

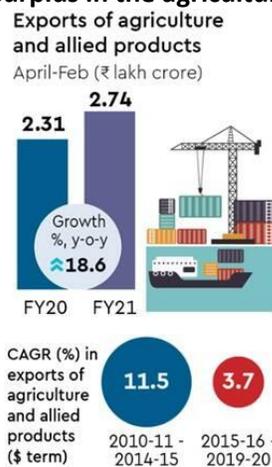


RSTV BIG PICTURE: AGRI EXPORTS MAINTAIN HEALTHY TREND

CONTEXT: Agriculture and allied products worth Rs 2.74 lakh crore were exported in the first 11 months of last fiscal against Rs 2.31 lakh crore in the year-ago period, **up 18.6%, while imports marginally increased by 3%** to Rs 1.41 lakh crore.

HIGHLIGHTS:

- As per the data for the April-February period of last fiscal, **India's foreign trade balance in agriculture increased by 41% on year.**
- There were buoyant shipments of a host of commodities including non-basmati rice, wheat, soya meal, spices, sugar, cotton, fresh vegetables, processed vegetables and alcoholic beverages.
- India has **consistently maintained trade surplus in the agricultural products over the years.**



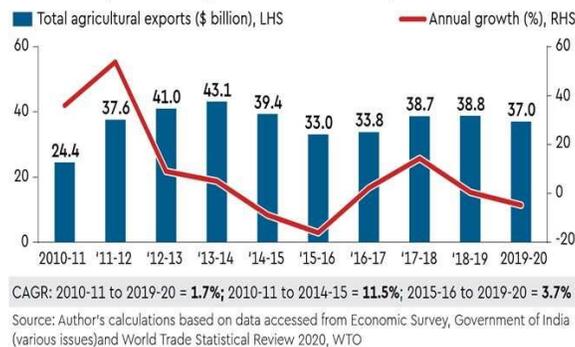
INDIA'S STATUS IN AGRICULTURAL EXPORT:

- India's exports of agriculture and allied exports in dollar term grew at a CAGR of 3.7% between 2015-16 and 2019-20. The CAGR was 11.5% between 2010-11 and 2014-15.
- Indian agricultural products are exported to more than 100 countries/regions in the world.
- India is one of the 15 leading exporters of agricultural products in the world.
- India's major export destination for agricultural products are the USA, Saudi Arabia, Iran, Nepal, and Bangladesh.
- India's major agricultural export basket includes rice (both Basmati and non-basmati), spices, cotton, and wheat apart from this India also exports marine products and buffalo meat.
- India is the second largest agriculture producer in the world.
- In 2019, India exported USD 38.7 billion of agricultural goods, which is only 7% of Indian agriculture production.
- One key cause of the discrepancy between rank in production and exports is the large domestic demand of a population of 1.34 bn people.



- India exports **70% of its agricultural product exports to nearby geographies**, including the Middle East, Africa and Asia Pacific, only exporting 30% to Europe and the Americas showing low agri-market diversification.
- According to the WTO's World Trade Statistical Review 2020, the country's **share in global agricultural exports increased from 1.1% in 2000 to 2.2% in 2017, valued at \$39 billion, but fell to 2.1% in 2019, valued at \$37 billion.**
- India's agricultural export can grow from **USD 40 billion to USD 70 billion in a few years.**
- Additional exports are **likely to create an estimated 7-10 million jobs.**
- A growth in agri-exports can lead to **doubling of farm income, expansion of diversified markets for Indian agricultural commodities etc and earn foreign exchange.**

India's exports of agricultural & allied products



AGRICULTURAL EXPORT POLICY 2018:

- **Vision:** Harness export potential of Indian agriculture, through suitable policy instruments, to make India global power in agriculture and raise farmer's income.
- **Objectives:**
 - **To double agricultural exports from present ~US\$ 30+ Billion to ~US\$ 60+ Billion by 2022 and reach US\$ 100 Billion in the next few years thereafter, with a stable trade policy regime.**
 - **To diversify our export basket**, destinations and boost high value and value-added agricultural exports including focus on perishables.
 - To promote novel, indigenous, organic, ethnic, traditional and non-traditional Agri products exports.
 - To provide an institutional mechanism for pursuing market access, tackling barriers and deal with sanitary and phytosanitary issues.
 - **To strive to double India's share in world agri exports** by integrating with global value chain at the earliest.
 - Enable farmers to get benefit of export opportunities in overseas market.
- **Policy recommendations:**
 - **Strategic**
 - ⇒ Policy Measures- general and commodity specific measures that may be urgently taken and at little to no financial cost.
 - ⇒ Infrastructure and logistics- pre-harvest and post-harvest handling facilities, storage & distribution, processing, facilities, roads and world class exit point infrastructure at ports, Mega Food Parks, state-of-the-art testing laboratories and Integrated Cold Chains
 - ⇒ Holistic approach to boost exports - Strategic and operational synergy across ministries will be key to boosting productivity and quality.
 - ⇒ Greater involvement of State Governments in Agriculture Exports



▪ **Operational Recommendations**

- ⇒ Focus on Clusters- There is a need to evolve and put in place institutional mechanism for effective involvement and engagement of small and medium farmers for entire value chain as group enterprise(s) within cluster of villages at the block level for select produce(s).
- ⇒ Promoting value added exports
- ⇒ Product development for indigenous commodities and value addition
- ⇒ Promote value added organic exports
- ⇒ Promotion of R&D activities for new product Development for the upcoming markets
- ⇒ Skill development
- ⇒ Marketing and promotion of “Brand India”
- ⇒ Attract private investments in export-oriented activities and infrastructure.
- ⇒ Establishment of Strong Quality Regimen
- ⇒ Research and Development
- ⇒ Creation of Agri-start-up fund

CHALLENGES FACED IN AGRICULTURE EXPORT:

- Indian farms are smaller (1-2 hectares on average) and fragmented, making it harder to achieve economies of scale.
- Yield levels of the majority of crops in India remains much lower than the world average.
- Mechanization is relatively low and Indian farmers do not utilise many high-yield input varieties.
- India's cost of logistics is currently around 14% of GDP – higher than developed country exporters like the US (9.5%).
- India is a more prolific exporter of primary commodities than of value-added agriculture products.
- Indian agriculture exports also face non-tariff barriers stringent sanitary and phytosanitary (SPS) standards, residue limits for various pesticides, antibiotics, etc in attractive markets such as Europe.
- Uncertainty in the foreign trading regime
- The pandemic has accentuated the global food and agriculture trends, which results in decrease of agricultural exports.
- No study has been conducted to assess the long-term impact of exports on the agricultural and horticultural sector by the Department of Commerce.
- Indian government putting export restrictions on imported food items to prevent inflationary pressures in the domestic economy hurts Agricultural exports.

INITIATIVES UNDERTAKEN TO ENCOURAGE AGRICULTURAL EXPORTS:

- A dedicated body named the **Agricultural and Processed Food Products Export Development Authority (APEDA)** created under the APEDA Act 1985.
- Under the **Export Promotion Scheme of APEDA**, the government is providing assistance to the exporters of agricultural products.
- Government introduced a comprehensive **Agriculture Export Policy in 2018**.
- Government has also brought out a **Central Sector Scheme – ‘Transport and Marketing Assistance for Specified Agriculture Products’**. The scheme aims for assisting the international component of freight handling and marketing of agricultural products.
- The Department of Commerce also has several schemes to promote exports, including exports of agricultural products, viz.
 - **Trade Infrastructure for Export Scheme (TIES),**



- **Market Access Initiatives (MAI) Scheme,**
- **Merchandise Exports from India Scheme (MEIS) etc.**
- **Assistance to the exporters of agricultural products** is also available under the Export Promotion Schemes of Marine Products Export Development Authority (MPEDA), Tobacco Board, Tea Board, Coffee Board, Rubber Board and Spices Board.
- The coronavirus outbreak and the lockdown has spurred structural reforms in the agricultural sector- **amendments to the Essential Commodities Act, barrier free trade of agricultural products, contract farming arrangements, provision of ₹1 lakh crore for agro-infrastructure.**

HOW TO IMPROVE AGRICULTURAL EXPORTS?

In addition to measures proposed by Agri-export Policy, 2018, following steps can be undertaken.

- The High-Level Group (HLEG) on Agricultural Exports set up by the Fifteenth Finance Commission, has made its recommendations, major among which are:
 - Focus on **22 crop value chains – demand driven approach.**
 - **Solve Value Chain Clusters (VCC)** holistically with focus on value addition.
 - **Private Sector should play an anchor role** in driving outcomes and execution.
 - **Centre should be an enabler.**
 - **Robust institutional mechanism** to fund and support implementation.
 - A **State-led Export Plan** - a business plan for a crop value chain cluster, that will lay out the opportunity, initiatives and investment required to meet the desired value chain export aspiration.
 - **Funding through convergence of existing schemes, Finance Commission allocation and private sector investment.**
- **Continue reforms in various domestic policies** scattered around in Departments like Agriculture, Animal Husbandry, Food and Consumer Welfare, etc.
- The focus on **strengthening quality regimen in agriculture production** system needs to be a continuous effort.
- **Domestic policies and schemes would need to align with the disruptive changes that artificial intelligence, IoT, blockchain, etc. will bring** to agriculture in the coming days.
- A **systematic initiative to address the logistic bottlenecks** will not only make our agricultural exports hassle free but also allow them to be more competitive.
- Government should **re-orient the role of its extension centres to handhold farmers** in growing those varieties of crops that have demand in the global markets.
- In order to boost exports of dairy products and make the dairy sector globally competitive, the central government needs to consider **development of dairy export zones (DEZs)** in collaboration with state governments
- **Linking of FPOs through contract farming arrangements with export-oriented food processing units of food parks** created under the Pradhan Mantri Kisan Sampada Yojana, would boost exports of processed food and raise income of small and marginal landholders and small fish farmers.
- It's desirable to create **Organic Product Export Zones (OPEZs)** with common infrastructure for processing, standardisation, storage, logistics, and connectivity to ports and airports.
- **Economic diplomacy and promotion of Brand India** can play an effective role in increasing agro-exports.
- **Linking farmers/FPOs to the export market and skilling of surplus farmers** for their absorption in agro-export value chains could be an important strategy to sustainably raise farmers' income.



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