. 65 per packet on an average.

Figure 2: Cattle Being Given Feed in a Dairy.

Source: *www.godrejagrovet.com*

- In the wake of the existing loss to the company, the subsidy for farmers coming under Milma umbrella for Rs. 100 per 50 kg sack has also been stopped. KLF feed is the cheapest feed available in the market with a minimum price of Rs. 1045 per 50 kg sack. At this price, KLF had incurred a loss of Rs. 10 crores during last year.

Actions suggested

- Considering the peculiar situation in the state, Rashtriya Gokul Mission in the state should include feed and fodder distribution/subsidy as one of the components within it.
- The state government should take action to remove intermediaries in the dairy market. Government or the concerned authority should step-in for importing additional milk from other states on a standard rate, which will automatically eliminate the intermediaries present.
- A justifiable price for milk should be assured by the state government for farmers, subject to controlling the import of cheap rated milk from neighboring states.
- The state government should start providing support for those who come with agricultural startups, especially with regard to production of concentrate feed.

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Agricultural Water Use Inefficiency in Godda District in Jharkhand

Key highlights

- Jharkhand has been witnessing much lower rainfall than the normal for the last four-five years consecutively. During the Kharif season of 2017-18 (June to September), the deficit in rainfall was found to be 12.7 percent.
- During Kharif 2018-19, the state's average rainfall (up to 30th September, 2018) was (-) 27.81 percent. All the 24 districts of the state had witnessed deficit rainfall during the season.
- While the state has been reeling under the pressures of deficit monsoons, it was found during a visit in April, 2019 to Hathi Hariyari under Bhatonda Panchayat of Poreiyahat block, that before the completion of deep boring exercise, there has been forceful water outflow naturally since the year 2005.
- Since the last 13-14 years, continuous and unchecked afflux of ground water has been going on for 24 hours continuously in an already water-scarce state like Jharkhand.
- Quite a good number of experts, officers of several departments, researchers and elected public representatives have paid visits to these points, but concrete action has not yet been taken either for checking the water wastage or for effective water use management.

Observations

- During the course of the pilot study, it was found that there was unchecked continuous wastage of ground water in Pahadiya Tola, Hathi Hariyari, Bhatonda Panchayat under Poreiyahat Block of Godda district (Jharkhand).
- Godda block of the district could have achieved 117.39 percent in regard to ground water development (till 2009), as it falls under the rain shadow of Santhal Parganas plateau with an average annual precipitation of 1063.1 mm. However, as per Ground Water Information Booklet (GWIB) of Godda district, Jharkhand State, the district had acquired the stage of ground water development of 38.68 percent.
- The adjoining Poreiyahat and Sundar Pahari blocks have achieved only 24.66 percent and 19.72 percent respectively. It means that there is high untapped potential in these two blocks, which deserves immediate attention.
- The action plan of the present State Government of Jharkhand was initiated from Dumka, the divisional headquarters of Santhal Parganas. Even then, a blue-print to check huge loss/wastage of ground water at Hariyari couldn't be made.
- Out of the total net sown area in Jharkhand, irrigation potential created under Accelerated Irrigation Benefit Programme (AIBP) under all major and medium irrigation projects (till 2016-17), was 79,190 hectares, just 5.72 percent of the net sown area.
- Had this continuous wastage of ground water been stopped by appropriate water storage measures, hundreds of hectares of land could have been brought under assured irrigation coverage.

Actions suggested

- In a mono-cropped state constrained with undulated topology and comparatively lower coverage of irrigated area there is an urgent need to check harvest and store unchecked water afflux from natural sources.

- Pradhan Mantri Krishi Sinchai Yojana (PMKSY) should be effectively implemented. There should be proper restoration and renovation of existing water reservoirs and distribution systems. Further, water management measures should be taken which focus on increasing the area under micro-irrigation to enhance the efficiency of water use.
- Departmental Performance Report (DPR) should be prepared by the Water Resources Department, Government of Jharkhand for checking the continuous outflow and wastage of ground water at Hathiya Hariyari, Godda district. Further, a detailed geological and technical feasibility survey of the respective outflows may be undertaken.
- To address the threat of other two state borings installed in the same area of the block faced with stopping of outflow of water, Hathiya Hariyari's unique case should be scientifically examined.

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Challenges and Opportunities for Grape Exports from Maharashtra

Key Highlights

- Agriculture in Maharashtra has mostly been marred by water and climatic stress, agrarian distress and farmer suicides and while these challenges loom large, horticulture in the state has proved to be a success story.
- Grapes within horticulture are considered the kingpins. The most popular variety of grapes in India is Thompson Seedless and Indian vineyards yield around 30 tonnes per hectare, one of the world's highest yields.
- In value terms, nearly 70 percent of grapes exports from India are to the European Union (EU), United Kingdom (UK), Russia and Scandinavian economies.
- However, it was found that there has been

a lack of research in varieties. According to informal estimates, about 70 percent of Thompson Seedless emanates from India. But that is largely due to the fact that most countries have found it profitable to switch away from Thompson Seedless into colored varieties of grapes.

- Of the 30 lakh tonnes of grapes produced in India on an average, we barely manage to export about 2.6 lakh tonnes. While our exporters read market cues quite well, production support for colored varieties has not come through in a rigorous manner. It was found that India has not been able to export more produce. The export-production ratio suggests that we have been unable to switch into fast moving varieties.
- It was also observed that climatic stress has become a source of very high variability and high risk in income of grape growers. And yet, one finds that insurance products pertaining to grapes are in a very nascent stage.

Observations

- India itself is a huge market for grapes, and the prices of grapes domestically have continued to be fairly high.
- Increasingly, there has been a tremendous demand for colored varieties, not only in Europe, but also in Asian markets such as Thailand, Indonesia and Malaysia among others.
- While export-production ratio in India has continued to languish at about 7-8 percent, countries such as Chile and Peru have been aggressively marketing colored varieties of grapes in Europe. Peru has an export-production ratio of about 80 percent, and Chile, of about 94 percent.
- In 2018-19, export firms paid about Rs. 70 per kg to farmers for grapes produced using scientific, Maximum Residue Limit (MRL) compliant protocol. Domestic traders paid around Rs. 40 to Rs. 50 for high quality grapes in Nashik in the 2018-19 season. At a yield of 25 tonnes per hectare, the benefit of sale in export markets translates into additional gross revenue of around Rs. 5 lakhs per hectare.

Figure 3: Thompson Seedless Variety of Grapes.

Source: *https://bit.ly/2IBIlMB; https://thd.co/2J0srdI*

- The EU is the most lucrative market for grapes and while it is lucrative, it is also a difficult market to penetrate, given the huge compliances for MRLs. There is an additional cost of complying with MRL norms for exporting grapes to the markets in the EU. However, the cost is so high that it renders exports non-profitable for farmers.

Actions suggested

- Grapes in Maharashtra have been a sweet story thus far, fetching high revenues and foreign exchange for India. Hence, the government should provide policy support in terms of production, insurance and logistics.
- Government should make possible efforts in order to provide production support for colored variety of grapes which is in higher demand.
- Proper datasets must be created in order to help insurance companies assess yields, production levels, and decipher Willingness to Pay (WTP) patterns. Insurance products should be developed to cover market and exchange rate risks for the products with high export potential.

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