



Food for Thought: Indian Agriculture 2012



INDIA

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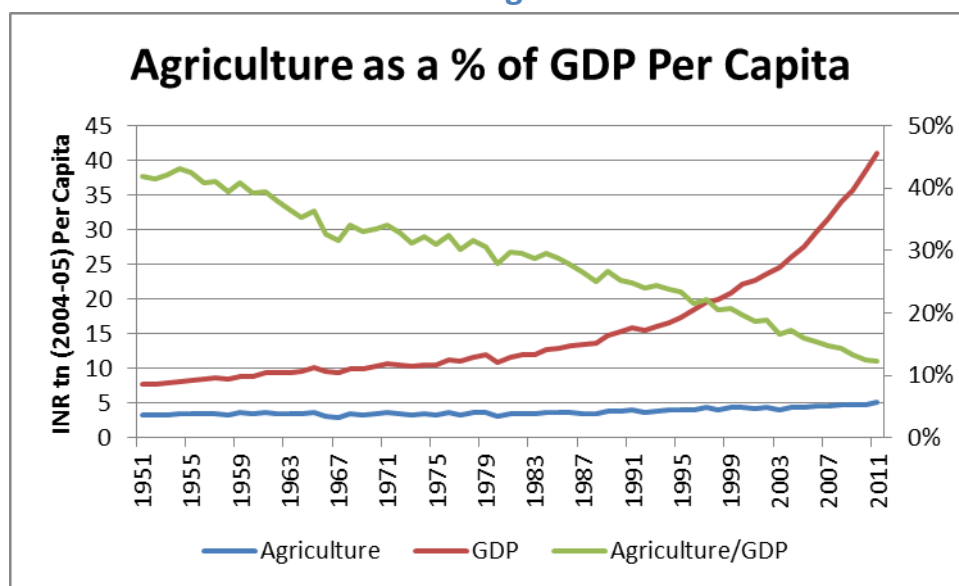
Sector Snapshot

Food for Thought: Indian Agriculture 2012

India, according to Food and Agriculture Organization (FAO) in 2010, was among the top producers of many fruits and vegetables, staples, dairy, cotton and one of the fastest growing in livestock and poultry. Since Independence in 1947, while agriculture has declined in importance as a share of GDP per capita it has continued to be an area of emphasis as a sector due to the link between agriculture, poverty and employment.

The economic contribution of agriculture to GDP has significantly declined in the last sixty years, from 42% in 1951 to only 12% in 2011 (fig 1). During the last two decades, agriculture per capita continued to stagnate with a 1% average annual growth, the economy as a whole enjoyed sizeable growth. The total area used for the production of food grains and major crops of around 125 million Hectares has not increased in the last thirty years. Nevertheless, agriculture is still the most important source of employment, which absorbed 45.5% of the Indian workforce in 2011.

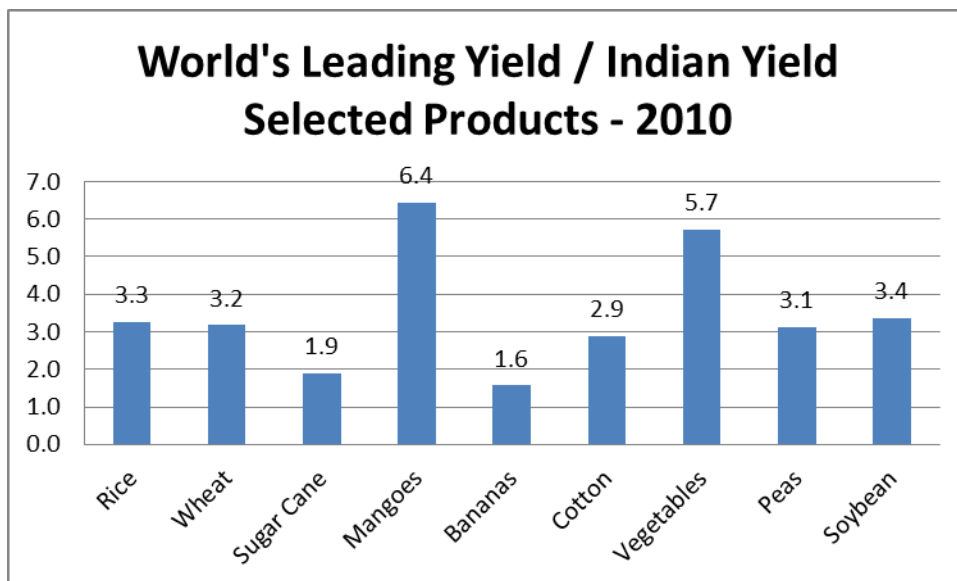
Fig 1



Source: Central Statistical Organization - India

The production yields, while increased at an average rate of 8% per year over the last thirty years, are still behind other countries. For example, Australia, the world's most productive rice producer, recorded a yield of 10.8 tn/Ha in 2010, 3.3 times greater than the 3.3 tn/Ha recorded by India during the same year (fig 2).

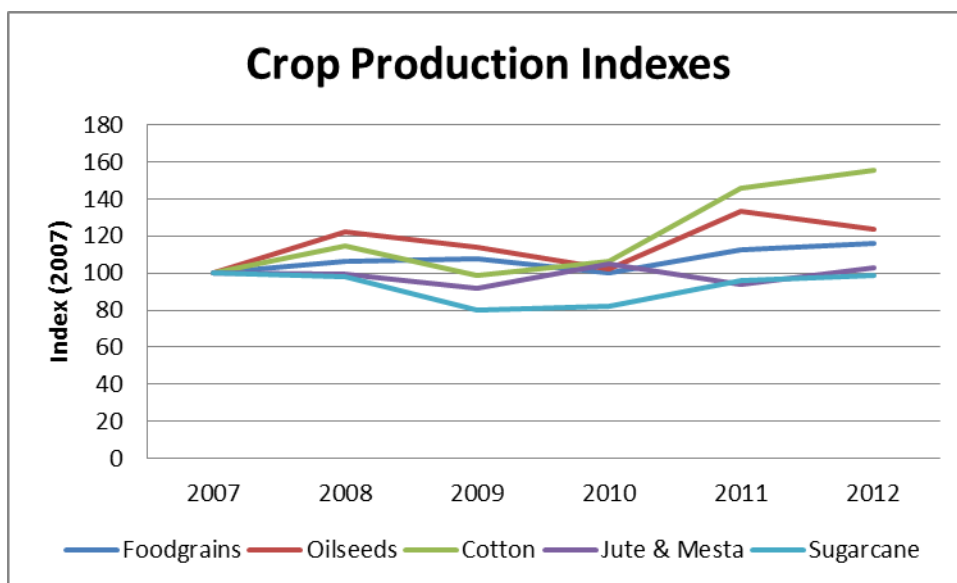
Fig 2



Source: FAOSTAT, United Nations

Cotton, followed by oilseeds, showed the higher production increases compared to other crops (fig 3). Food grains production suffered a 20 percent drop in 2009, during the country's worst drought in 30 years.

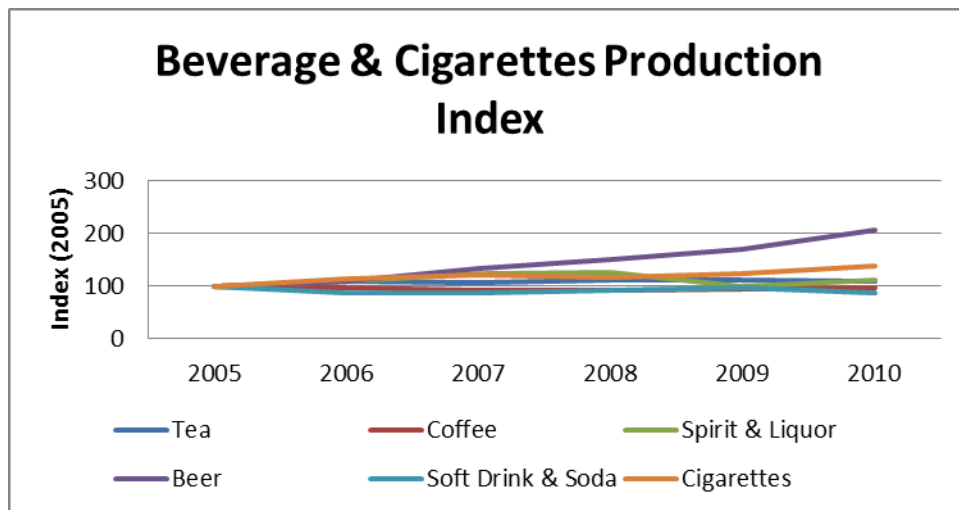
Fig 3



Source: Ministry of Agriculture - India

In the beverage & cigarettes group, the per capita consumption of beer and cigarettes increased in recent years. The production of beer increased between 2005 and 2010 at an average annual rate of 21% (fig 4). Cigarette production also recorded a positive annual growth of 8% during the same period.

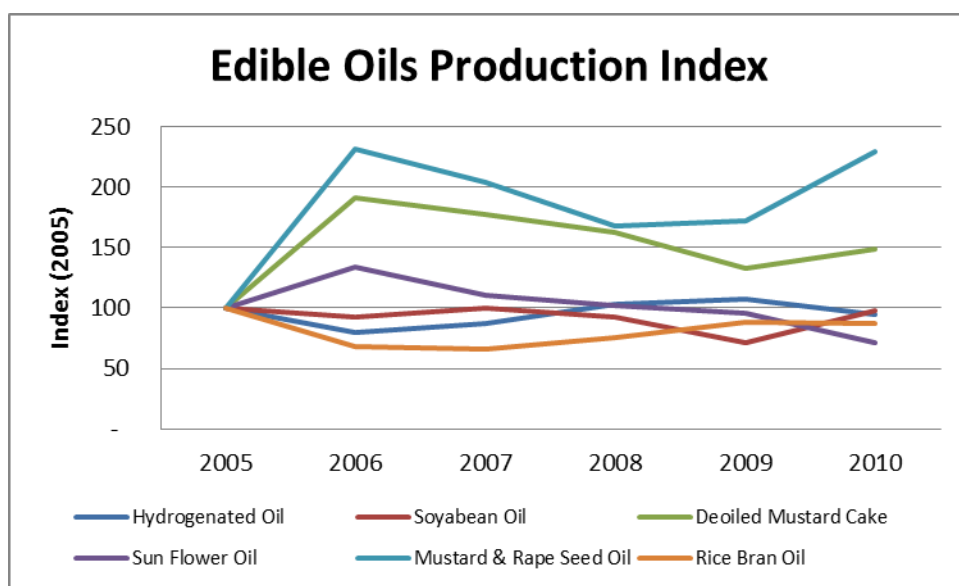
Fig 4



Source: Department of Statistics - India

In a more health-conscious India, palm oil, while still the most popular edible oil, has lost its share to soya and mustard oil. Mustard and rape seed oil, which are produced 95% locally, registered the highest production growth in the edible oils group during the 2005-2010 period, with an average annual rate of 26% (fig 5).

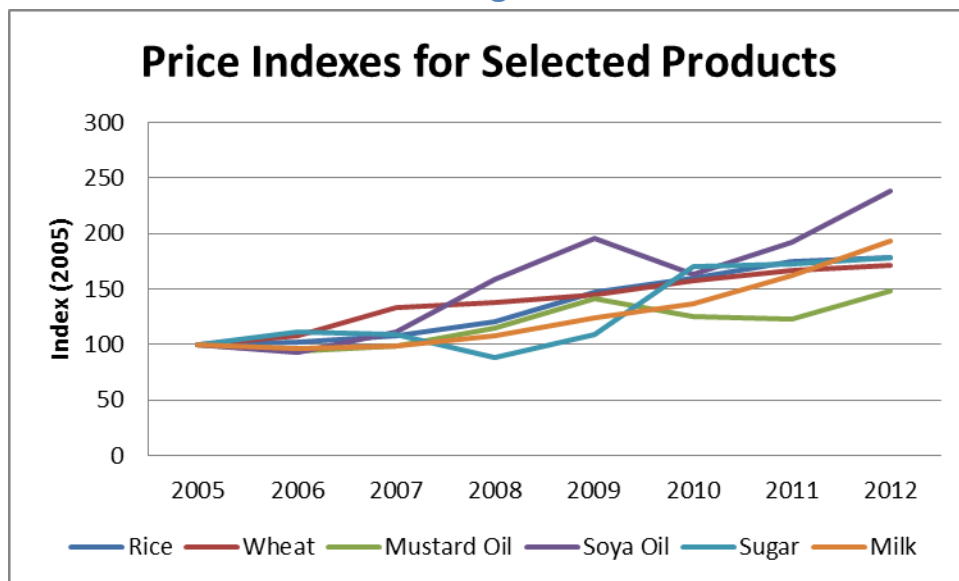
Fig 5



Source: Department of Statistics - India

Soya oil wholesale price experienced one of the highest price increases among agricultural products over the last seven years (fig 6). The annual average price increase for soya oil between 2005 and 2012 was 20%. Soya oil, which 45% is imported, experienced the most volatility, with increasing international prices during the period affecting its demand.

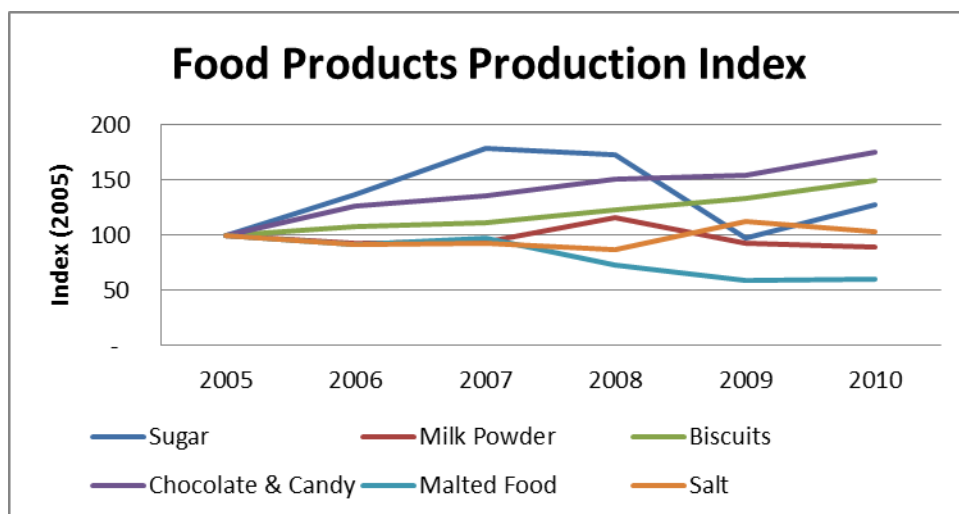
Fig 6



Source: Department of Consumer Affairs - India, IndexMundi

Shifts in food habits and higher income among Indians triggered the consumption of some food products, particularly Chocolate and Biscuits. The two products enjoyed average growth rates of 15% and 10%, respectively, during the 2005-2010 period (fig 7).

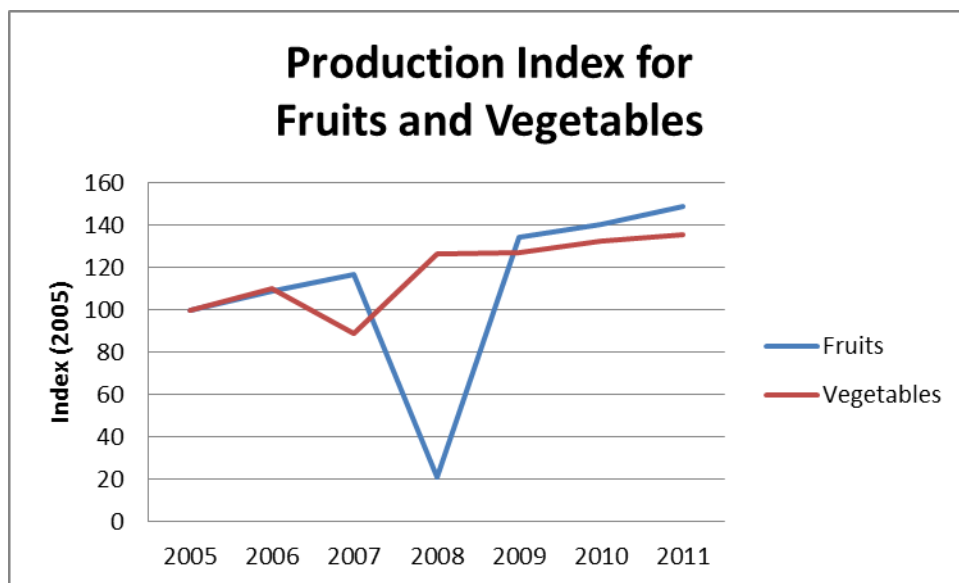
Fig 7



Source: Department of Statistics - India

The production of fruits and vegetables increased at 8% and 5% per year over the last 6 years, respectively (fig 8). A dramatic drop in fruit production was recorded in 2008.

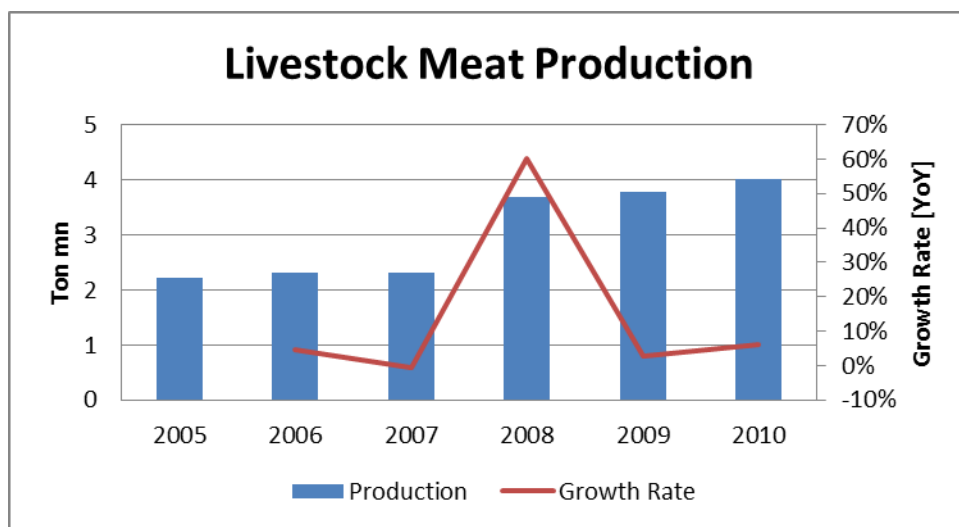
Fig 8



Source: Ministry of Agriculture - India

India’s per capita consumption of meat is still one of the lowest in the world. Even though production increased at an average rate of 16% per year between 2006 and 2010, the per capita consumption recorded in 2010 was only 3.4 kg. In 2010, 4 million tons of meat was produced, almost doubling the production of 2005 (fig 9).

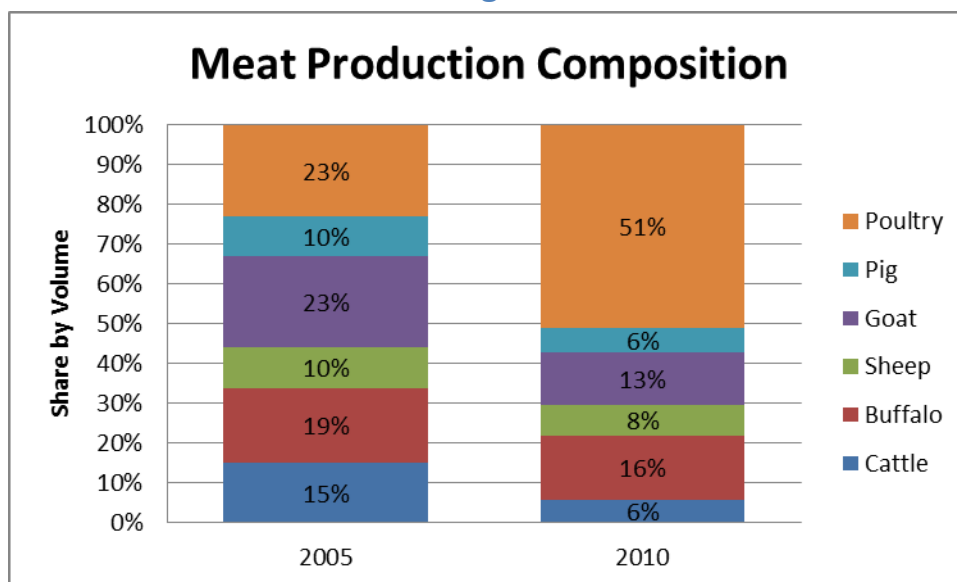
Fig 9



Source: Ministry of Agriculture - India

Most of the meat production increase came from the poultry sector, which accounted for 51% of the total meat produced during 2010, up 28 points since 2005 (fig 10). The production of cattle, goat and pig lost their shares during the same interval, suggesting an important shift in consumer trends.

Fig 10



Source: Ministry of Agriculture - India

While the Indian economy as a whole continues (even with more recent slow-downs) to do better than most others, the performance of the agriculture sector which is its biggest employer is still a cause of concern. Subpar rainfall and resultant low agricultural production has ramifications well beyond just rising food prices especially in rural regions. Recent forecast by the India Meteorological Department of 96% of long term average rain-falls is hence a welcome shower of hope to this critical sector.