

AN INDIA ECONOMIC STRATEGY TO 2035

NAVIGATING FROM POTENTIAL TO DELIVERY



AGRIBUSINESS SECTOR SNAPSHOT

indiaeconomicstrategy.dfat.gov.au



#IES2035

OVERVIEW

- Out to 2035, India can provide a new source of growth for Australia's agribusiness sector. Despite India's focus on domestic production, the gap between demand and supply will grow out to 2035.
- Growth potential for Australian exports remains in commodities that India needs due to shortfalls in production (pulses, grains, horticulture, oilseeds). Opportunities also exist, or will emerge, for value-added products sought by the growing middle class (wine, processed food) and for providing specialised services to Indian Governments, institutions and farmers.
- India's agriculture sector is politically sensitive (with a protectionist sentiment that is unlikely to fade). The central and state governments seek to balance smallholder and consumer needs with the broader goals of minimising social disruption and maximising electoral rural support. The Indian Government has three objectives: food security, food self-sufficiency, and income support for farmers.
- So India will remain a difficult market, prone to fluctuating import demand and sharp policy changes - hedging against this volatility is part of spreading risk. But there is scope for it to become more predictable.



OPPORTUNITIES FOR PARTNERSHIP

India has an appetite for Australian commodities, premium products, and services and technology to boost its productivity, including cold-chain supply and processing.

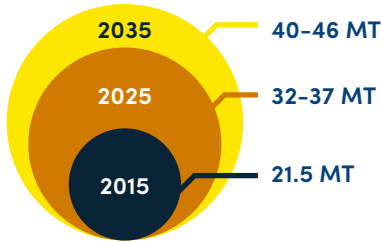
The growth potential for Australian exports remains in commodities that India needs due to shortfalls in production (pulses, grains, oilseeds and horticulture). There will be sustained demand in India for agri-services, consulting and technology where Australia has expertise, such as soil health, food waste and water management.

The Strategy envisions Australia capturing a greater share of Indian commodity and premium imports, leading in professional services and securing greater predictability of Indian market interventions.

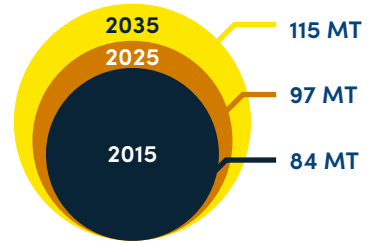
Given the extensive areas of desert and dry land farming, there are opportunities in water management services. As a major producer of milk, cereals, pulses and oilseeds there should be long term opportunities in food processing.

DEMAND FOR KEY COMMODITIES

Demand for Pulses
(in Million Tonnes)



Demand for Wheat
(in Million Tonnes)



Demand for Dairy



7%
average growth
per annum



India is the largest
milk producing country
in the world

Demand for Fruit and Vegetables

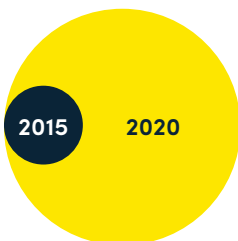


5-7%
expected growth
in demand by 2025



Nuts are a largely
noncompeting
commodity

Demand for Organic Foods



The market for organic
foods in India expected
to triple by 2020

Demand for Premium Products



Demand for premium products is expected
to grow faster than the overall growth of
India's agriculture sector

CONSTRAINTS AND CHALLENGES

- The sector's political sensitivity, protectionist sentiment and susceptibility to fluctuating import demand and sharp policy changes are unlikely to fade.
- India's average applied tariff for agricultural products is 32.7 per cent. (Its average applied tariff across all products is 13.4 per cent, compared to Australia's 2.5 per cent).
- Partnering more closely with India on reducing the need for market distortions enhances both our interests. This could include mechanisms to provide better forecasting of fluctuations in Indian demand for agricultural commodities imported from Australia. India could benefit from more investment in storage facilities for pulses and grains, for example, so it has better capacity to manage surges in its domestic supply, without recourse to imposing increased import tariffs.

BARRIERS TO TRADE



Minimum support prices



Input subsidies



Import tariffs



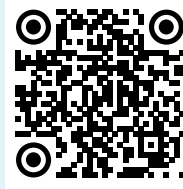
Food subsidies



Divergence from international standards



Other non-tariff barriers



**EXPLORE
INDIAN STATE
ECONOMIES
IN-DEPTH**

WHERE TO FOCUS

ANDRA PRADESH

- As a newer state, Andhra Pradesh is seeking to attract investment and establish liberalised markets.
- It has a newly created agritech accelerator, Gastrotope, focused on tech-enabled smart agriculture. There are opportunities for better dairy productivity, sustainable fisheries and aquaculture management, especially given strong growth in agriculture and aquaculture (26 per cent and 33 per cent in 2015–16).

RAJASTHAN

- Given the extensive areas of desert and dryland farming, there are opportunities in water management services. As a major producer of milk, cereals, pulses and oilseeds, long term opportunities present in food processing.

MADHYA PRADESH

- India's highest agricultural growth rate (agricultural growth from 2012-17 averaged 21.5 per cent) and strong output, including wheat, pulses and dairy.

UTTAR PRADESH

- India's most populous state and a corresponding broad based market.

MAHARASHTRA

- Mumbai provides a major urban market, affluent consumers, a major port. The state's coastal economic zone presents potential for food processing hubs.

DELHI NATIONAL CAPITAL REGION (NCR)

- New Delhi provides a major urban market. Stubble burning in surrounding regions contributes to intense air pollution, presenting partnership opportunities for agri-services.

PUNJAB

- Punjab is widely regarded as India's breadbasket and contributes over 20 per cent of India's food production, including wheat, rice, barley and dairy, but the state suffers from falling water tables and poor soil quality.

TAMIL NADU

- Tamil Nadu is a major agricultural producer, with strengths in fisheries, aquaculture and agri-technology. It is a major importer of Australian pulses and grain. Australian wheat has a freight advantage into south India over India's domestic production which is predominantly grown in northern India.

WEST BENGAL

- Kolkata provides a major urban market and is the main entry point for Australian pulse exports to India. It is the biggest city in eastern India, an economic hub for the north east, and one of the fastest growing cities in the country.

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SECTOR REPORT**



Australian Government



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