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# POLICY AND PERFORMANCE OF AGRICULTURAL EXPORTS IN INDIA

**Malini L Tantri**[1]

## Abstract

*This paper provides a detailed analysis of the trends and characteristics of agricultural exports in India and also critically evaluates the trajectories of agriculture policy making in India. The excercise analysis so carried out help us to argue that undoubtedly the Agricultural Export Policy (2018) intend to improve India's position in agricultural export. Nevertheless, in the making of it, many threads are missed out, which need immediate attention.*

## Background

In terms of global agriculture production, India stands second, whereas with 2.2 per cent share in global exports, it ranks in the eighth position (WTO, 2019). Domestically, agricultural exports' contribution to India's GDP is lower than 2 percent, lower than other developing agrarian countries. Brazil and Indonesia, for example, are the 3rd and 6th respectively in terms of world agricultural exports and contributed 5 per cent and 4.4 per cent respectively to their GDPs and Argentina, another leading exporter saw agricultural exports contribute to nearly 7 per cent of its GDP in 2018 (World Bank). In addition to this, the share of the agriculture sector in the country's total exports has declined marginally from 12.07 per cent (2016-17) to 11.76 per cent (2018-19) (Press Information Bureau, 2019). Such patterns are attributed to lower prices and demand in the international market, unfavourable currency movements and international developments like sanctions against Iran and Russia. In addition to this, agriculture has been contributing less to the country's gross value added; from 17.83 per cent in 2012-13, to 14.9 per cent in 2017-18 (MoFPI, 2018). All these reasons are cited for lower farm incomes in India.

In this backdrop, of late, experts have noted that not only is it necessary to increase agricultural exports for improving the farmers' incomes, but also to improve the value added agricultural exports, which make up less than 15 per cent of India's total agricultural exports (Gulati *et al*, 2019). Buying this argument, to push agricultural exports, the Central government has undertaken a number of initiatives. They include Transport and Marketing Assistance for Specified Agriculture Products, Trade Infrastructure for Export Scheme (TIES), Market Access Initiatives (MAI) Scheme, Merchandise Exports from India Scheme (MEIS) etc. In addition, assistance to the exporters of agricultural products is also available under the export promotion schemes of Agricultural & Processed Food Products Export Development Authority (APEDA), Marine Products Export Development Authority (MPEDA), Tobacco Board, Tea Board, Coffee Board, Rubber Board and Spices Board. Despite these many initiatives, India is struggling to improve its share in the global map and also have better diversified and value added agricultural exports. Surprisingly, though there exist many key studies on the Indian agriculture system and its performance, hardly any

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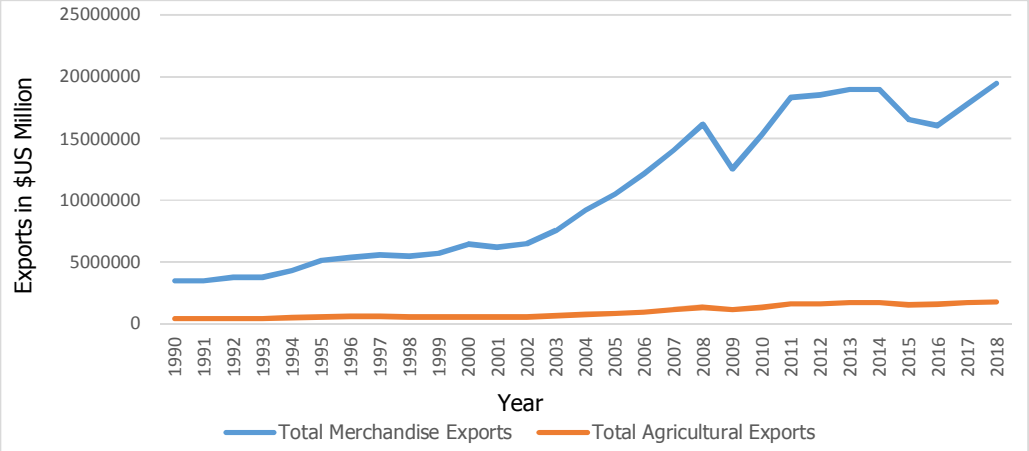
studies have outlined the making of the Agriculture Export Policy and the key issues involved in it. It is in this background that this paper undertakes a detailed analysis of the trends and characteristics of agricultural exports in India and also critically evaluates the trajectories of agriculture policy making in India. The analysis is based on data collected from APEDA and FAO statistics as well as a few India-specific data sources. The reference period of the study is 2000-2018. The rest of the paper is organised as follows. The second section outlines the trends and major characteristics of agricultural exports in India. The third section presents the making of the Agriculture Export Policy in India and major issues affecting it. The last section summarises the paper.

## Trends and Characteristics of Agricultural Exports in India

In the last three decades, global trade has increased from US$ 3489.7 billion in 1990 to US$ 19450.6 billion in 2018 (Figure 1). Within this, the share of agriculture in total global exports has reduced from 11.9 per cent to 9.3 per cent over the same period. The major trend noticed was that in the first decade, agricultural trade grew more than 15 per cent between 1994-1995, but drastically fell to negative growth rates till 1999. The decade 2000-2010 was a period of resurgence, with agricultural export growth averaging more than 10 per cent, till the financial crisis of 2008 after which growth declined by 12 per cent in 2009. From 2012 onwards, exports growth has been fluctuating at single digits, the last being four per cent in 2018.

**Figure 1: World's Merchandise and Agricultural Exports (1990-2018)**

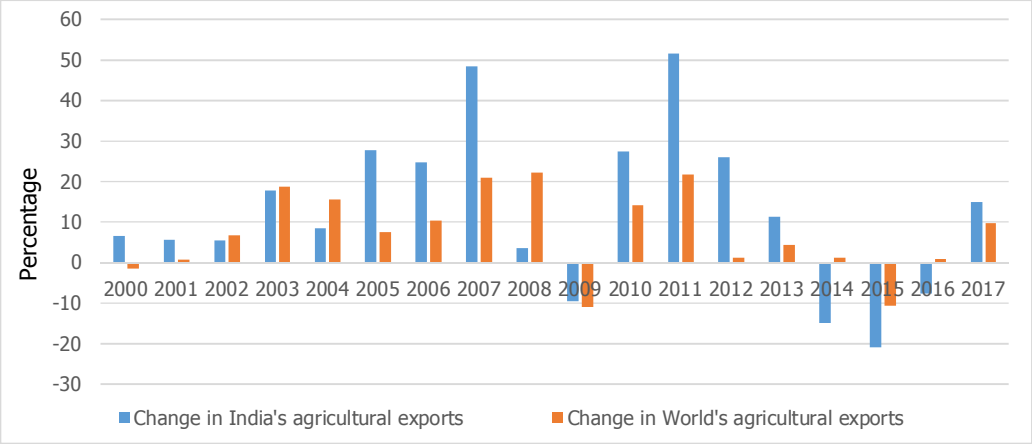



*Source:* WTO Statistics

Global as well as India's agricultural exports saw a decline after 2011 (Figure 2), which the UN termed as anaemic growth (2012-2014), then by a downturn (2015 and 2016) and finally by a strong rebound (2017 and 2018) (UNCTAD, 2019). While the anaemic growth period was a continuation from the 2009 recession, what was surprising was that the downturn of 2015 and 2016 occurred against a positive global real GDP growth (ibid). Such a pattern was the result of several factors including declining commodity prices, weak demand in major economies and the United States dollar appreciation. The rebound of 2017 was also largely unanticipated, and more so the strong increase in trade for 2018 as last

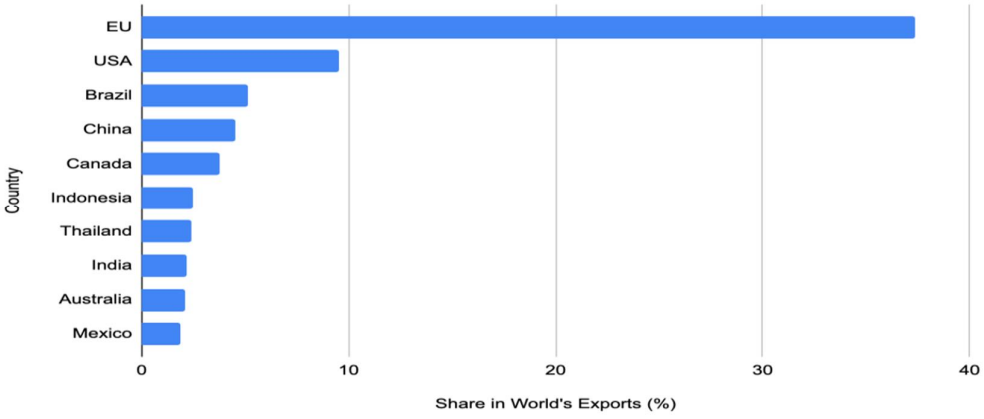
year was characterised by increasing global uncertainty (UNCTAD, 2019). With respect to India, FAO (2018) noted that while India increased its agricultural exports due to increased productivity, rising incomes and falling poverty resulted in increased imports due to increased demand for food commodities. The top 10 products exported in the world as of 2017 and India's share in those exports listed in Table 1 indicate that except for crude materials i.e. products that have not been manufactured or processed, where India's exports accounted for more than 3 per cent of global exports, for the other top 10 exported products, India's share is less than one percent.

**Figure 2: World and India's Agricultural Export Growth (%)**




*Source:* Calculations from FAOSTAT

**Figure 3: World's Top Exporters of Agricultural Products, 2017**




*Source:* WTO World Trade Statistical Review, 2019

**Table 1: India's Share in World's Top Ten Agricultural Exports (2017)**

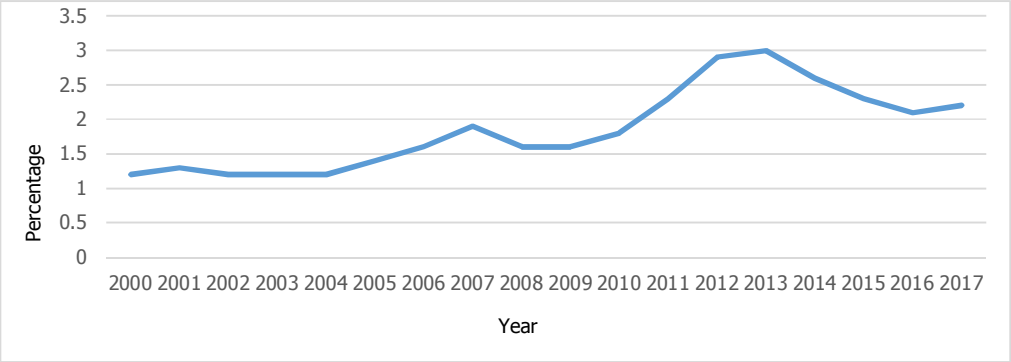
| Top ten products in world exports in 2017 | Value of Exports in $US Million | India's share (%) |
|---|---|---|
| Food preparations not elsewhere specified | 61440 | 0.53 |
| Soybeans | 58124 | 0.29 |
| Crude materials# | 41749 | 3.42 |
| Wheat | 38942 | 0.14 |
| Wine | 35300 | 0.02 |
| Oil,palm | 33641 | 0.00 |
| Meat, cattle, boneless (beef and veal) | 33249 | 0.0 |
| Beverages, distilled alcohol | 30363 | 0.53 |
| Maize | 29741 | 0.53 |
| Cheese, whole cow milk | 27971 | 0.07 |

*Source:* FAOSTAT

*Note:* While India exports cattle, for category (meat, cattle, boneless (beef and veal)), FAO statistics show no data. # this includes plants and parts used primarily in perfumes, pharmaceuticals, insecticides, fungicides, or for similar purposes; seaweeds and other algae; vegetable saps and extracts; materials used for plaiting, stuffing or padding; materials used primarily in brooms or brushes; and materials used primarily in dyeing and tanning. Includes items of animal origin: human hair, unworked and waste; pigs bristles and hair; badger hair and other brush- making hair and waste; guts, bladders and stomachs of animals (o/t fish); skins and other parts of birds with their feathers or down; bones and horn-cores, unworked, defatted, simply prepared; powder and waste; ivory, tortoiseshell, whalebone, claws and beaks; coral and shells of molluscs and crustaceans; sponges of animal origin, ambergris, castoreum, civet and musk; cantharides, bile glands and other animal products used in pharmaceuticals.

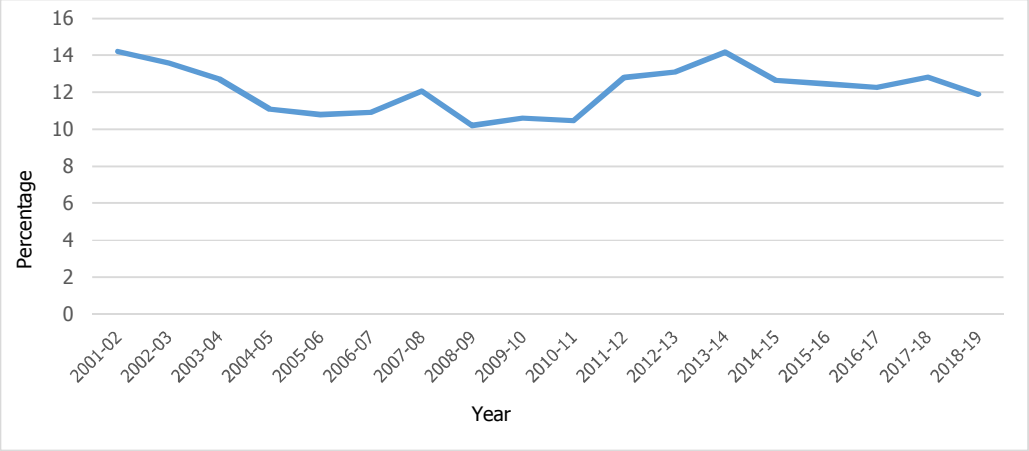
In this context, the trend and characteristics of agricultural exports in India based on the APEDA database indicate that India's share in world's total agricultural exports increased over 17 years from 1.2 per cent in 2000 to 2 per cent in 2017. However, this export share, in fact, declined from 3 per cent to 2.2 per cent over four years from 2013 to 2017 (Figure 4). Domestically as well, the share of agriculture in India's total exports declined from 14.23 per cent in 2000-01 to 11.8 per cent in 2018-19 (Figure 5). APEDA maintains export data on 37 products from 1987, which did not include marine exports, spices, tea, coffee and raw cotton, which happen to be among India's most exported agricultural products. APEDA began to maintain export data on these products since 2008-09, which explains the upward spike in Figure 2.6 from that time period.

**Figure 4: Share of India's Agricultural Exports to World's Agricultural Exports (%)**



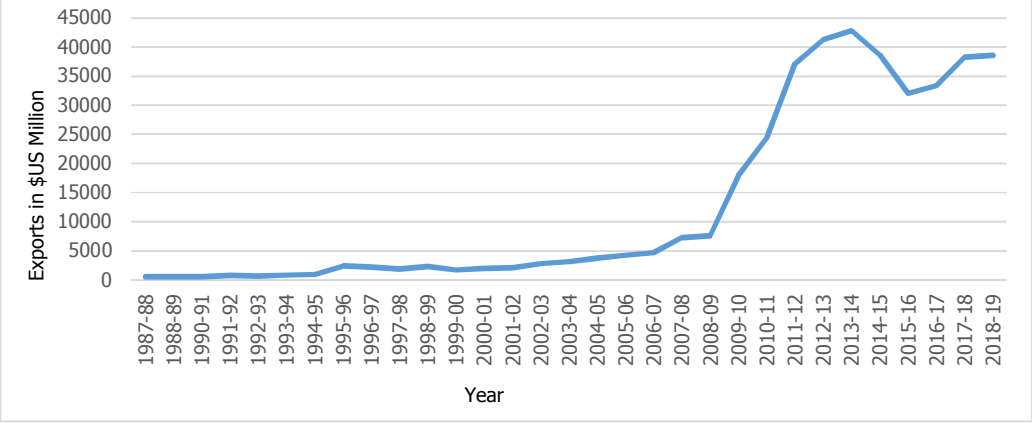

*Source:* FAOSTAT

**Figure 5: Share of Agriculture in India's Total Exports (%)**




*Source: AGRICOOP*

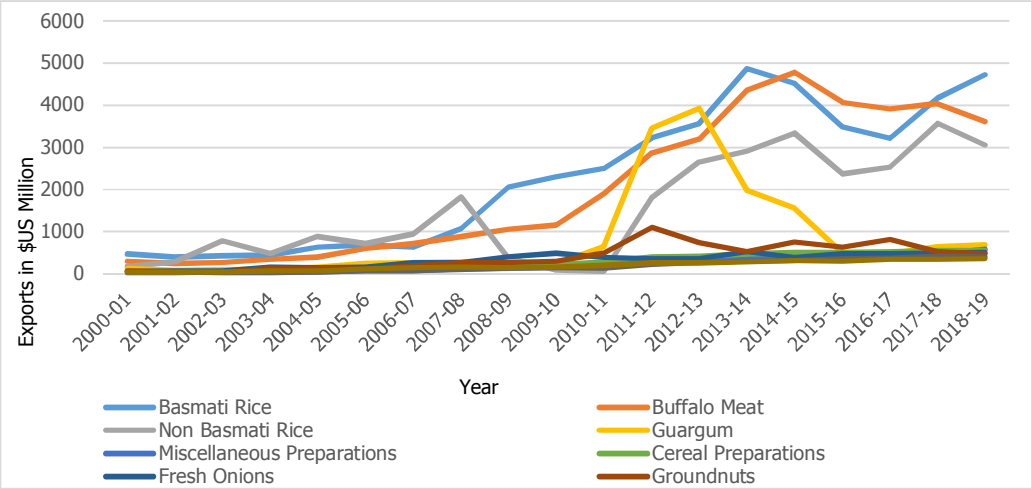
**Figure 6: Trend in India's Agricultural Exports**




*Source:* APEDA

*Note*: From 2009-10, graph includes data on marine, tea, coffee, spices and cotton exports

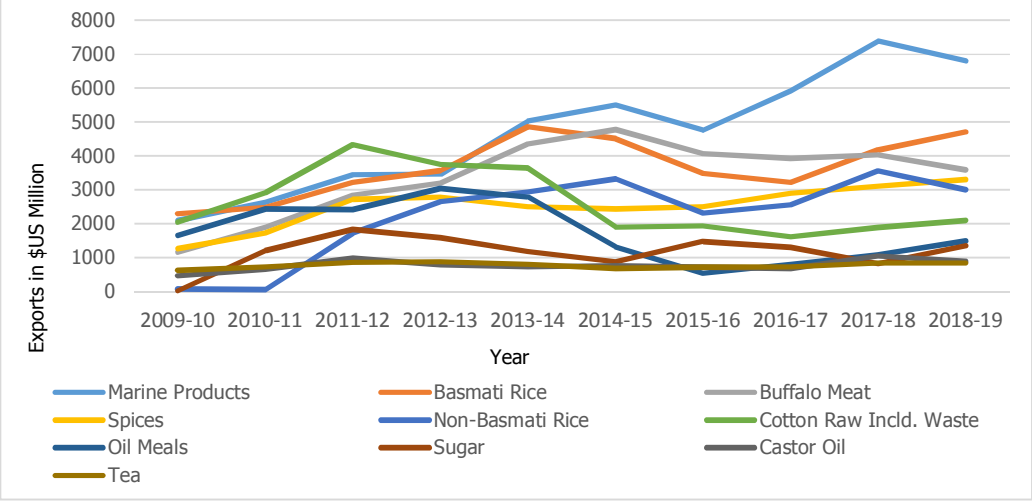
**Figure 7: Selected Agricultural Exports from 2000-01 to 2017-18**




*Source:* APEDA

India's agricultural exports in value terms have increased from US$17,906 million in 2009-10 toUS$38,541million (2018-19), though exports peaked at US $42,837 million in 2013-14. Non-basmati rice has seen tremendous increase in exports over the years. This is because of the government's policy to remove a ban on exports of non-basmati rice varieties in 2011, making India the largest exporter of rice in the world since then (Hindu Business Line, 2019). But exports have dropped in 2019, partly due to Bangladesh importing less rice and the government withdrawing certain incentives (Business Standard, 2019). Over ten years, Guargum, which was the most exported product in 2011-13 at nearly $4000 million, has seen a major decline in its exports to $330 million as of 2019-2020. The decline in exports over the years has been attributed to declining demand from the USA, a major buyer that has been using substitutes to guargum, as well as lower sowing due to late monsoons.

**Figure 8: India's Top 10 Agricultural Exports from 2010-11 to 2018-19**




*Source:* APEDA

While marine products, basmati rice and spices are seeing increasing exports and raw cotton, which saw a drop in its exports after 2013-14, is seeing a resurgence (Business Standard, 2014). With respect to the composition of agricultural exports, for the year 2009-10, basmati rice (12.78%), marine products (11.70), cotton raw including waste (11.45) oil meals (9.26), spices (7.02) and buffalo meat (6.49) together accounted for 56 per cent of India's total agricultural exports. Over the years the basket has changed slightly in favour of marine products (17.63) followed by basmati rice (12.22), oil meals (9.30), cotton raw including waste (8.58), spices (7.78) and miscellaneous processed items (5.46), as exports of buffalo meat have reduced. All of them together account for 61 per cent of the country's total agricultural exports. USA, Vietnam, China, Japan and Thailand are the top five destinations for India's total marine exports and they account for 70.89 per cent of the country's total marine exports. With respect to basmati rice, Iran, Saudi Arabia and UAE are the major markets and they account for 72.19 per cent of India's total basmati exports (Table 2.2). Over ten years, Vietnam has emerged as one of India's main export partners. The country is one of India's top destinations for four products in 2018-19, versus one in 2009-10. On the other hand, the UAE has become a less favourable destination, being a top destination for two products in 2018-19 versus six in 2009-10. Over ten years, the US grew from buying a tenth of India's marine exports, to close to 1/3rd of them in 2018-19 (Tables 2 and 3). Iran, which bought less than 20 per cent of India's basmati rice exports in 2009-10, was the destination for more than 43 per cent of India's basmati rice exports in 2018-19.

**Table 2: Top Five Destinations for India's Top Ten Exports (share in %), 2018-19**

| Total exports for 2018-19 in Million US$ | Marine Products | Buffalo Meat | Basmati Rice | Spices | Non-Basmati Rice | Raw Cotton | Sugar | Fresh Veggies | Coffee | Ground nut |
|---|---|---|---|---|---|---|---|---|---|---|
| | **6796.37** | **4712.62** | **3587.15** | **3308.27** | **2999.51** | **2104.41** | **1491.73** | **1359.58** | **883.76** | **830.9** |
| USA | 34.3 | | | 16.1 | | | | | 5.5 | |
| Vietnam | 15.1 | 36.0 | | 7.4 | | 14.3 | | | | 4.6 |
| China | 10.7 | | | 13.5 | | 24.0 | | | | |
| Japan | 6.2 | | | | | | | | | |
| Thailand | 4.7 | | | 4.0 | | | | | | 3.1 |
| Malaysia | | 7.8 | | | | | | 5.9 | | 3.6 |
| Indonesia | | 6.9 | | | | 2.6 | | | | 23.3 |
| Iraq | | 3.6 | 11.2 | | | | | | | |
| Myanmar | | 2.6 | | | | | 8.4 | | | |
| Iran | | | 43.4 | 5.2 | | | | | | |
| Saudi Arabia | | | 26.2 | | | | | | | |
| UAE | | | 8.3 | | | | | 8.4 | | |
| Yemen | | | 5.9 | | | | | | | |
| Nepal | | | | | 9.3 | | | 4.9 | | |
| Benin | | | | | 8.8 | | | | | |
| Senegal | | | | | 7.4 | | | | | |
| Bangaldesh | | | | | 6.2 | 33.0 | | 8.6 | | |
| Guinea | | | | | 5.9 | | | | | |
| Pakistan | | | | | | 16.0 | | | | |
| Sudan | | | | | | | 18.8 | | | |
| Somalia | | | | | | | 10.5 | | | |
| Sri Lanka | | | | | | | 8.8 | 4.4 | | |
| Djibouti | | | | | | | 6.6 | | | |
| Italy | | | | | | | | | 17.4 | |
| Germany | | | | | | | | | 8.0 | |
| Russia | | | | | | | | | 5.9 | |
| Belgium | | | | | | | | | 5.4 | |
| Phillippies | | | | | | | | | | 5.6 |

*Source:* APEDA. Note: The numbers are the % share of exports to that country out of India's total export in that commodity.

**Table 3: Top Five Destinations for India's Top Ten Exports (share in %), 2009-10**

| For the years 2009-10 | Marine Products | Buffalo Meat | Basmati Rice | Spices | Non-Basmati Rice | Raw Cotton | Sugar | Fresh Veggies | Coffee | Ground nut |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | **2095.28** | **1163.5** | **2289.35** | **1257.86** | **76.38** | **2050.7** | **23.2** | **637.16** | **429.74** | **302.42** |
| Japan | 11.7 | | | | | | | | | |
| China | 11.1 | | | 8.2 | | | | | | |
| USA | 9.8 | | | 15.2 | | | 6.0 | | | |
| Hong Kong | 7.6 | | | | | 54.3 | | | | |
| Spain | 6.9 | | | | | | | | | |
| Vietnam | | 26.4 | | | | | | | | |
| Malaysia | | 11.4 | | 8.7 | 10.3 | | 19.1 | 13.8 | | 18.9 |
| Philippinnes | | 7.9 | | | | | | | | 18.6 |
| Egypt | | 7.0 | | | | | | | | |
| Kuwait | | 6.5 | | | | | | | | |
| Saudi | | | 30.3 | | 13.9 | | | | | |
| UAE | | | 28.5 | 4.7 | 11.4 | | 5.9 | 11.5 | | 2.8 |
| Iran | | | 18.7 | | | | | | | |
| Kuwait | | | 9.5 | | | | | | | |
| Yemen | | | 2.7 | | | | | | | |
| UK | | | | 5.7 | | | | | | |
| Maldives | | | | | 12.0 | | 16.6 | | | |
| Nepal | | | | | 8.5 | | | | | |
| Pakistan | | | | | | 11.3 | | 5.9 | | 4.6 |
| Bangladesh | | | | | | 8.6 | | 38.5 | | |
| Indonesia | | | | | | 4.5 | | | | 39.2 |
| Turkey | | | | | | 4.0 | | | | |
| Sri Lanka | | | | | | | 14.9 | 7.1 | | |
| Italy | | | | | | | | | 20.7 | |
| Russia | | | | | | | | | 14.3 | |
| Germany | | | | | | | | | 7.1 | |
| Belgium | | | | | | | | | 4.2 | |
| Jordan | | | | | | | | | 3.5 | |

*Source:* APEDA

**Table 4: Top Agriculture Exporting States in India and Their Share of India's Total Agricultural Exports (%)**

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|---|---|---|---|---|---|---|
| Gujarat | 32.1 | 25.3 | 23.4 | 25.1 | 24.5 | 24.5 | 23.2 | 23.5 | 25.0 | 28.6 |
| Maharashtra | 31.8 | 29.6 | 22.2 | 19.2 | 21.9 | 22.0 | 24.2 | 25.1 | 21.4 | 20.8 |
| UP | 0.9 | 11.3 | 10.6 | 11.3 | 14.9 | 15.7 | 16.1 | 14.5 | 15.6 | 13.5 |
| Haryana | 6.0 | 4.9 | 6.3 | 7.2 | 6.1 | 6.4 | 5.9 | 6.9 | 7.1 | 7.3 |
| TN | 11.0 | 9.9 | 8.1 | 6.8 | 6.0 | 6.1 | 7.4 | 6.7 | 5.8 | 5.9 |
| Andhra Pradesh | 1.1 | 1.9 | 7.2 | 9.4 | 7.2 | 6.3 | 5.2 | 6.0 | 6.3 | 6.3 |

*Source:* APEDA

**Table 5: Top Exporting States and Their Share of Agricultural Production to India's Agricultural Production (%)**

| State | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|---|---|---|---|---|---|---|
| Andhra Pradesh | 5.7 | 6.4 | 5.9 | 6.5 | 7.1 | 3.5 | 3.5 |
| Gujarat | 5.4 | 5.8 | 5.8 | 5.1 | 6.6 | 5.3 | 4.9 |
| Haryana | 3.7 | 3.5 | 3.7 | 3.6 | 4.1 | 3.7 | 3.7 |
| Maharashtra | 14 | 15.4 | 14.8 | 12.7 | 15.8 | 15.4 | 13.3 |
| TN | 7.3 | 7.4 | 7.9 | 6.7 | 7.7 | 5.7 | 5.9 |
| UP | 27 | 24.4 | 25 | 26 | 28.9 | 25.2 | 28.3 |

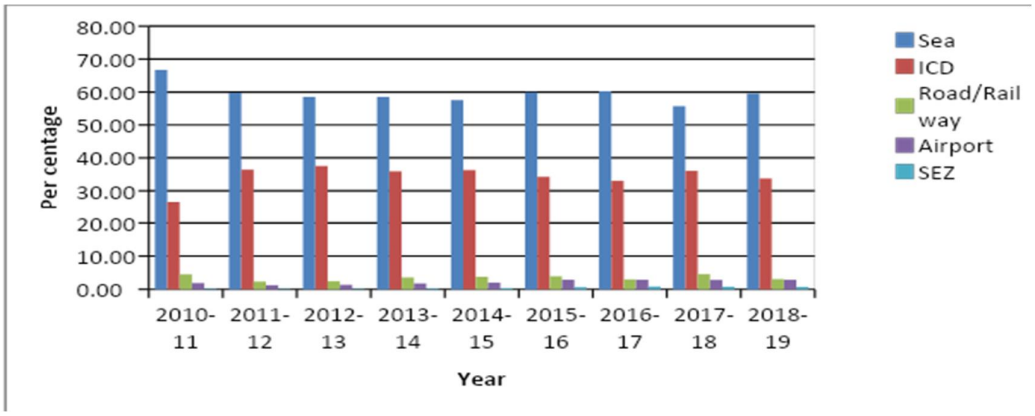
*Source:* Calculations from Statistical Yearbooks of Ministry of Statistics and Programme Implementation (various issues)

Among Indian states (Table 4) for the latest available year, Gujarat (28.62), Maharashtra (20.78), Uttar Pradesh (13.48) and Andhra Pradesh (7.38) together account for 70.22 per cent of country's total agricultural exports. APEDA does not hold state-level export data before 2009-10, as the data are clubbed under the heading 'unspecified'. Over ten years from 2009 to 2019, Gujarat and Maharashtra continue to be the top two states with the most agricultural exports (Table 4), though their share to total exports has declined over the years, especially for Maharashtra. On the other hand UP, which contributed less than 1 per cent of India's agricultural exports in 2009, has tremendously increased its exports over the years, contributing to 13.5 per cent of total agricultural exports in 2018-19. Though Gujarat has been producing less than 7 per cent of India's total agricultural produce over the years (Table 5), one-fourth of India's agricultural exports come from this state alone. A similar case is seen with Maharashtra. Though Maharashtra produces more than Gujarat, it exports less. While AP has seen a decline in its contribution to India's crop production, its exports have been increasing. While UP produces the most from these six states, its exports are much lower, albeit increasing.

Across port types, the large share of agricultural exports happen through sea ports (Figure 9) though over the years its share has shown a slight decline from 66.74 (2010-11) to 59.60 (2018-19). APEDA does not hold consistent data for exports from ports before 2008-09. For the same period, exports through ICDs have shown a slight increase from 26.61 to 33.76. One possible reason for the rise in the share of ICDs could be that two of the states which export the most agricultural products (Haryana and UP) happen to be land-locked states without their own sea port to export from. Though many agricultural

products are exported through SEZs, their share could not reach even one per cent of total agricultural exports in the country.

**Figure 9: Agriculture Export Across Port Types**




*Source:* APEDA

## The Making of the Agriculture Export Policy in India

After Independence, the focus of Indian agricultural policy was to improve food production so as to attain the availability part of food security. In the process, it resulted in expansion in the area under cultivation of major agriculture crops in India. Subsequently, emphasis was placed on increasing productivity, application of technology (See for details in Table 2.6). Thus, agriculture as a source of tradable commodities was given low priority and it was only in the 2010s that a major shift was experienced towards promoting select agricultural exports through systematic interventions. As a result, the need to have a separate policy to enhance the agricultural exports was never felt. Rather, policies in support of agricultural exports were always presented as a part of a larger foreign trade policy of the country, which was prepared by the Ministry of Commerce and Industry (MoCI). Meanwhile, attempts were undertaken to support the sector through establishing institutional support to safeguard the interests of farmers at various levels. These include: APEDA, MPEDA, EIC for the framework to establish systematic structures in the supply chain, farmer registration, creation of farmer producer organisations, provision of quality inputs and farmer training among others. Other institutions such as state agricultural universities, state departments of horticulture, fisheries, ICAR institutions and food processing department were also established (AEP, 2018). Despite having these institutions in place, trade could not enhance the income flows. It is well known that the agriculture sector is characterised by instability owing to various types of risks related to production, markets and prices. The dependence of agriculture on monsoons, archaic techniques, low intensity of inputs and low productivity of land make it difficult for the sector to respond to modern competitive globalisation to sustain the share of trade in international markets. In addition to this, there is a widening of the investment-subsidy gap, low public investment and lack of efforts to reform the agriculture market were also a matter of concern (ASSOCHAM, 2007). With respect to the impact of the 1991 reforms on the agricultural sector, it is found that in the beginning, measures including reducing subsidies for fertilisers and hiking minimum support prices to bridge the domestic and international price

gap led to positive agricultural growth (Chand *et al*, 2007). However, after 1995-96, production and per capita incomes in agriculture fell partly due to decreased international prices which affected domestic prices, stagnant crop intensity, less diversification of produce and decline in area of cultivation due to rapid industrialisation (ibid). In fact, for harmony across economic sectors, development must happen along with rapid productivity growth in agriculture, ensuring rising farm incomes and adequate food supplies for the people.

**Table 6: Evolution of Agricultural Policy in India**

| Sl No | Period | Key Focus | Major Policy interventions |
|---|---|---|---|
| 1 | 1950-65 | Expansion in Area under cultivation | Abolition of intermediaries landlordship, imposition of land ceiling, strengthening of co-operative credit institutions |
| 2 | 1965-80 | Attempt to improve agriculture productivity | New institutions such as state agricultural universities, Food Corporation of India, Agricultural Prices Commission, adoption of new technology for rice and wheat production, formal lending to agriculture and policies to promote marketing, research and access to credit. |
| 3 | 1980s | Application of technology in agriculture | Delicensing and deregulation, increase in subsidies for agriculture. |
| 4 | 1990s | Prudent and selective reform to liberalise agriculture sector (but it definitely lagged behind other sectors) | Relaxation of trade restrictions on cash crops such as cotton, sugar, as well as staples such as rice, wheat and edible oils. Increase in input subsidies and start of the public distribution system to provide food grains. |
| 5 | 2000s | Demand driven shift in producing selected fruits, vegetables and livestocks | Further increase in input subsidies and provision of credit, gene revolution in seeds, including cotton. Policies that alternated between tightening and loosening of market and trade regulations |
| 6 | 2010s | Major participants in world markets for some commodities | Organised and structured interactions between state and central level authorities. Expansion of food subsidies. |

*Source:* Adopted from OECD/ICRIER, 2018

## Agriculture Export Policy 2018

There was no formal statement of any trade policy of India prior to 1995. The EXIM policy statements issued by the Ministry of Commerce served as indicators of policy intentions, but no formal policy document was issued. Post the 1990s, the government has undertaken a number of initiatives to stimulate the trade performance of the agriculture sector. Despite such a series of initiatives, nothing much has changed in the trade sector. This definitely calls for thinking beyond conventional wisdom and measures to tackle the persisting problem of agriculture. Trade in agriculture is erroneously considered synonymous with India's entry into WTO and subsequent reduction in tariff rates. The intensity of trade before 1995 was not very significant and hence it was not at the foreground of discussions then. The possibilities of government intervention to strengthen the supply side specifically through improving the agricultural value chain as a trade commodity is less focused/thought of. As a result, much of measures introduced in the late 1990s and early 2000 were largely meant to protect the farmer interest in lieu of India's entry into WTO than capacity building in the sector. It is in this context that the introduction of a new Agriculture Export Policy has brought high expectations both in its reach and outcome.

The need for a dedicated policy was proposed, taking into consideration the administrative structure of the Union and state governments. There already exist several departments such as the DAC&FW and DAHDF that focus on production, pre-harvest and boosting farmer incomes, and the MoFPI that looks at value addition and reducing post-harvest losses. But it is the Department of Commerce that

has the assigned task of trade policy foreign trade. Hence, the government wanted to establish a stable and predictable Agriculture Export Policy to reinvigorate the entire agriculture supply chain from export-oriented farm production, to processing and transportation, infrastructure and market access. This policy is meant to fit with the existing framework for agriculture and surplus produce (AEP, 2018). It will help to set up institutions at the state and cluster level by forming committees to support exports. It also allow states to get involved in the logistics to facilitate agricultural exports. (Lok Sabha, 2020). The broader objectives of the policy are: to double agricultural exports by 2022; diversify the export basket and also its destinations; boost high value and value added agricultural exports; provide an institutional mechanism for pursuing market access, tackling barriers and deal with sanitary and phytosanitary issues and thereby enable farmers to get the benefit of export opportunities in overseas markets. This is expected to be achieved through no export restrictions for all agricultural products; export restrictions on those products which are important from a food security perspective will be decided by a high level committee and will be carried out in a WTO compatible manner. There will be no minimum export price, duty or ban on organic and processed agricultural products. Imports of agricultural products for value addition and re-export will be liberalised. To address one of the long-standing demands, the AEP proposes to reform the APMC Act and land leasing. The specific set of policy recommendations under 'strategic' and 'operational' are put forward in the policy as listed in Table 2.7. In March 2020, APEDA signed memorandums of understanding with the Indian Institute of Technology, Delhi, Quality Council of India (QCI) and Indian Chamber of Food and Agriculture (ICFA). The MoU with IIT-Delhi is for the institute to develop ripening indices, protocols for exporting horticultural produce by sea, and to share its research laboratories with APEDA, while the MoU with QCI is to develop training materials for INDGAP[2], and the one with ICFA to develop community specific trade events and help agricultural start-ups in scaling up their businesses (GK Today, 2020). The unique part of the Agriculture Export Policy is to facilitate the involvement of the state government at all levels of policy making and execution at least on paper: Agriculture is a state subject under the Constitution, which means that though the Central government may advise and allocate funds, the proper implementation of farm and market infrastructure reforms lies with the state governments. This is because each state is unique in their priorities, socio-economic and political climate, as well as different agro-climatic zones which lead to different cropping patterns and natural calamities; one part may have a drought while another has floods. However, since trade and commerce come under the Union list, state governments often do not see any formal role for themselves when it comes to agricultural exports. Right now, Maharashtra, UP, Kerala, Nagaland, Tamil Nadu, Assam, Punjab and Karnataka have a State Action Plan (Economic Times, 2020). 25 states and 2 Union Territories have designated nodal agencies to promote agricultural exports. 16 states have constituted State Level Monitoring Agencies (Lok Sabha, 2020). It is in this background that the Agriculture Export Policy seeks to promote a proactive role for state governments through: Identifying a department or agency to be the nodal agency for agricultural exports; a state policy focused on agricultural exports; including policies on reforming the APMC Act, inland and marine fisheries, promotion of good agricultural practices, quality assurance, infrastructure for pre and post harvest, integrating exporters with farmers; providing solutions to infrastructure and

[2] India Good Agriculture Practices

logistical bottlenecks including provision of landing space at airports, less fuel duty, provision of cold chain facilities and fish landing centres in major coastal states.

**Table 7: Policy Recommendations and Specific Measures under AEP**

| Sl No | Policy Recommendations | Specific Measures |
|---|---|---|
| 1 | **Strategic** | Policy Measures |
| | | *Infrastructure and Logistics Support* to strengthen government attempt to improve India's position in agriculture value chain |
| | | *Holistic Approach to boost exports* by establishing coordination and harmony between different ministries and department. |
| | | *Greater involvement of State Governments* in agricultural exports so as to accommodate the state specific requirement in promoting agricultural exports. |
| 2 | **Operational** | Focus on Clusters |
| | | Promoting Value added exports |
| | | Marketing and promotion of "Brand India" |
| | | Attract private investments into production and processing |
| | | Establishment of Strong Quality Regimen |
| | | Research & Development |
| | | Miscellaneous |

*Source:* Agriculture Export Policy, 2018

## Critical Evaluation of the policy

Undoubtedly the Agriculture Export Policy intends to improve India's position in agricultural export. Nevertheless, in the making of it many threads are missed out, which perhaps defeat the very making of the agricultural policy in the country and in the process we may fail to reach the target set in the policy. It is in this background, this section highlight a few issues surrounding it.

## Is it Old wine in a new bottle?

Under the new Agriculture Export Policy, potential products for exports are selected using a cluster based approach. Next, the geographical regions within which these products are grown are selected so that the raw materials can be sourced and the aim is to integrate the whole process from production to reaching the final market. Prior to AEP, we have had a similar policy under AEZs. AEZs were set up to converge the efforts and schemes of Central and state governments to increase exports of agricultural commodities. It included identifying clusters for potential export products, and coordinating activities to cover the entire value chain from farm to the consumer (APEDA). The anticipated benefits included strengthening backward linkages, value addition to basic produce, increasing employment opportunities and improving product quality and packaging among others. There were hardly any attempts to strengthen the AEZ policy through identifying their loopholes and limitations. Rather, in subsequent regulations it was declared non-functional. A quick review of clusters identified under AEZ and current AEP indicates that Bihar, HP, Jammu and Kashmir, Sikkim, Tripura, West Bengal and Uttarakhand had clusters identified in the AEZ but not the AEP. Meghalaya is included in the AEP for turmeric. Apparently, there is no discussion on how these products are chosen under AEP, 2018 and the earlier AEZ structure, what criteria is followed in the inclusion and exclusion of a product. In fact, a study conducted by ASSOCHAM highlighted some

key problems facing the AEZs structure and urged the development of AEZs. Attention is required for the development of infrastructural facilities and coordination among the stakeholders, especially the nodal agencies, convergence of various schemes in AEZS at district level, appropriate technological intervention for specific crops, stabilising the contract farming legal framework for adoption by all states, promotional initiatives in the marketing of Indian crops and patenting products based on geographical indications, focus on organic production in AEZs and quality certification by internationally accredited certifying agencies and project monitoring at district level. In this context, it is unclear how the current AEP is improvised over the AEZs structure, as many of the concerns of the AEZs structure are apparent in the AEP as well.

**Table 8: Clusters identified under AEZ and AEP**

| State | Products under AEZ | Products under AEP |
|---|---|---|
| Assam | Ginger | Tea |
| Andhra Pradesh and Telangana | Mango, Grapes, Gherkins, Chillies and Vegetables | Banana, Pomegranate, Mango, Marine Products, Chillies, Turmeric |
| Gujarat | Mango, Vegetables, Sesame, Value Added Onion | Banana, Mango, Potato, Marine Products, Cumin |
| Karnataka | Gherkin, Rose Onion, Flowers, Vanilla | Pomegranate, Rose Onion, Coffee, Pepper |
| Kerala | Horticulture Products, Medicinal Plants | Banana, Turmeric, Pepper, Cardamom |
| Madhya Pradesh | Potato, Onion, Garlic, Seed Spices, Wheat (Duram), Lentils, Orange | Pomegranate, Onion, Potato |
| Maharashtra | Grape, Alphonso and Kesari Mango, Flowers, Onion, Pomegranate, Banana, Orange | Banana, Pomegranate, Mango, Grape, Onion, Orange |
| Odisha | Ginger, Tea | Turmeric, Marine Products |
| Punjab | Vegetables, Potato, Basmati Rice | Potato |
| Rajasthan | Coriander, Cumin | Isabgol, Cumin |
| Tamil Nadu | Flowers, Mango, Cashewnut | Banana |
| Uttar Pradesh | Potato, Mango, Vegetables, Basmati | Mango, Potato |

*Source:* Agriculture Export Policy, Press Information Bureau, India

## Issues Pertaining to Doing Business, Trade Facilitation and Agriculture Export in India

The WTO in 2015 highlighted that if countries adopt trade facilitation measures, the cost of trading in agricultural goods can be reduced as much as 10.4 per cent and for perishable goods, as much as 18 per cent. India has earlier faced issues in complying with international standards; 28 containers of grapes consigned to the Netherlands in 2003 were rejected, and the EU had once banned purchase of guargum from India due to the presence of pesticides above permissible limits (World Bank, 2009). Given India's

fragmented system of agriculture characterised by small farm holdings, it is difficult to ensure the traceability of produce and certification of products and raw materials (World Bank, 2007). Moreover, small farmers are not aware of the changing international standards and practices. In the foreign trade policy 2009-14, the government planned to set up nodal agencies to operate a single window system for export clearance, and a single point payment system, as well as an Electronic Data Interchange (EDI).

In this context, the AEP intends to identify product specific clusters and develop transport and cold-chain facilities, including developing dedicated perishable berths at ports, creating state of the art fish landing centres in coastal states, cold chain facilities and vapour heat and irradiation facilities to enable exports. The aim is to make logistics expenses 8-9 per cent of exports which is the case in developed countries; currently in India, the expenses are 14-15 per cent of total exports (AEP, 2018).

However, the AEP does not specifically outline the measures that would be taken to ensure better trade facilitation. The policy does not outline measures to ensure 24/7 single window clearance of perishable goods at major ports and only suggests that there be more quarantine officers at strategic ports. Though the policy has outlined an integrated portal for updates on tariffs, documentation and other notifications, it has considered grievance redressal to be an optional inclusion to the portal, and has not offered alternatives to that. It has also not talked about the initiatives that would be taken to ensure that farm practices and domestic marketing practices around the country are harmonised to ensure that they abide by international standards. Mahagrapes, an initiative by APEDA, saw increased acceptance of their grape consignments once they made it a point to update farmers periodically on the new standards being adopted worldwide. APEDA has also started Horti Net, which is meant to provide farmers information on the registration and certification for certain fruits. However, such nets are yet to be seen for other exports. Perhaps, through AEP, the coverage and inclusion of key agricultural exports under such nets can be extended further.

## Capacity Building and Preparedness at State Level

The AEP emphasises a lot about increasing state involvement in export policy, but the question is whether the states are prepared to take on those levels of responsibility. For example, most states in the North East do not have testing laboratories and have to depend on sending their produce to Kolkata and the transport infrastructure in these states is not well developed. The AEP does not talk about capacity building, nor about how much funds will be allocated to fulfil their objectives. This is important because though it is the Ministry of Commerce that has proposed the AEP, the states are responsible for implementing these objectives. Besides this, it is worthwhile to examine in detail whether there exists any vertical and horizontal coordination of the different actors involved in the successful implementation of the policy and what kind of initiatives are taken in the last two years across different department and ministerial levels.

## Unfinished tasks and Covid-19

The Covid-19 pandemic has brought in challenges to all segments of the society and the economy. Perhaps the hardest hit is the marginalised section of society including the agriculture sector. With respect to the agriculture sector, one such unattended task is related to the fragmented agricultural value chain.

India does not have the infrastructure to support testing and certification laboratories at custom ports to test if exports are abiding by mandatory health and safety requirements. The information asymmetry in the trade market helps the market operators to extract huge margins, leaving genuine participants to fend for themselves. The market operators also have obtained strong controls on infrastructure, and the entry of genuine traders is restricted. Though the government has set up Grape Net and Horti Net to connect farmers and provide them updated information on foreign standards and practices, it only covers selected fruits and vegetables and needs to be expanded further. Backward linkages for the markets for perishables are inefficient and unorganised, which has led to wastages at the farm level. MoFPI data states that fruits and vegetables worth as much as Rs. 50000 crore may be wasted each year due to post-harvest losses and lack of good storage facilities. There is lack of synergy between the state and the Central government, as agriculture is considered to be a state subject and the state's role in exports was so far undefined (Yes Bank and APEDA), which the Agriculture Export Policy aims to change by giving states more responsibility when it comes to agricultural exports, as well as asking them to include agricultural exports under the respective State Export Policies (AEP, 2018). The value chain, focused on local markets, requires the form of institutional credit and monetary incentives that IT companies and other start-ups require to encourage their growth. The AEP does not provide credit for pre and post-harvest inputs even though credit plays an important role to connect to the international markets. Also, when it comes to organic produce, India lacks dedicated warehousing and cold chain facilities for such produce, as well as lacking testing labs to ensure residue levels are within the standards set by importing countries (Yes Bank and APEDA). While designing the action plan for building a food chain in the post Covid-19 world, different approaches are needed for staple commodities and high value commodities. As the former is capital intensive in production, it tends to get affected in marketing and logistics, whereas the high value commodities, being perishable in nature and labour intensive in production, tend to suffer both at production and also at logistics levels (FAO, 2020). In addition to this, high value commodities tend to also get affected due to lack of cold storage capacity, as India currently can only accommodate 10 per cent of total fruits and vegetables produced in the country. Moreover, there is also regional imbalance in favour of north India, accounting for 60 per cent of cold storage facilities.

Once this internal system is put in place for facilitating trade, AVC becomes the next mammoth challenge agricultural exports face and is related to the kind of certificate and documentation required in the post Covid-19 world and the corresponding time and costs required to obtain the same, as any information asymmetry results in border rejection of agricultural exports (Kumar 2016; Mukherjee et al., 2019). This makes the cost of trading in agricultural goods higher than trading in manufactured goods. (Salehin, 2014). As per the World Bank, India's overall 'Enabling the Business of Agriculture'(EBA) score was 62.23 in 2018, placing it at54th out of 101 countries (World Bank, 2019). The indicator that should be given attention to in the present context is trading in food, which measures the laws and regulations that help domestic farmers trade in agricultural products to markets in terms of the time and cost to obtain agriculture specific documents for product shipment, and procedures to obtain licences, membership and phytosanitary certificates. India had a score of 74.58 out of 100, placing it 46th out of the 101 countries surveyed. The survey found that it took approximately 48 hours or two days to obtain important documents, and cost approximately 28 dollars (more than Rs. 2000) to obtain the same. To

compare it to neighbour China, it takes 108 hours to obtain the same documents, but the costs are almost nil in comparison.

In order to encourage the agriculture sector, the government proposed a few specific measures to strengthen the system. The third tranche[3]which was announced on 15th May, 2020 focuses on the agriculture sector (Invest India, 2020). A total of Rs. 1.63 lakh crore has been dedicated to the agriculture sector. A total of 11 measures were announced; eight pertaining to strengthening of existing infrastructure and increasing incomes, while three are government and administrative reforms.

**Table 9: Measures Proposed for Agriculture Sector during Covid-19**

| Amount | Fund/Initiative |
|---|---|
| Rs. 1 lakh crore | Development of agricultural infrastructure at the farm-gate for farmers which includes the setting up of cold chain facilities at farm gate and aggregation points such as primary agricultural cooperative societies, farmer producer organisations and so on. |
| Rs. 10,000 crore | Scheme for formalising Micro Food Enterprises (MFEs) to upgrade them to attain FSSAI standards, along with building MFE brands and marketing them. Cluster based approach to be adopted to integrate with retail markets and help reach untapped export markets. Nearly 2 lakh MFEs are expected to benefit. |
| Rs. 20,000 crore | Pradhan Mantri MatsyaSampada Yojana (PMMSY) for developing fisheries value chain; Rs 11,000 crore allocated for marine, inland fisheries and aquaculture activities while the rest is for developing infrastructure with a focus on Himalayan and north-eastern states. Expected to provide employment to 55 lakh people, double exports to Rs. 1,00,000 crore and increase fish production to over 70 lakh tonnes over five years. |
| Rs. 13,343 crore | National Animal Disease Control Programme to ensure 100 per cent vaccination of nearly 53 crore animals against foot and mouth disease and brucellosis. |
| Rs. 15,000 crore | Animal Husbandry Infrastructure Development Fund to support private investment in dairy processing, value addition and cattle feed infrastructure, given the existence of large areas of milk production in India. Incentives to establish plants for exporting niche dairy products to be given. |
| Rs. 4000 crore | For promoting herbal cultivation. Rs. 5,000 crore expected to be earned by farmers in two years through herbal cultivation on nearly 10,00,000 hectares. Additional 800 hectares through developing a medicinal plant corridor along the River Ganga to be done by the National Medicinal Plant Board. Regional mandis to be created for medicinal plants. |
| Rs. 500 crore | A special scheme for developing infrastructure related to integrated beekeeping development centres, collection, marketing and storage centres, post-harvest and other value addition facilities. Special focus on women beekeepers and developing a traceability system among bee breeders. Expected to increase the incomes of nearly 2 lakh beekeepers and provide quality honey to consumers through implementing standards. |
| Rs. 500 crore | Operation Greens to be extended from tomatoes, onions and potatoes to all fruits and vegetables as a pilot project for six months to prevent the distress sale of these perishables. It includes 50 per cent subsidy on all storage including cold storage, and 50 per cent subsidy on the transportation of produce from surplus to deficient markets. Aims to reduce wastage, make produce affordable and realise higher incomes to farmers. |

*Source:* Invest India, Hindustan Times May 15, 2020.

[3] relief package introduced by FM during the pandemic called the AtmaNirbhar Bharat Scheme is claimed to have cumulatively worth Rs. 20 lakh crore, and was released through a number of tranches

In addition to these eight measures, the government is also contemplating to amend the Essential Commodities Act, 1955 to attract investments in the agriculture sector and make it more competitive, thus realising higher farmer incomes. Under the amendment, prices for essential foodstuff including cereals, oilseeds, edible oils, pulses, onions and potatoes will be deregulated, and government intervention will only take place in emergency situations including a drastic price hike or other crises (Hindustan Times, 2020). There will be no maintenance of stock limits unless under exceptional circumstances, and stock limits will not apply to exporters and processors. Reforms in agricultural marketing are done to provide more marketing options to farmers, provided that at present they are permitted to market their produce only through licensed APMC markets. A Central law will be passed to remove inter-state trade barriers, more choices for farmers to market their produce as well as to establish a framework to trade produce online. Recognising that there is less private investment in agriculture and the supply of good inputs, the government aims to provide a legal framework for fair and transparent communication between farmers and processors, aggregators, exporters and so on. This framework will also ensure quality standards, assured returns and risk mitigation to farmers as they now lack mechanisms to predict crop prices at the time of sowing. (Invest India, 2020). Beside these, a few more clusters are identified in Bihar (Makhana), Jammu and Kashmir (Kesar) and North Eastern states (Bamboo). Undoubtedly, the government needs to utilise Covid-19 as an opportunity to address the key bottlenecks affecting the sector. Definitely, these are a welcome trend, but what needs to be looked into is how many of these provisions are implemented in the true spirit and what kind of coordination exists between the government (Centre and states and also across departments) and also between states for smooth sailing of the agriculture sector and how these reforms will affect, if they do, the agricultural exports. Further state-specific aspirations and difficulties need to be attended by the Centre through proper allocation of funds.

## Summary

India is known to be one of the major producers of agricultural products in the world. However, its contribution to global agricultural exports is small. This has been due to flaws in the Indian agricultural system and its organisations. It is too fragmented for international trade, and also because most exports lie on the low end of the value chain. Having understood the potential of making India a major agricultural exporter, the government, for the first time, introduced a dedicated Agriculture Export Policy in 2018, giving state governments more responsibility in implementing the policy and identifying different institutions and their responsibilities. Hitherto, exports were largely controlled by the Ministry of Commerce and a need was expressed to include International Trade in the Concurrent list. However, the policy has not given specific information when it comes to trade facilitation and allocation of funds, which is a Central government subject, and it could come across as an extension of the Agriculture Export Zone policy, which had been discontinued years before. It remains to be seen if state governments have taken the initiative to formulate their own state export policies, given that only a few states have developed a specific action plan towards agricultural exports. Karnataka is one of those who came out with an elaborate report on enhancing the state's participation in international trade after the signing of WTO (Govt of Karnataka, WTO Cell Report, 2001). Now Covid-19 has brought to the forefront the withdrawal

of many countries from international trade, giving an opportunity for India to plug in. However, there are key obstacles facing Indian agriculture, which need immediate attention. Though the government has initiated a series of reforms to boost the sector, its effectiveness and reach needs to be carefully assessed in due course of time. It would be wise to invest more into strengthening the agricultural value chain from the export perspective and make doing business in agriculture products easier. Beside this, the capacity building of the states to address the key impediments in agricultural exports is needs to be looked into. Because within agriculture, the issues faced changes across products depending upon the set of variables including nature of product, number of actors involved in the chain, the technology part of it and so on. Thus one-size-fits-all cannot be adopted even within agriculture.

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