



Synopsis

Indian Pesticides Industry... exports leading growth momentum

Agriculture is the lynchpin of the Indian economy. Ensuring food security for more than 1 bn Indian population with diminishing cultivable land resource is a herculean task. This necessitates use of high yielding variety of seeds, balance use of fertilisers, judicious use of quality pesticides along with education to farmers and the use of modern farming techniques.

The production of Indian pesticides industry has almost remained stable at 85,000 MT during FY08-09. In value terms, the size of the Indian pesticide industry was estimated at Rs.98 bn for 2008, including exports of Rs.48 bn.

Per hectare consumption of pesticide is low in India at 381 grams when compared to the world average of 500 grams. Low consumption can be attributed to fragmented land holdings, lower level of irrigation, dependence on monsoons, low awareness among farmers about the benefits of usage of pesticides etc. India, being a tropical country, the consumption pattern is also more skewed towards insecticides which accounted for 62% of the total pesticide consumption in FY08. Rice is the highest pesticides consuming crop. Of the total pesticides consumption, 25.9% is consumed by rice. Andhra Pradesh is the highest pesticides consuming state (23%) followed by Punjab & Maharashtra.

India due to its inherent strength of low-cost manufacturing and qualified low-cost manpower is a net exporter of pesticides to countries such as USA and some European & African countries. Exports formed 49.5% of total industry turnover in FY08 and have grown at a Compounded Annual Growth Rate (CAGR) of 29.05% from FY04 to FY08.

Prior to 2005, i.e. in the process patent regime, Indian companies focused on applied research and concentrated on marketing generic and off-patent products. Due to this, the R&D expense by Indian companies was lower at approximately 1% of turnover. Global companies focused on high-end specialty products and dominated the market for patented new molecules. Globally, pesticides companies spend 8-10% of their turnover



on R&D. However, with the onset of the product patent regime in India since 2005, the Indian companies will need to increase R&D expense to meet competition from MNCs. Alternatively Indian companies can be competitive in the area of Contract Research And Manufacturing Services (CRAMS).

With the advent of the Integrated Pest Management (IPM) technique, the use of biopesticides and Genetically Modified (GM) seeds has increased. Globally, GM seeds are used mainly for commercial crops like cotton, maize, soyabean and canola. In India, Bt cotton is widely used and the acreage stood at 7.61 mn ha for 2008, a growth of 23% over the previous year. Use of GM seeds may diminish the use of insecticides but the use of herbicides may improve.

CARE Research feels that the demand for pesticides can be augmented only through sustainable growth in agriculture. With the government's focus on development of the agriculture sector, the industry may see a better future. The Indian pesticide industry is also likely to move towards the global product mix, with an increase in the use of herbicides and fungicides. Exports will continue to remain the growth driver.

For an in-depth analysis and CARE's view on the future of this sector, please refer to the exhaustive Report on Indian Pesticides Industry by CARE Research.

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