



The Dragon and the Elephant: Rise of China & India

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A half-day workshop to present the achievements of two EU-funded agricultural research projects on China and India – CATSEI and TAPSIM

Thursday, May 27 2010

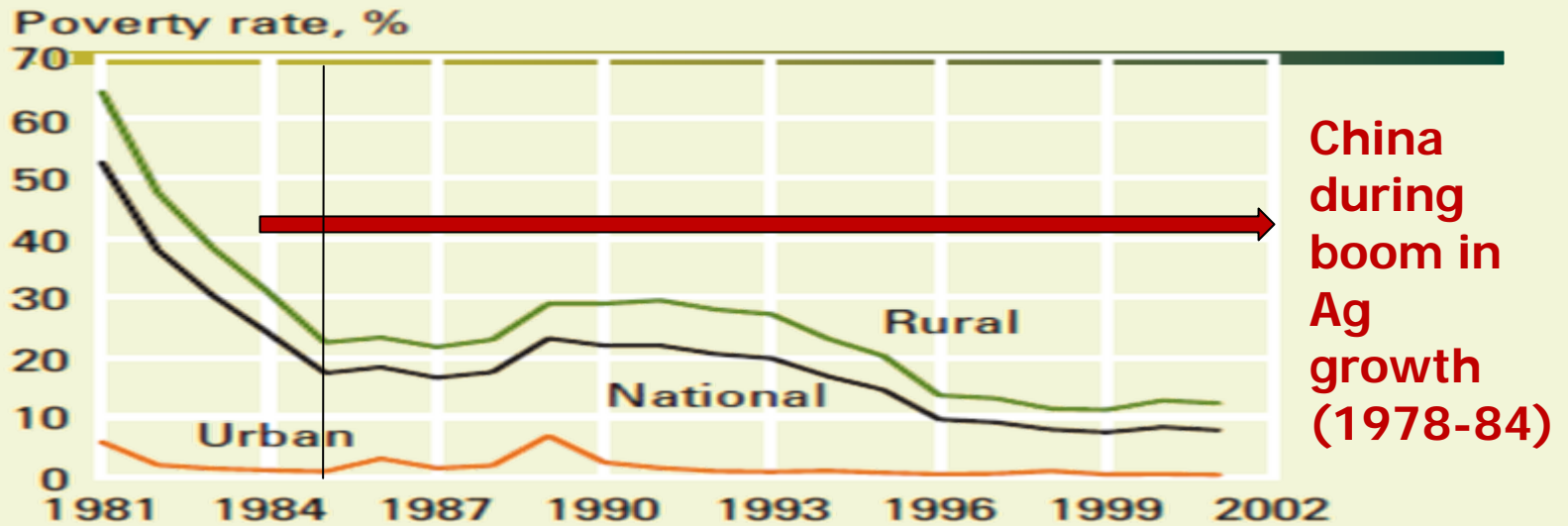
Brussels, Crowne Plaza Europe Hotel

Rue de la Loi 107, Brussels, 1040 Belgium

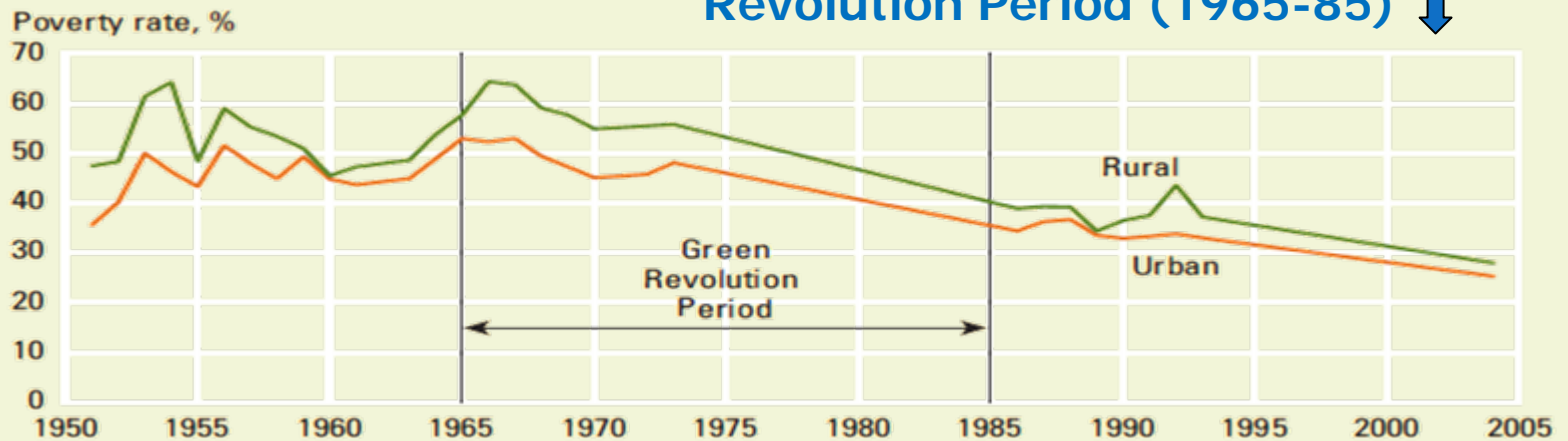
Key Economic Indicators

Indicators	Year	India	China
GDP growth (% annual)	2008	7.1	9.0
GDP per capita growth (% annual)	2008	5.7	8.4
Trade as % of GDP	2008	54.3	63.4
Foreign Exchange Reserves (USD bn)	Dec 2009	283.5	2399.2
FDI, net inflows (as % of GDP)	2007	2.0	4.1
Agri GDP (as % of GDP)	2008	17.6	11.3
Agri GDP (% annual growth)	2008	1.6	5.5
% population living on < \$1.25 a day	2005	41.6	15.9

Impact of Growth on Poverty Reduction



In India- During Green Revolution Period (1965-85) ↓

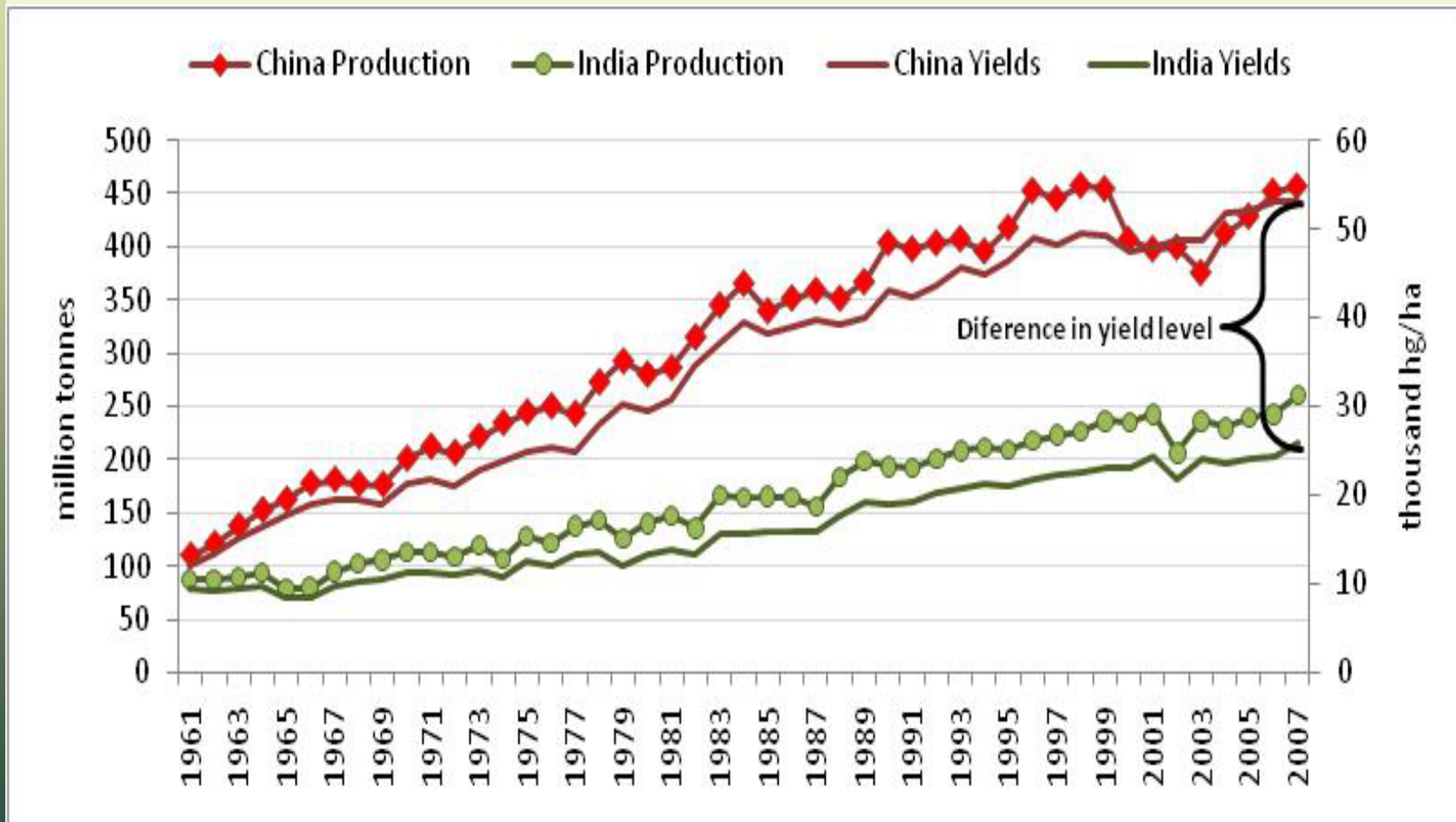


Food Security Concerns

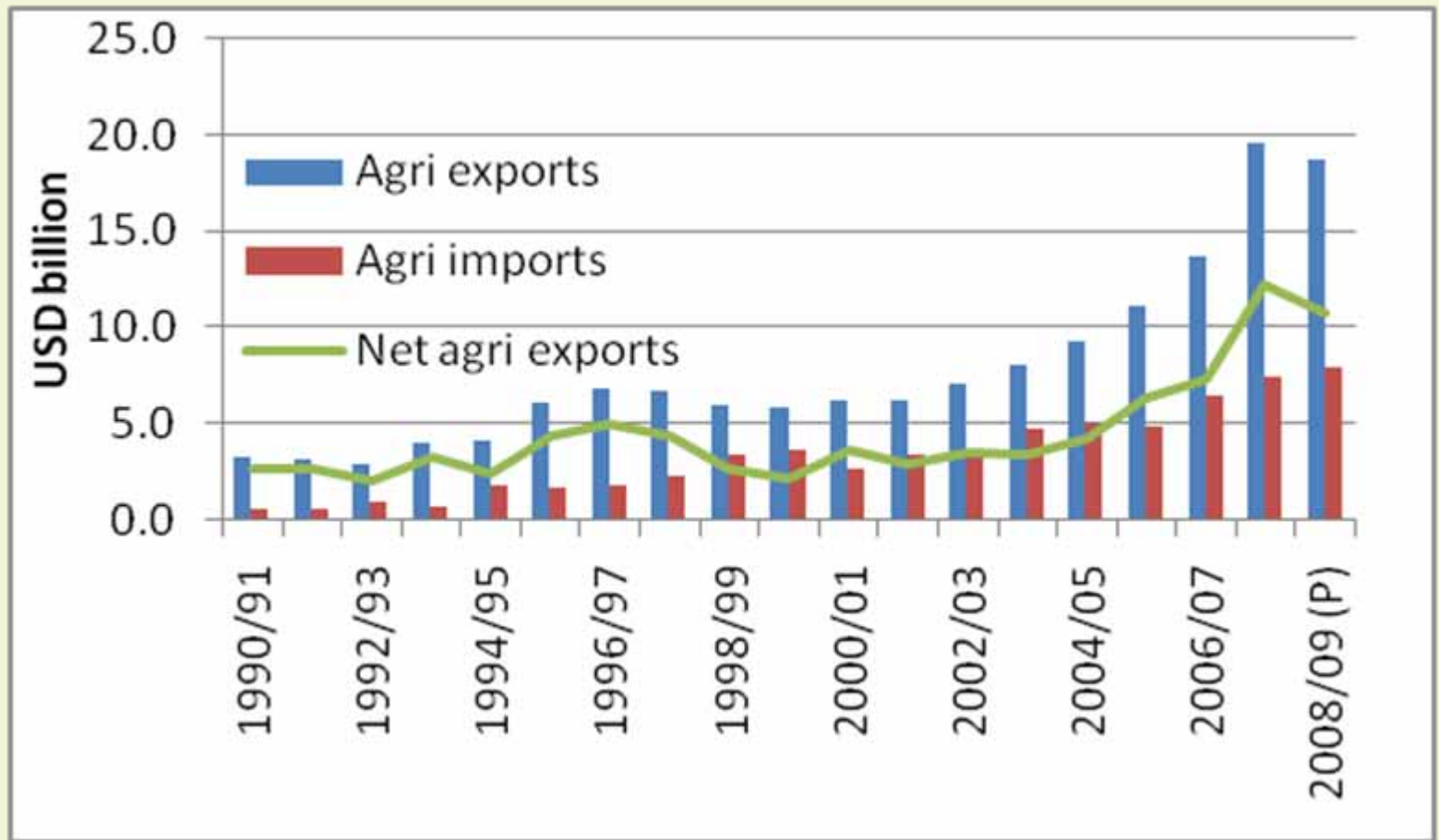
- Who will feed China...? Lester Brown (1995)
 - India too is facing similar challenges
 - Pressure on land & water resources, environmental stress
 - Too big to rely on others in the time of crisis.
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Cereal Performance in China & India

Level of Production & Yield of Cereals in China & India (1961-07)



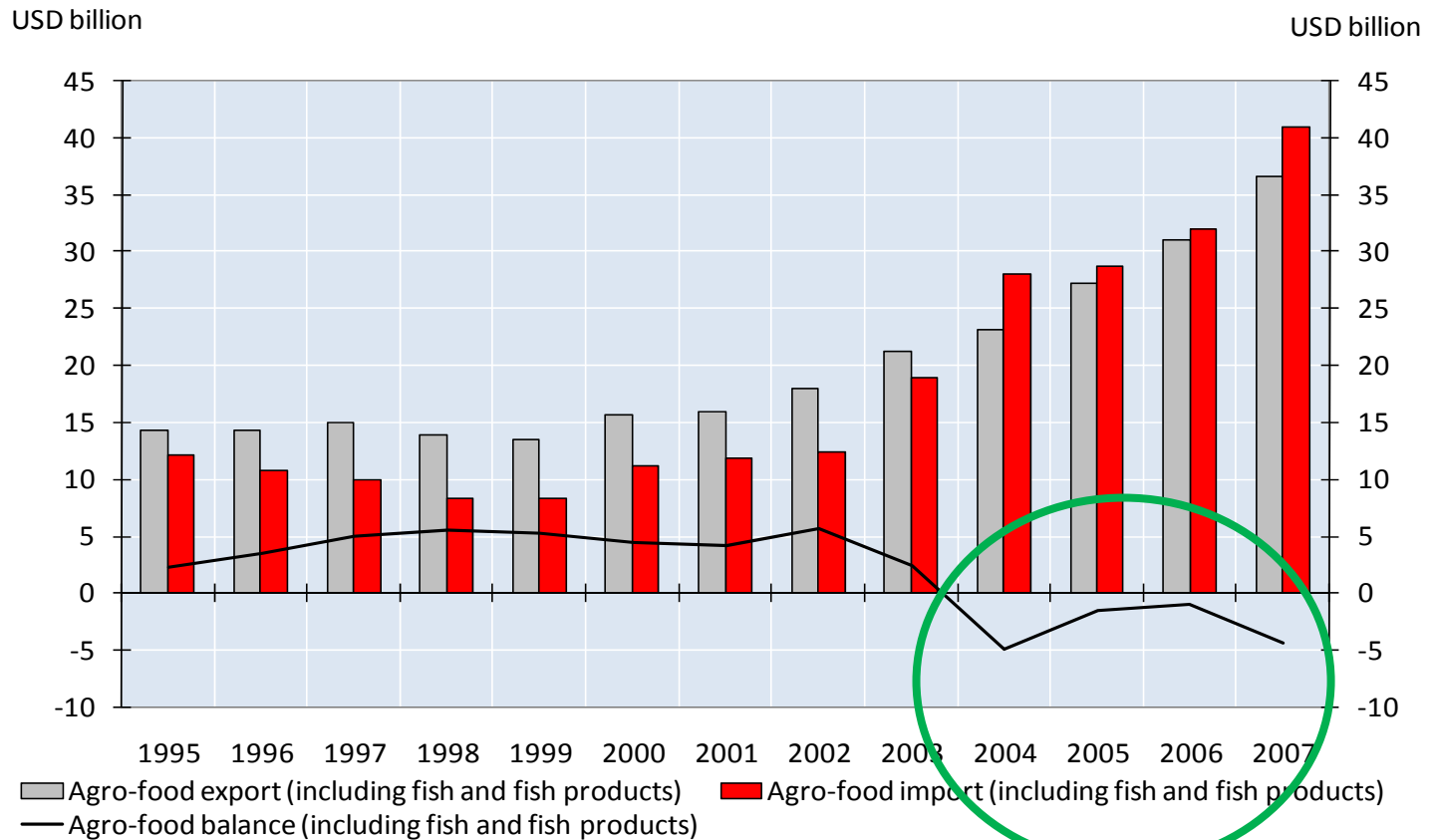
India: Rising Agricultural Trade



Source: Agricultural Statistics at a Glance, GoI 2009

China: rising exports and imports of agri-produce

China's Agro-trade Balance has become negative in recent years



Source: Gulati & Chen 2010



Emerging Trends

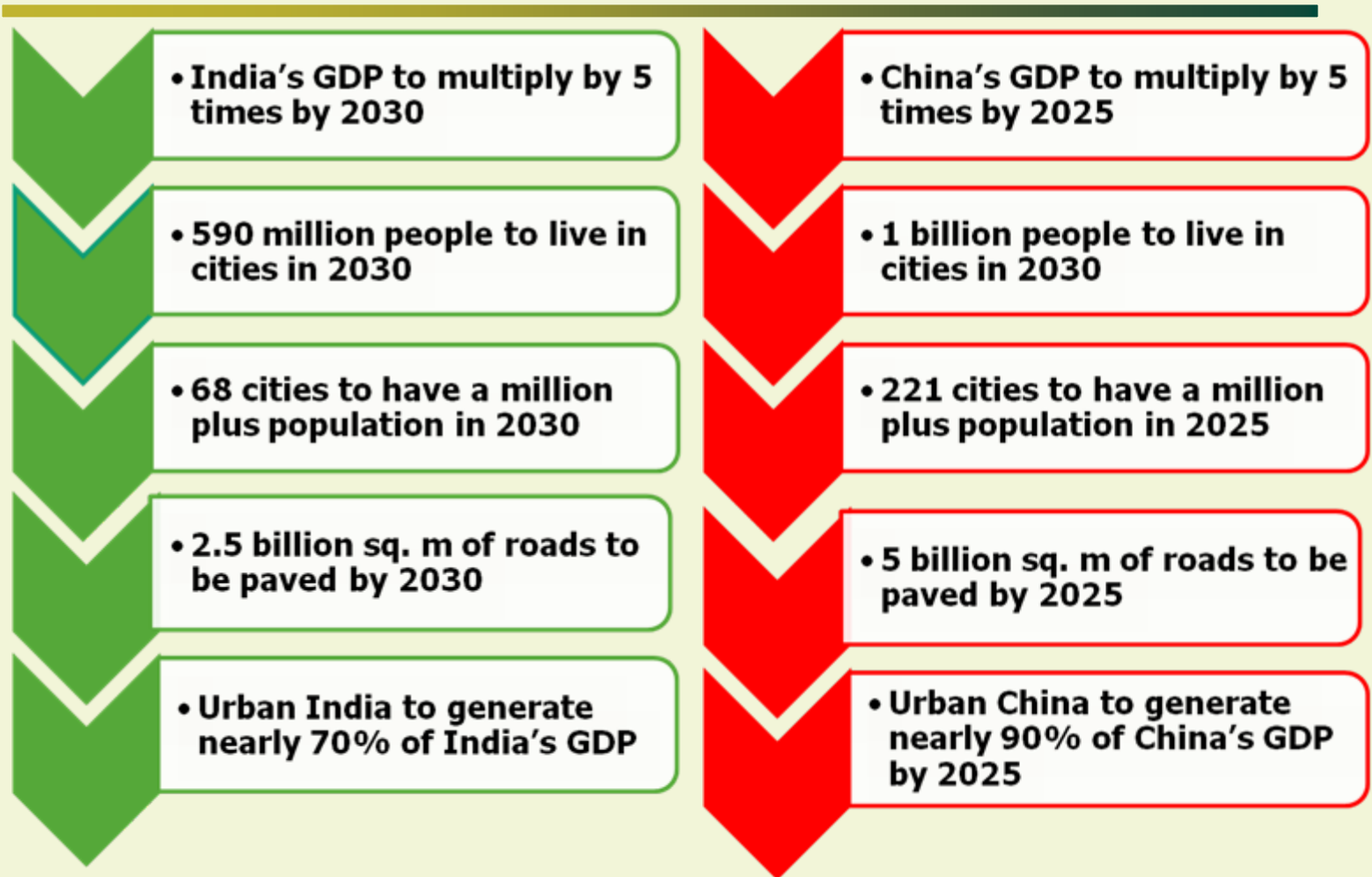
The Rising Middle Class and Urbanization

- For India, middle class comprise of
 - Seekers (\$4,380 to \$10,940)
 - Strivers (\$10,940 to \$21,890)
 - 5% of pop, 13 mn hh, 50 mn pple in 2005
 - 41% of pop, 128 mn hh, 583 mn pple in 2025

- For China, middle class comprise of
 - Lower Aspirants (\$3,019 to \$4,831)
 - Upper Aspirants (\$4,831 to \$12,077)
 - 43% of pop in 2005 to 76% in 2025

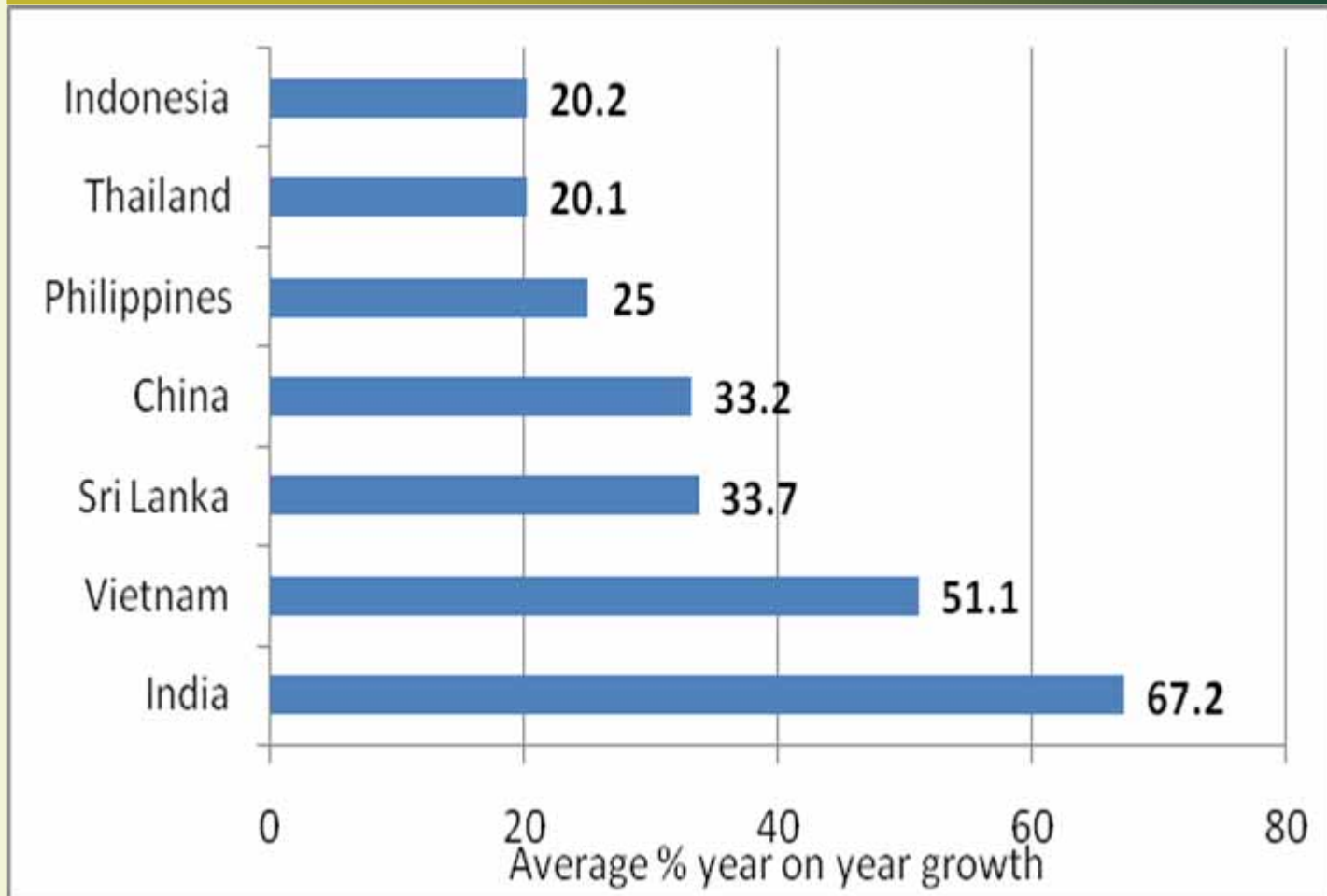
Source: Mckinsey Global Institute, 2006 & 2007

Opportunities for Urbanization for India & China



Source: Mckinsey Global Institute, 2009 and 2010

Rise of Top 10 Organized Food & Grocery Retail (2001 to 2008)



Source: Planet Retail

Note: Categories as defined by Planet Retail for Banner Food sales

Role of Multinationals in Organized Retail in China

- **Wal-Mart** entered China in 1996,
 - one million farm146 stores in China, covering 89 cities, direct employment for 70,000 people
 - Direct Farm Program by linking up with nearly million farmers
 - **Carrefour** in China since 1995,
 - 135 stores, 40,000 employees.
 - **Tesco** entered in 2004 (JV)
 - 58 hypermarkets, 17,000 staff.
 - MNCs are lining up with local suppliers,
 - 20,000 by Wal-Mart, 22,300 by Carrefour
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FDI and MNCs in Organized Food Retail in India

- **Metro Cash & Carry, 2003**
 - Operating 5 stores in 2008
 - **Wal-Mart JV with Bharti (BWPL), 2009**
 - B2B Best Price Modern Wholesale
 - 6 to 75 stores by 2010
 - **Tesco JV with TATA, 2008**
 - **Carrefour, 2010**
 - FDI in multi brand retailing yet to open up.
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Some Demographic Indicators

Indicators	Year	India	China
Population size (billion)	2008	1.1	1.3
Population density (persons per Sq km)	2008	383.4	142.1
Age dependency ratio, young (as % of working population)	2008	50	28.7
Percent rural population	2008	70.5	56.9
Sex ratio at birth	2005	1.10	1.25

Source: WDI 2009

Children earn \$7 per day at the vegetable market, Gansu



Implications on Consumption and Production

- Impact on demand
 - Older population eat less than teenagers
 - Great concern on healthy food
 - The marriage market pressure induces more consumption on visible goods and savings (i.e. Housing and cars), which in turn may have a consequence on food consumption
 - Impact on China's agricultural production
 - Mostly women and elderly work on the farm
 - Widespread use of machinery
 - Active land rental market
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Lessons & Experiences for D&E

- Staples will be on high priority due to the food security concerns
 - Agricultrade volumes have increased dramatically in both countries
 - Urbanization is shaping the landscape of agriculgtural production and marketing
 - In the mid to long run, demographic change should be seriously taken into account
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