Concerns with agricultural exports in India

What is the issue?

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The government has done little in terms of export promotion in agriculture and its unstable policy affects farmers in India.

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What is the situation of agri-exports in India?

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- The government is working on a new agricultural export policy to contribute to doubling of farmers' incomes.
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- While details will be unveiled in course of time, data of the last four years are far from flattering.
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- Since 2014-15, India's agricultural goods exports have remained stable in the $35-40 billion range.
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- Some of the significant commodities of export from the country include –
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1. Rice (basmati and non-basmati) - $7.7 billion
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2. Marine products - $7.4 billion
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3. Meat and poultry - $4.6 billion
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4. Spices - $3.1 billion
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5. Oilseeds, oilmeals and castor oil - $3.1 billion
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6. Fruits and vegetables - $2.4 billion
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7. Raw cotton - $1.9 billion

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8. Coffee, tobacco, tea and cashew - Less than $1 billion each.

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- However, the share of agriculture to total exports too has been almost rigid, at 12.5-13%, suggesting <u>no significant improvement in export</u>,
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- This is possibly in the absence of a strategic approach and the lack of export-promotion efforts in the last four years.
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- Also, any increase in export might have been propped by a falling rupee rather than by any well-thought-through strategy to deliver competitive edge to export goods.
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How does imports balance the exports growth?

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- It would be simplistic to look at agri exports in isolation without considering import of related commodities.
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- Within the same category of agri export, a look at imports presents a queer picture and inspires no confidence.
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- The value of export becomes negligible when one looks at the value of import of related products.
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- For example, the value of raw cashew imports, at $1.4 billion, is far higher than the value of export earning of processed cashew kernels, at less than $1 billion.
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- The oilseeds complex performs the worst here.
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- While export earnings from oilseeds, extractions and castor oil aggregate $3.1 billion, vegetable oil imports are valued at a whopping $11.6 billion.
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- The country is chronically short of edible oil and our import dependence has worsened in recent years to nearly 70%.
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- Another example is fruits and vegetables export, for which we earn $2.4

billion, but on import of fresh fruits we spend $1.9 billion.
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- This is because imports are used either as raw material to produce an export product or to meet specific domestic demand and hence becomes unavoidable.
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What are the concerns with governmental approach?

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- By its very nature, any restriction on import must be deemed to be anti-consumer, and restriction on export (especially agricultural commodity export) anti-farmer.
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- When a commodity is allowed unrestricted import (to meet consumer needs), it would be logical to assert that export of similar product produced domestically should be freely permitted as such a move would be pro-farmer.
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- However, two significant commodities, pulses and edible oil, remained in the restricted list for an inordinately long time in India.
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- This is despite the fact that the country pursued a very liberal and unrestricted import policy.
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- Restrictions on pulses export hurt primary producers such as growers and they were already suffering from depressed domestic prices languishing below the minimum support price for the commodity.
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- The government lifted export restrictions on pulses and edible oil only after a nationwide protest by growers against depressed prices.
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- To promote pulses after that, it was logical to have set off a dialogue with neighbouring trade partners Bangladesh and Sri Lanka who annually import 1.5 million tonnes(MT) and 0.5 MT respectively.
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- But the government merely lifted export restrictions and did little in terms of export promotion.
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- This shows that there is very little commercial intelligence capability and strategical thinking about export promotion within the government.
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- Most ministries work in silos with little coordination like agriculture for

production, food and consumer affairs to track prices, finance to impose or vary tariffs, and commerce for exim policy, focussing only on their respective portfolios.
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What should be done?

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- Doubling agri exports will remain a dream unless genuine export surpluses are generated and stable exim policy with a long-term perspective is assured.
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- Overseas buyers will not respect Indian exporters if the government followed a ‘switch-on switch-off’ policy.
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- If the import window for a commodity is open, there is no justification to keep the export window shut.
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- Also, even if exports are liberalised, there is no guarantee to succeed in the overseas markets because quality considerations will continue to play a critical role in foreign trade.
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- This is seen in Chinese restrictions on import of Indian rapeseed and soybean meal.
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- Hence, the government should ensure inter-ministerial co-ordination and the new export policy should include both pro-consumer and pro-farmer provisions at the same time.
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Source: Business Line

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