

Bright prospects but slow progress

Savita V Jayaram looks at the reasons for slow growth in India's agrichemical manufacturing industry, the impediments to change and the barriers to reducing dependency on Chinese imports.

India is the fourth largest producer of agrichemicals in the world after the US, Japan and China. While the global agrichemical market is mature and in a consolidation phase, the Indian market has been growing at 12% CAGR in recent years. There is good potential for exports and also for growth in the domestic market.

"India ranks second in the world in terms of farm output," says Ankit Patel, CEO of Meghmani Organics Ltd. "Comprising 14% of India's GDP, agriculture continues to be a key element of the Indian economy. Agrichemicals have played a vital role in improving agriculture productivity, necessitated by a growing population base and the demand arising from the need to achieve food sufficiency. These fundamental factors will continue to drive growth in the agrichemicals industry. We are estimating that the Indian agrichemical market will

reach US\$2.7 billion this year with favourably good monsoons."

A *Religare* report on the agrichemicals sector in India states: "Patented products contribute only 20% of the global market, while off-patent products (generics) a significant 80%. Since 25% of the generic space is still marketed by innovators, it is projected that products worth US\$6.3 billion are set to go off-patent by 2020, thus favourably placing generic players to scale up their market presence."

Rajendra Velagala, director of Agricultural Solutions for BASF India, adds that "agricultural exports comprise 10% of the country's total exports and are the fourth-largest exported principal commodity. Over recent years, multiple factors have contributed towards the growth of the agriculture sector in India. These include a growth in household income and consumption, expansion in the food

processing sector and an increase in agricultural exports. Rising private participation in Indian agriculture, growing organic farming and the use of information technology are some of the key trends in the agriculture industry."

Slow and steady

Agrichemical manufacturing in India is progressing slowly for a variety of reasons. While irrigation facilities for crops are increasing with the demand for consumption of micronutrients and fertilisers on the higher side, the average Indian farmer is still unable to reap great yields because most agrichemicals are imported and there is very little domestic manufacturing.

Because of this, the Government of India recently launched the 'Make in India' initiative to attract new players into the agrichemical sector, but this has not been as successful as hoped.



“Progress and growth in this segment is coming only from the limited number of existing manufacturing companies,” Patel says. “And not all companies have the required infrastructure capabilities to expand. The ‘Make in India’ scheme was meant to restrict imports and encourage domestic manufacturing in India, but it has not been implemented so far. In fact, imports were largely affected due to the current scenario in China and US dollars appreciation.”

Pradeep Dave, President of the Pesticides Manufacturers and Formulators Association of India (PMFAI), adds: “While the Modi government is providing support to manufacture agrichemicals in India and reduce dependency on Chinese imports, as per the Insecticide Act, if you want to produce any pesticide formulation then you have to register the technical grade pesticide and formulations (in other words, the active ingredient in pesticides and formulations). But the Government of India’s registration policy for import of ready-made formulation has been diluted for



the importer to make it easy and hassle-free. Thus, a lot of material is brought from China and all over the world to India. This affects the entire local manufacturing of agrichemicals in India, providing very little opportunity for exports as well. Allowing import of insecticides into the country without registration of technical standards and quality testing is damaging for the Indian pesticide industry. Also, farmers are looted (overcharged) to avail of the imported chemicals.”

Industry is apprehensive on some of the new policies and clauses, believing they impede research for new discoveries and the efforts of the ‘Make in India’ initiative.

Challenges to agrichemical manufacturing

Sudden changes to the agrichemical import policy in 2017 have affected the import opportunities for China and the US to India. Stricter pollution reduction goals in China, with an underlying focus on

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➔ a sustainable future and a greener environment, is working favourably for India to encourage local agrichemical manufacturing.

Making the most of this opportunity – owing to the global supply crisis – many local Indian manufacturers of basic chemicals have increased their capacities to minimise the demand-supply gap and are reaping rich dividends for their efforts invested, with better prices globally.

But questions remain: is the loosening of strict policy regime on withholding import registration in India enough to boost the pace of local agrichemical manufacturing efforts? Are the newly framed guidelines for registration of agrichemicals supporting the cost-effective registration of new molecules made in India? What are the challenges to agrichemical manufacturing in India and the signals that the industry is growing?

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farmers. Would farmers in India enjoy access to new molecules and new formulations if they were manufactured in India at cost-effective prices?

Perhaps a data protection guideline for first-time indigenous manufacturing of technicals and formulations would help promote growth in India in addition to imposing tighter controls on data protection and registration policy for imports of ready-made formulations into India. The transformation can only happen if India chooses to look beyond itself as a generic products exporter and embrace a progressive manufacturing outlook to boost economic progress of the nation.

Growth in progress for a sustainable future

The ratio of small to large molecules produced in India is 60:40. There are over 1,800 small molecule manufacturing units producing and formulating products in the country.

In terms of new molecules produced, chemical company

Meghmani Organics highlights a couple of new developments in its pipeline. However, the 'China factor' seems to have impacted its growth strategy to focus on developing intermediates for products that have high volumes, thus reducing dependency on Chinese imports. At the same time, the company is developing new products such as the insecticides 'Spirotetramet', 'Dinotefuron' and more for the Indian market.

Meghmani Organics is making continuous efforts to grow and expand, not just in the agrichemical space, but in other sectors as well. It is growing at double digit figures year-on-year and is expecting good business this year from both exports and the domestic market. The company possesses infrastructure capabilities to make expansions in production capacities and introduce new projects, which will act as a catalyst to growth.

In keeping with its internal target set for the year, the company is expanding its current product line, adding new molecules and



intermediates, opting for backward integrations to stay competitive and reduce dependency on Chinese imports.

"We are in the process of expanding production capacities of 2,4-Dichlorophenoxyacetic acid (2, 4-D) by adding another 12,000 tonnes/year, which will bring totals to 22,000 tonnes/year. Performing backward integration for Bifenthrin with an intermediate called bifenthrin alcohol and lambda cyhalothric acid, will make us a significant player in the insecticides Bifenthrin and Lambda Cyhalothrin. We are also regularly adding new molecules, although the volumes for these are not high as for 2,4-D, but they are important to our continuous growth," says Patel, on the expansion and growth plans of the company.

Strong expansion in agrichemicals: BASF plans

India is expected to become the most populous country by 2022 and innovation in agriculture will play a major role in helping

to meet the growing needs of its citizens. BASF is planning to launch over 20 new crop protection products in India until 2020 in the following crops: rice, corn, apples, wheat, soyabean, onions, chillies, vegetables and sugarcane.

Velagala believes that "to create chemistry for a sustainable future in the agricultural solutions segment, we want to help growers become more sustainable. Crop Protection products, when used responsibly, are indispensable elements in competitive, sustainable agriculture. These technologies enable farmers to produce high quality crops in an environmentally friendly way and, as a result provide consumers with healthy, safe and affordable food."

Additionally, BASF develops precision farming tools, services and programmes to help growers and the professional agrichemicals community. For example, the company has developed its 'AgBalance' methodology to measure the environmental and cost benefits of different

production methods. It takes into account ecological, economic and social sustainability criteria to help build a broader and more realistic understanding of the facts and provides the opportunity to objectively assess products, processes and farming systems.

"The Indian agrichemicals industry is expected to grow at 7.5%/year to reach US\$6.3 billion by 2020 with domestic demand growing at 6.5%/year and export demand at 9%/year," Velagala says, quoting findings by CropLife India.

"The Indian agrichemical sector is valued at US\$4.1 billion and is expected to grow at 8.3% to reach US\$8.1 billion by 2025. Exports are expected to grow even faster at a rate of 8.6% and will contribute US\$4.2 billion by 2025," according to a statement by Sarjiwan Manhas, chairman of CropLife India in the company's annual report for 2018-19. ●

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