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Accelerating India's Agriculture Exports

An MVIRDC Research Initiative





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M. Visvesvaraya Industrial Research and Development Centre



Bharat Ratna Sir M. Visvesvaraya

(15 September, 1860 - 14 April, 1962)

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नरेन्द्र सिंह तोमर
NARENDRA SINGH TOMAR



कृषि एवं किसान कल्याण,
ग्रामीण विकास तथा पंचायती राज मंत्री
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कृषि भवन, नई दिल्ली
MINISTER OF AGRICULTURE & FARMERS' WELFARE,
RURAL DEVELOPMENT AND PANCHAYATI RAJ
GOVERNMENT OF INDIA
KRISHI BHAWAN, NEW DELHI

MESSAGE

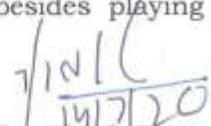
It gives me immense pleasure to know that the MVIRDC World Trade Centre, Mumbai is bringing out a research study on 'Accelerating India's Agriculture Exports'. The study identifies potential areas for enhancing India's agriculture exports and suggests more than 18 policy measures to harness this potential.

In this context, I would like to add that the present NDA Government at the Centre has taken several steps to accelerate agricultural growth in the country and also initiated key reforms to boost the agri-sector. India is predominantly a rural economy, where the mainstay of people is agriculture. As an agrarian economy, the country derives about 18 per cent of its GDP from this sector. A clear shift in Government's policies and priorities towards agriculture can be witnessed since the NDA Government, under the visionary leadership of Hon'ble Prime Minister Shri Narendra Modi, came to power in May, 2014. Due to various initiatives taken by the Union Government, the country has witnessed record food production in recent times. A large number of schemes to achieve the best results while promoting agricultural growth are in place to bring prosperity in the lives of the farming community.

The Government has also set a goal of doubling farmers' income by 2022 and is making all out efforts to achieve this. National Agriculture Market Scheme (e-NAM) has proved to be an innovative market process to revolutionize agri-markets by ensuring real-time better price discovery, bringing in transparency, enabling farmers to get improved remuneration for their produce and moving towards 'One Nation One Market'.

I am happy to note that this report has been prepared at a time when agriculture sector of the country is witnessing massive transformation with historical initiatives like setting up of 10,000 Farmer Producers Organizations, reforming APMC Act, establishing Agriculture Infrastructure Fund and several other path-breaking steps and measures.

I am confident, the findings of this study will generate a fruitful and meaningful debate on accelerating our country's agricultural exports among policy-makers, agriculture universities and research organizations, agriculture-scientists, agriculture produce export agencies and other stakeholders besides playing a significant role in strengthening the platform for the purpose.


(Narendra Singh Tomar)

I am pleased that the MVIRDC World Trade Center Mumbai has completed this comprehensive study to map the challenges to India's agricultural exports, and identify solutions to address these problems. The study comes at an opportune moment and is in sync with the reforms enacted by the Government of India to make the policy environment more conducive for Indian agriculture. In particular, this study is extremely useful to organizations such as the International Fund for Agricultural Development (IFAD), which are interested in supporting governments to develop smallholder and marginal farmers' participation in remunerative value chains. This study also offers a roadmap to the future of agriculture in India and has taken a long term and welcome view to develop agricultural exports while being mindful of the food and nutrition security needs of Indian consumers and the growing domestic demand.

The study reaffirms the resilience of the agriculture sector and its growth potential amid the new and unforeseen shocks arising from the spread of COVID-19. However, there is an opportunity in every crisis, and the Indian government has seized the chance to implement game-changing reforms to the country's agri-marketing policy. The government's decision to amend the Essential Commodities Act, 1955 (ECA), announced in May 2020 and enacted into law through an ordinance issued in June 2020, should boost agricultural exports. Together with amending the ECA, the government also introduced ordinances to boost contract farming and remove rules requiring farmers to only sell their crops to licenced middlemen in state-notified markets. These reforms present an opportunity to move from fragmented value chains to shorter and more integrated ones for both the domestic and export markets. It is also an opportunity to mainstream hygiene and safety measures that are critical for producer's and consumer's health as well as prevention of spread of Covid or other diseases through the agri-logistics. The study rightly underlines the importance of environmental and social governance standards, SPS and TBT.

I also appreciate that the study has taken into account the smallholder and marginal farmers and looked at successful institutional models, such as cooperatives, to integrate them in the export oriented value chains. This is also well aligned with the government's promotion of farmer producer organizations in a cluster approach, as well as developing new financing instruments to meet the investment and working capital requirements of these organizations. Building strong business relations between producer organizations and market players, supported by effective agri-logistics are a key feature of IFAD support to governments across the world and successful examples exist in the development of inclusive export value chains for commodities as diverse as coffee, cocoa, tea, high quality wool in Africa, Asia and Latin America. As smallholders go into higher value commodities, the risks also increase for them and well thought out risk mitigation measures, diversified financial products and market intelligence are required to help smallholders anticipate where possible these risks and adapt to evolving consumers' preferences, trade regimes and fluctuating prices.

I am confident that this study will stimulate debate among stakeholders and encourage further research on all aspects of the proposed value chains as well as galvanize stakeholder consultation to develop an investment plan for boosting India's agri-exports.

A handwritten signature in black ink, appearing to read 'Rasha Omar', is positioned above the typed name.

Rasha Omar
Country Director, India
International Fund for Agricultural Development (IFAD)



कृषि और प्रसंस्कृत खाद्य उत्पाद
निर्यात विकास प्राधिकरण
(कानिप्य एवं उद्योग मंत्रालय, भारत सरकार)

**Agricultural and Processed Food Products
Export Development Authority**
(Ministry of Commerce & Industry, Govt. of India)



MESSAGE

I would like to compliment MVIRDC World Trade Center for taking the initiative for carrying out the research study on "Accelerating India's Agriculture Exports". I hope that the study report would be useful for the researchers and industry for analysing the potential of Agri Exports further.

I wish MVIRDC World Trade Center a great success in release of this study and carrying out similar initiatives in future.

(Dr. Sudhanshu)
Secretary, APEDA

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Preface

“Cultivators of the earth are the most valuable citizens. They are the most vigorous, the most independent, the most virtuous and they are tied to their country,” said Mr. Thomas Jefferson, the Founding Father of United States of America. While farmers are tied to their country, we can facilitate them to trade across borders and benefit from favourable price condition in foreign market. Accessing global market helps farmers benefit from better price and expand their scale of operation.

Thanks to Green Revolution, India has evolved from a food deficit country to a major exporter of food commodities in the global market. Agriculture is a key contributor to India’s foreign trade as it accounts for 12% of the country’s goods exports and India is the eighth largest agriculture exporter in the world (WTO, 2018). Still, there is tremendous scope to enhance

agriculture exports from the country by leveraging its diverse agro-ecological zones and dynamic farming community. The time has come to strengthen India’s position in the world agriculture export market and improve the lot of more than 12 crore farming households and 14 crore agricultural workers in the country.

On May 15, 2020, Government of India announced path breaking reforms in transforming farming into a market oriented sector by removing the strangulating regulations under APMC and Essential Commodities Act. We need to see this policy intention materialise on ground with the effective implementation of this reform by state governments.

Today, India exports USD 38 billion worth agriculture goods (including cotton) and the Committee on Doubling Farmers’ Income has set the target of raising this to USD 100 billion by 2022-23. Such an ambitious target is possible with the concerted efforts of policymakers, agriculture research institutions, financial institutions, export promotion agencies and the enterprising farmers.

I am happy to note that MVIRDC World Trade Center Mumbai has prepared this research study to identify challenges hindering India’s farm exports and laying out strategies to address these challenges and diversifying agricultural export basket. The study identified USD 97.02 billion worth export opportunity in 19 agro-commodities, based on data from FAO. Except for coir and onion, India does not have substantial share in the global market for these agro-commodities. The study has also identified top five export markets for 21 principal commodities exported by India. The report contains actionable policy recommendations based on the views of exporters, agro-technologists, academicians and policy analysts to tap this export opportunity.

This report is prepared at a time when Government of India is providing renewed thrust to the agriculture sector with an objective to double farmers’ income by 2022. India’s farm sector is witnessing massive transformation with path-breaking initiatives such as establishment of farmer producer organizations, food parks, unification of agriculture markets, institutionalizing contract farming and reforming APMC acts, to name a few.

The announcement of a comprehensive Agriculture Export Policy in December, 2018 is a watershed development in India’s evolving policy framework to transform agriculture into an export-oriented industry. The policy has laid down roadmap for a stable export regulatory framework by striking the right balance among competing policy objectives, viz. domestic price stability, consumers’ welfare and increasing farmers’ income. The policy has given rise to progressive initiatives such as state-specific action plans and the establishment of nodal agencies to promote agricultural exports across many states. The 15th Finance Commission has also set up an expert committee to suggest policy measures to promote export of agriculture commodities.

This study has been conducted at this time of remarkable progress in India’s policy environment governing agriculture exports. I am confident that the findings of this study will generate further public debate among policymakers, agriculture finance institutions, agriculture research institutions, export promotion agencies and other stakeholders and contribute to the evolving ecosystem for agriculture exports.



Mr. Y. R. Warerkar
Director General
MVIRDC World Trade
Center Mumbai

Y.R. Warerkar
Director General

Executive Summary

India's agriculture sector is at the crossroads of historic reforms that will change farming into a market-oriented activity, with freedom to sell the produce to any buyer and stock commodities without restriction. May 15, 2020 is a historic day that marks the announcement of path breaking reforms in India's agriculture sector. On that day, Union Finance Minister announced historic policy changes such as amendment to the Essential Commodities Act, which dates back to 1955, allowing farmers to sell their produce to entities outside their states and a legal framework for farmers to get assured returns while engaging with processors, aggregators, retailers and exporters.

These reforms have been recommended several times by economists, trade policy experts and even government committees set up in the past. The Government used the COVID crisis as an opportunity to announce these bold reforms that will address some of the structural issues plaguing India's agriculture sector. The country's agriculture sector has not seen much private investment in post-harvest infrastructure, market development, processing and exports because of the monopoly of the APMC traders, stock limits prescribed under the Essential Commodities Act, arbitrary restrictions imposed on export and import of farm commodities and other restrictive regulations.

The reforms announced on May 15, 2020, if effectively implemented, will address some of these restrictions and promote private investment in post harvest infrastructure in the farm sector. The government has also announced Rs. 1 lakh crore for upgrading post harvest infrastructure, Rs. 10,000 crore for formalising 2 lakh micro food enterprises, Rs. 20,000 crore for fisheries development, Rs. 15,000 crore for animal husbandry and others.

These measures will provide a major boost to India's agriculture exports. The country's agriculture exports have remained stagnant around USD 38 billion since 2011-12, despite India being the leading producer of foodgrains, fruits and vegetables, pulses and other crops.

This report is prepared on the background of these landmark policy changes and the analysis in this report puts spotlight on the export potential for various agriculture commodities in India. The report also features views of agriculture scientists, policy observers and academicians on enhancing India's agriculture exports.

Objectives of the Study

- 1. To assess India's position in world agriculture exports**
- 2. To understand issues affecting exports of agriculture goods**
- 3. To propose policy suggestions to overcome these issues**
- 4. To identify export potential for horticulture crops**
- 5. To identify export potential for dairy products**
- 6. To identify export potential for fruits and beverages**

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