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INDIA

India, with the second largest population in the world, represents one of the most rapidly growing markets for bulk commodities and agri-food exports in the world. However, in many cases, access to this growing market is constrained by India's high import tariffs and/or high domestic production which is largely driven by domestic subsidies. Although Canada's current share of grains and oilseeds markets in India is minimal, exports of pulse crops, especially dry peas, chick peas, and lentils have increased significantly over the last five years. In 2000-2001, the value of Canadian exports of dry peas, chick peas, and lentils in India was approximately $160 million. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Canadian exports of grains, oilseeds and pulse crops to India for 2001-2002 and over the longer term.

AGRICULTURAL POLICY DEVELOPMENT

India's economy is a mixture of traditional village farming, modern agriculture and industry. Agriculture contributes about one-third of the Gross National Product and about two-thirds of the country's work force is employed by agriculture and the agriculture industry. Most of the agricultural production is carried out on small family owned land or larger feudal type farms.

The main approach of government policy has been to control trade to ensure adequate availability of essential food items to consumers and to protect farmers from foreign competition.

Indian price policy provides minimum support prices to producers for cereals, oilseeds and some other smaller crops to encourage investment and production. Support prices are fixed each year, taking into account factors including: input prices, domestic and world market trends, inter-crop price parity, supply and demand and the effect on the cost of living.

Economic reforms over the past few years have improved the profitability of agriculture and it is expected that more will be done to broaden agriculture by improving production technologies, including the upgrading of handling and storage facilities.

India's share in world agricultural commodities trade is less than 1%. For over four decades, industry received protection and agriculture served as a source of cheap raw materials for the domestic industry. This reduced agricultural exports and investments in agriculture. Indian agriculture has been developing, due in part to the reduction in the high degree of protection accorded to the manufacturing sector and by letting the farming community receive market prices to bring about more equitable terms of trade for this sector.

Since the late 1990s, most agricultural imports, which used to go through government agencies, have been privatized. India has maintained import restrictions on agricultural products since the 1950s because of problems with its balance of payments. In the intervening period, the balance of payments improved significantly and India, under the World Trade Organization (WTO), was obliged to lift all restrictions on food and beverage products in April 2001. Despite reforms, the government is continuing to curb imports with high tariffs on bulk commodities. For example, wheat and corn, which used to have zero duty, have been brought under the tariffs, while tariffs on vegetable oils have been increased.

SITUATION AND OUTLOOK

In reviewing Indian production, it is useful to bear in mind that there are two crops in India, a summer crop (kharif) harvested mainly in September, and a winter crop (rabi), harvested mainly in March. Wheat and barley are predominantly winter crops.

Wheat

India's wheat production has increased significantly in the last decade, largely due to increased area and higher yields.

INDIA: ECONOMIC STATISTICS

	1998	1999	2000e	2001f
Population (million)	975	991	1,007	1,027
GDP growth (%)	6.8	6.5	6.1	4.6
Exchange rate (Rupee/US$)	42.1	43.3	45.6	47.1
Land area:	297.3 million hectares			
Arable land:	162 million hectares			
Irrigated land:	57 million hectares			

e: estimate, USDA, October 2001
f: forecast, AAFC, October 2001
Source: FAO, IMF, USDA, AAFC

Canada

Improved varieties, low cost water and electricity, large fertilizer subsidies and high price supports encouraged farmers to increase area and yields. For 2000-2001, India's wheat support price was about CAN$200 per tonne(/t), compared to the United States (U.S.) loan rate of about CAN$144/t. The rise in production outpaced consumption in the last three years, reducing the need for large wheat imports and enabled India to become a net exporter, at highly subsidized prices.

For 2001-2002, all wheat production is forecast to decrease to 69 Mt, down 10% from the record 2000-2001 crop as drought has led to a significant decline in seeded area. A lack of winter precipitation is expected to reduce yields slightly, where irrigation is a limiting factor. Total supplies are forecast to increase to a record 90 Mt, due to record carry-in stocks. Consumption in 2000-2001, declined to 66 Mt due to a substantial increase in the government domestic price which caused consumers to increase rice consumption. For 2001-2002, consumption is forecast to increase to 68.1 Mt.

India was a large importer in the mid-1990s from countries such as Australia and the European Union (EU). On December 1, 1999 the government raised the import duty on wheat from zero to 50% and reduced the sales price of wheat to flour millers. In October 2000, burdened by record wheat supplies, the government announced its intention to export 2 Mt of wheat at 4,150 rupees/t (CAN$137/t) which was a 50% subsidy. This is 30% below the support price and 50% below the government's cost of acquisition, in violation of its WTO commitments. Exports of this subsidized wheat by the private trade are not permitted because the government fears the wheat would be sold back into the domestic market. Imports are expected to remain similar to 2000-2001 at 0.1 Mt, largely due to the wheat duty. Large Indian wheat stocks make a reduction of that duty unlikely in the short-term. Wheat exports for 2001-2002 are forecast at 3 Mt, up 20% from last year. Subsidized Indian wheat exports have become competitive with U.S. and Canadian feed wheat markets in the Philippines, Indonesia, South Korea, and Iraq. Other buyers include Yemen and Bangladesh.

Durum

Durum is grown mainly in the areas of Punjab and central India and milled for semolina. For 2001-2002, durum production is forecast to decrease 10% to 1.8 Mt, however, this is near the five year average of 1.9 Mt. Due to the poor quality of the durum produced, it is not exported, but consumed domestically by people in southern India in the form of breads and pasta.

Wheat and Semolina Milling

Most Indian wheat is soft or medium hard, best suited for making flatbreads called "chapattis" or "rotis", the most popular wheat-based product. Consumers usually take their wheat to small flour mills where it is milled into wholemeal flour called "atta" for making rotis. Although the flour milling capacity in India is about 15 Mt, only 8-9 Mt are milled, mostly to produce all purpose flour or "maida" and semolina or "suji." Recently, however, demand for branded atta milled and marketed by large flour mills, has increased due to its convenience. The demand for specialty wheat flour has also increased due to the growth of fast foods such as pizzas, hamburgers and cakes and increased consumption of pasta products. This increase in consumption is a direct result of the government's wheat import policy, which permitted the supply of various types of wheat to meet end-user needs and encouraged the development of the milling and baking industry.

Barley

Barley is a relatively small crop in India due to its low support price. For 2001-2002, barley production is forecast to increase slightly to 1.5 Mt. All the barley produced is consumed domestically, largely for human food and there is no duty on imports. Barley is not normally used as a feedgrain. The five-year average for feed use is about 0.2 Mt, due to the extensive use of corn as the main source of feed in poultry and dairy operations. India's per capita consumption of meat is about 3.3 kilograms (kg), compared to 105 kg in North America, and consists largely of fresh poultry, goat, sheep, and fish. There is little demand for frozen or refrigerated meat. Overall, meat prices are relatively low, compared to other foods. Over half of the barley grown is a two-row variety which is processed into barley flour and blended with wheat flour to make flat breads. Six-row varieties are grown for malt and processed domestically by 10 malting facilities which consume about 0.25 Mt of barley annually.

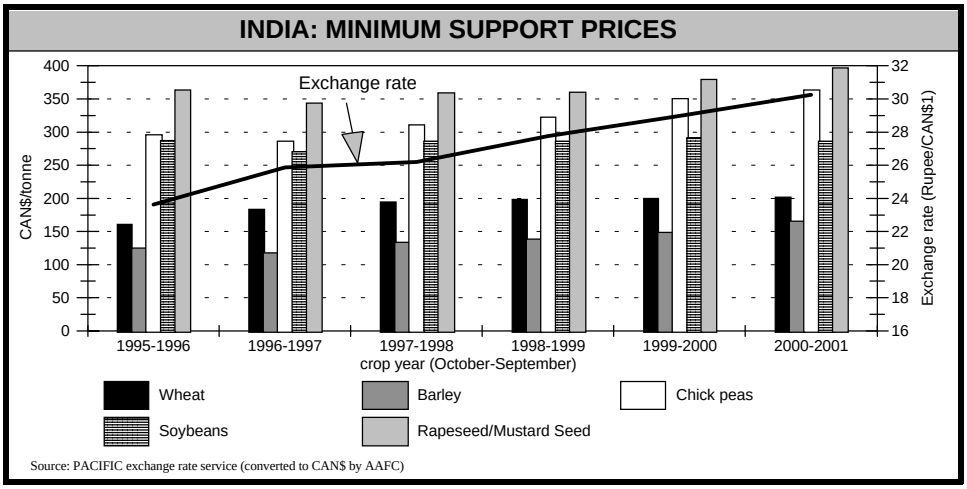
INDIA: CROPS

*Oct.-Sept. crop year**	1998 -1999	1999 -2000	2000 -2001f	2001 -2002f
	.....thousand tonnes.....			
All Wheat				
Production	66,350	70,780	75,754	68,500
Consumption	63,707	68,793	65,865	68,100
Imports	1,294	1,311	100	100
Exports	0	200	2,500	3,000
Durum				
Production	1,700	2,000	2,000	1,800
Consumption	1,700	2,000	2,000	1,800
Barley				
Production	1,680	1,470	1,460	1,500
Consumption	1,680	1,470	1,460	1,500
Corn				
Production	10,680	11,470	11,500	12,000
Consumption	10,853	11,350	11,700	11,850
Imports	175	250	400	100
Exports	2	0	50	200
Soybeans				
Production	6,000	5,200	5,250	5,600
Crush	5,400	4,400	4,530	4,800
Rapeseed//Mustard Seed				
Production	4,900	5,110	3,725	4,600
Crush	3,900	4,300	3,740	4,000
Chick Peas				
Production	6,800	5,080	3,870	4,500
Consumption	6,688	5,139	4,420	4,900
Imports	112	59	550	400
Lentils				
Production	850	900	870	850
Consumption	828	914	930	920
Imports	22	14	60	70
Dry Peas				
Production	600	600	600	600
Consumption	990	966	1,200	1,200
Imports	390	366	600	600
Dry Beans				
Production	3,000	3,400	4,340	4,200
Consumption	3,097	3,500	4,440	4,300
Imports	97	100	100	100

* except wheat (July-June) and soybeans (Nov.-Oct.)

f: forecast, USDA and AAFC, October 2001

Source: USDA, FAO



Corn

Corn is typically planted in non-irrigated areas and on marginal land, with limited use of inputs during the "kharif" or summer monsoon season. However, about one-third of the corn is grown during the winter season under irrigated conditions. For 2001-2002, corn production is forecast to increase to 12 Mt, up 0.5 Mt from 2000-2001, due to a slight increase in harvested area. Corn consumption is expected to rise slightly to 11.9 Mt, largely through food use. Future consumption growth may be for feed and industrial purposes which accounts for less than one-third of the domestic use. Growth in the poultry sector and starch industry has slowed in 2000-2001, but the industry is still expanding, increasing the demand for corn. For 2001-2002, Indian corn imports, mainly from China, are forecast to decrease to 0.1 Mt, due to a decrease in domestic prices during the last year. High domestic prices in the previous two years had led to an increase in imports. On June 12, 2000, the government established a tariff rate quota for corn, under which imports up to 0.4 Mt in 2001-2002 are subject to a 15% duty and imports above that level face a 40% tariff. According to WTO terms, the tariff rate quota will increase by 50,000 tonnes (t) per year. Corn exports, mostly to Bangladesh, are forecast to increase in 2001-2002 to 0.2 Mt, due to lower domestic prices.

Oilseeds

Indian oilseed yields are among the lowest in the world, as the majority is grown on non-irrigated marginal land with low quality seed. Government support prices have supported the production of cereal grains over oilseeds in the last few years. Producers generally limit input use for oilseeds compared to cereals as profitable returns are less certain. India does not distinguish between mustard seed and rapeseed. The lack of improved seed is attributed to the government's inability to pass the Plant Variety Protection Act in 1993 and again in 1999. No genetically modified (GM) oilseeds are currently grown, although a GM mustard seed is currently under development.

High import duties and domestic support prices have failed to increase the production of oilseeds in India.

About 85% of oilseed production is crushed, with the remainder used for food, feed, and seed. Rapeseed/mustard seed and other minor oilseeds are used in seasonings and pickling.

Soybean and rapeseed/mustard seed imports for domestic crushing are not viable due to the 40% import duty. Other oilseeds are rarely imported as crushers would be unable to sell the meal in the domestic market where prices have been pressured by weak export demand and the low growth in the feed sector.

For 2001-2002, Indian rapeseed/mustard seed production is forecast to increase to 4.6 Mt, up 23% from last year's drought reduced crop. A major contributing factor in this increase is that rapeseed/mustard seed has the highest domestic support price. Domestic crush is expected to rise 7%, from 2000-2001, as a result of the increase in production. Canadian mustard seed exports to India in 2001-2002 are expected to remain small due to low world palmoil prices and the high import tariff.

For 2001-2002, soybean production is forecast to increase slightly to 5.6 Mt, but remain historically low. Although sufficient early season moisture increased seeded area, precipitation decreased sharply in August and September. Consumption is increasing as there has been a rise in health awareness by the urban Indian population. Soybeans are also widely used in feed on fish farms. Domestic crush is expected to rise 6%, in line with the projected increase in production.

Oilmeal

Oilmeal is produced from six sources of seed in India including soybeans, rapeseed/mustard seed, peanuts, sunflowerseed, cotton and copra. For 2001-2002, total oilmeal production is forecast to increase 7% to 11.8 Mt, largely due to the expected increase in rapemeal/mustard meal production.

Weaker export demand has led to decreased prices, encouraging domestic consumption of oilmeals. Domestic use has increased about 20% in the last 5 years due to the growing commercialization of the meat, dairy and poultry sectors. Total oilmeal consumption is forecast to increase to 11.5 Mt, up slightly from last year. Exports of oilmeal, consisting of 95% soymeal, are forecast at 2.3 Mt, slightly higher than 2000-2001. The government of India encourages oilmeal exports as a foreign exchange earner. Oilmeal is not imported as it is subject to a 19.6% tariff.

Edible Oil

India is the world's largest importer of vegoil, and the volume has been rising quickly in the last few years. Annual per capita consumption of oil is about 12 kg in India versus about 48 kg in North America, but it has increased substantially in the last 5 years. For 2001-2002, total edible oil consumption is expected to increase 15%, to 11.4 Mt. Due to increased demand for edible oils, and limited growth in domestic

CANADA: AGRI-FOOD EXPORTS TO INDIA

August-July crop year	1997 -1998	1998 -1999	1999 -2000	2000 -2001f	2001 -2002f
	.....thousand tonnes				
Dry Peas	175	382	210	480	380
Chick Peas	0	4	9	100	130
Lentils	2	11	11	17	25
Mustard Seed	0	5	7	5	5
Canola Oil	15	20	24	*	*
Wheat	18	5	0	0	0

* minimal
f: forecast, AAFC, October 2001
Source: Canadian Grain Commission

oilseed production, India is expected to import large quantities of oil, particularly palmoil and soyoil. Given the current growth in population and increased consumption, India is likely to remain the largest importer of edible oils over the medium-term. There are about 700 crushing plants which account for about 45% of the domestic crush and the remainder is crushed by over 80,000 small operators. The rise in demand for high quality oil meals has led to the expansion of crushing plants at the expense of the small scale processors.

Total Indian oil production is forecast at about 5.4 Mt, up 10% from 2000-2001, of which rapeoil/mustard oil and soyoil are expected to account for 0.8 Mt and 1.3 Mt, respectively. Import duties have increased to 45% for soyoil and 55% for crude rapeoil/mustard oil and palmoil. The government has justified these increases as a means of protecting Indian producers, but this has merely provided a short-term solution to the problem of low oilseed productivity and has doubled the price of vegetable oil for Indian consumers.

For 2001-2002, imports are expected to be largely palmoil from Malaysia at 4.4 Mt and soyoil from Brazil, Argentina, and the U.S. totalling 1.3 Mt. Rapeoil/mustard oil imports are forecast at 100,000 t, with Canada's share of canola oil exports forecast to remain sharply lower than the 5-year average of 14,000 t, due to the reduction in world palmoil prices in the last two years. The majority of the rapeoil/mustard oil is expected to be imported from the EU.

Pulse Crops

There are a large number of pulse crops grown in India, which account for nearly 20% of India's arable land. Total pulse crop production varied between 12-14 Mt in recent years with average yields of 0.5 tonnes per hectare. Pulse crops are largely grown under non irrigated conditions, with only about 10% under irrigation. Pulse crop production declined marginally in 2000-2001 due to drought conditions at seeding time and a shortage of moisture in the large chick pea growing areas of Rajastan, Madhya Pradesh, and Haryana. The growth in pulse crops production has been exceeded by consumption, as production has not kept pace with population growth, despite increases in imports. The result has been a 30% decline in per capita consumption to 13 kilograms per year over the last 20 years and higher domestic prices. To add to the domestic availability and keep consumer prices from increasing, the government of India allows private traders to import all types of pulse crops with a 5% import duty.

Dry bean production is forecast at 4.2 Mt, down slightly from 2000-2001, with imports, largely from Myanmar, remaining flat at 0.1 Mt. Dry beans are a main source of protein in the Indian diet and are consumed at meals. In India, most of the dry beans produced are moong and black eye beans, which are not grown in Canada.

Chick peas are the largest pulse crop produced and the only pulse crop with a support price, second only to the rapeseed/mustard seed support price. For 2001-2002, chick pea production is forecast to increase about 15% to 4.5 Mt due to a return to average yields following the reduced production in 2000-2001. Consumption is forecast to be higher than last year at 4.9 Mt, as kabuli chick peas are mainly consumed whole and desi chick peas are made into fine flour which is mixed with wheat flour to make chapattis. India uses mainly desi chick peas. Kabuli chick peas are used as a substitute for desi chick peas at times. Due to the expected increase in production, India's total imports of chick peas are expected to be reduced slightly to 0.4 Mt, largely from Australia and Canada. However, for 2001-2002 Canadian exports of chick peas are forecast to increase to 130,000 t, up 30% from 2000-2001.

For 2001-2002, **dry pea** production is forecast to remain similar to last year at 0.6 Mt as consumption stays flat at 1.2 Mt. Dry peas are consumed at meals and for making snacks. Indian imports of dry peas are expected to remain at 0.6 Mt, largely from Canada with the remainder from the U.S., France, and Australia. Canadian dry pea exports to India are largely yellow pea varieties, but some green peas are exported as well. Canada's share of the dry pea market in India has been trending upwards in recent years, however, total Canadian exports to India are forecast to decrease slightly from 2000-2001 to 0.4 Mt, due to an expected reduction in exportable Canadian dry pea supplies. Yellow peas are also used as a substitute for desi chick peas if the price of desi chick peas is too high.

Lentil consumption and imports are expected to be similar to last year at 920,000 t and 70,000 t, respectively, with Canadian exports of lentils increasing to 25,000 t in 2001-2002. Lentils are consumed with meals mainly in the eastern Indian states. Turkey is the other major lentil exporter to India.

Over the medium-term, India is expected to increase its imports of dry peas, chick peas, and lentils. Canada is expected to be well positioned to continue to service this expanding market.

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