

UNIT 8 AGRICULTURAL PRODUCTS

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8.0 OBJECTIVES

After studying this unit, you should be able to:

- describe the trends of India's agricultural export
- explain the composition of agricultural export
- discuss the markets for India's agricultural export
- explain government's measures to enhance export
- discuss the strategies to boost agricultural export.

8.1 INTRODUCTION

Exports of agricultural products from the country comprise a large number of items. Most of the items are food items. They could be either in fresh or processed form. They could be either for human consumption or for animal consumption. Some of the raw-materials such as jute, wool, silk, cotton etc., in their raw form, also come under agricultural products. Raw hides and skins also come broadly under agricultural products but India has banned exports of hides and skins. Processed leather and leather products by convention are not a part of agricultural exports. Processed items of jute, wool, silk and cotton are not a part of agricultural exports. They fall under the category of textiles. Tobacco and tobacco products technically come under the category of food items and they are a part of agricultural products. Fish and fish products whether from sea or river are a part of agricultural products. Essential oils are not a part of agricultural products while castor oil is agricultural product.

The most remarkable aspects of Indian agriculture is its diversified nature thanks to varied climatic and soil conditions and abundant availability of sunshine a situation that only a few countries in the world are blessed with. India has foodgrain crops, commercial crops, pisciculture, floriculture, sericulture, horticulture, viticulture, poultry, animal husbandry, dairy sector, forestry and a manufacturing and food processing sector based on agricultural commodities. In this unit, you will learn the trends in Indian agricultural exports, composition and markets and measures and strategies to boost agricultural exports.

8.2 INDIA'S EXPORT OF AGRICULTURAL PRODUCTS

Agricultural products which are presently being exported include tea, coffee, foodgrains (rice/coarse cereals and pulses), spices, tobacco, cashew, oilmeals, sesame and niger seeds,

groundnut, spirit and beverages, guar gum meal, shellac, sugar and molasses, horticulture and floriculture products, fresh and processed fruits and juices, fish and fish products and meat and meat preparations.

India has a natural comparative advantage in agricultural exports because of the lower import needs of inputs, reasonable labour costs and natural resources. The import content of the agricultural sector is insignificant as compared to non-agricultural sector and this helps the country in gaining net foreign exchange through agricultural exports.

During the 1950s, agricultural exports accounted for a half of the value of total exports of India. The share declined considerably in the second half of the 1960s. Not much variation is noticed in the 1970s except for two years viz. 1974-75 and 1975-76. In the new pattern of trade which emerged in the late 60s, the share of food and raw-materials began to decline and that of manufactured items increased. Agricultural export surpluses, which result from rising agricultural production, could stabilise the prices of farm output, thereby protecting the incomes of farmers.

India's agricultural export has increased substantially from \$4023.10 million in 1993-94 to \$ 6868.50 million in 1996-97. Thereafter the export has been declining. It reduced to \$ 5504.60 million in 1999-2000. The major causes for decline in agricultural export include: subdued international prices of agriculture based commodities, economic problems in South East Asian countries and Japan and decline in dollar value. Look at Table 8.1 which shows India's export of agricultural and allied products.

Table 8.1: India's Exports of Agricultural and Allied Products

(\$ million)

Year	Exports
1993-94	4023.10
1994-95	4227.28
1995-96	6120.01
1996-97	6868.50
1997-98	6634.20
1998-99	6033.11
1999-2000	5504.60

Source: CMIE, July 2000

Although India's exports of agricultural items have been on the increase, the full potential of agricultural exports had remained untapped and unexploited due to variety of factors. The major factors are: the use of old farm technology on large areas of land that is cultivated, stagnation of output, rising domestic demand due to increasing population and income and lack of proper incentive efforts at export promotion.

In addition, Indian agricultural sector suffers from many ailments. There include low growth rate, low productivity, low investment, low fertilizer consumption, inadequate credit availability and heavy dependence on Monsoon.

India's agricultural products are competitive price-wise, quality-wise etc. in a large number of markets. It is, however, necessary for India to augment supplies to various markets and also to go in for more value added items, keeping in view the trends of consumption/usage pattern in importing countries. Maintenance of quality in food items is of utmost importance to have markets on a sustainable basis.

Despite inherent competitive strength of Indian agriculture, India's share in world exports of agricultural commodities is very low. India's share in a number of items remained at much less than 1 per cent with the exception of only 4 to 5 items. The potential for increasing agricultural exports from the country is very high provided it is backed up by various measures from the Government, industry and trade.

Studies carried out have clearly indicated that there is scope to accelerate exports and to achieve at least 25 to 30 per cent growth in terms of value or volume in respect of a number of items. Some of these include:

1. Aquaculture
2. Floriculture
3. Fresh fruits
4. Tomato paste and products
5. Tropical fruit juices
6. Pulp & concentrates
7. Preserved mushrooms
8. Rice
9. Spices
10. Sugar
11. Molasses
12. Alcohol including Ethyl
13. Meat
14. Poultry; and
15. Milk.

8.2.1 Composition of Agricultural Exports

In almost all the agricultural products, there is vast domestic demand. Exports, however, are regularly undertaken to have continued presence in international markets. Balancing domestic demand and keeping the export channel is an integral element of the export strategy for agricultural products. Look at Table 8.2 which shows India's agricultural products export. Let us discuss the trends in exports of major agricultural commodities.

Tea: Plantation crops have been playing a very important role in India's exports of agricultural items. Tea plays an important role in the national economy. It earns a substantial amount of foreign exchange for the country from its exports besides generating substantial revenue for the national exchequer by way of cess, sales tax, agricultural income tax etc. Tea industry provides employment to about 1 million people in tea plantation directly besides providing employment to an equal number of persons in the ancillary industries attached to the tea industry.

The exports of tea have increased from \$ 337.3 million in 1993-94 to \$407.99 million in 1999-2000. Tea Board is concerned with development, research and promotion. Tea board has five overseas offices located at London, Hamburg, New York, Dubai and Moscow. To popularise the high quality tea of Darjeeling, Assam and Nilgiris, Tea Board also conducts publicity campaign in identified markets to establish such Logos as the ' guarantee mark' of pure teas from India. Recently, Tea Board promoted the brand "Nurgese" in markets such as Iran, Russia, etc.

Coffee: Coffee has been an important and traditional item of India's agro exports. The exports of coffee have increased from \$ 173.76 million in 1993-94 to \$ 456.93 million in 1997-98. The exports have declined afterwards and reached to \$ 315.17 million in 1999-2000. A number of changes have taken place in the marketing of coffee. The Government of India have permitted Free Sale Quota to all coffee growers irrespective of the size of the holdings. Coffee Board takes up activities which include expansion, quality control, research and external and internal publicity. Under the 8th Plan Scheme, Coffee Board sponsored a project on "Development of Value Added Coffee Products and Decaffeination of Coffee" to the CFTRI, Mysore.

Table 8.2 India's Export of Agricultural Products

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
All Commodities	22213.01	26337.50	31841.87	33497.97	35048.67	33210.97	37644.39
Agricultural & allied products	4023.10	4227.28	6120.01	6868.50	6634.20	6033.11	5504.60
Basmati rice	337.98	275.67	254.69	351.74	454.10	446.03	401.10
Cashew	332.90	396.51	369.97	362.41	377.13	386.76	566.42
Cashewnut shell liquid	0.92	0.78	0.43	0.78	1.93	0.98	0.50
Castor oil	92.13	140.58	222.31	176.84	155.21	159.72	245.37
Coffee	173.76	335.43	449.98	402.20	456.93	410.63	315.17
Cotton raw incl. waste	208.15	44.52	60.94	443.90	221.41	49.17	18.64
Floriculture products	6.00	9.82	18.01	17.87	23.37	25.18	20.94
Fresh fruits		60.13	68.92	68.90	74.58	63.29	66.59
Fresh vegetables	131.96	79.00	89.04	94.27	84.31	65.12	81.63
Fruits/vegetable seeds		7.32	12.32	11.86	14.41	15.35	15.55
Groundnuts	54.34	32.28	68.62	91.86	152.56	33.19	42.34
Guargum meal	44.85	45.50	68.02	100.40	146.82	172.93	189.15
Marine products	812.70	1126.68	1012.31	1129.86	1208.72	1038.15	1181.55
Meat preparations	109.72	128.30	187.73	199.86	217.77	187.29	180.44
Misc. processed items	40.90	35.87	161.81	215.41	68.85	60.62	62.39
Non-basmati rice	71.80	108.47	1113.00	542.63	454.03	1046.54	316.41
Oil meals	740.10	572.74	703.18	985.41	925.44	461.43	370.43
Other cereals	10.81	8.93	5.08	13.71	3.39	2.06	1.88
Poultry and dairy products		15.56	17.59	34.90	31.80	23.04	22.76
Processed fruits and Juices	49.55	53.98	61.25	59.05	73.51	69.12	113.29
Processed vegetables		25.21	42.74	32.93	31.39	39.75	38.17
Pulses	23.43	28.80	39.47	37.10	97.22	53.00	93.56
Sesame & niger seeds	23.41	45.15	77.02	77.61	81.51	78.07	85.88
Shellac	20.85	14.93	18.78	14.75	15.65	15.52	18.85
Spices	181.18	195.04	237.58	338.92	379.76	387.96	393.23
Spirit & beverages	14.65	14.86	13.37	56.75	19.83	16.80	16.21
Sugar & molasses	56.71	19.80	151.62	303.89	68.68	5.81	8.74
Molasses				61.20	2.82	1.68	6.25
Sugar				242.68	65.85	4.13	2.49
Tea	337.31	310.76	350.63	292.38	505.47	538.23	407.99
Tobacco manufactured	29.60	22.50	20.40	27.15	41.15	45.03	44.55
Tobacco unmanufactured	117.28	58.66	113.38	186.21	247.17	136.00	184.87
Wheat	0.07	13.49	109.81	196.91	0.11	0.32	—

Source: CMIE, July 2000

The salient features of the outcome of the project are as follows:

- i) The technology for preparation of flavoured, roasted and ground coffee and flavoured soluble coffee has been developed.

- ii) The packaging and storage studies on the roasted and ground coffee, flavoured roasted and ground coffee and flavoured soluble coffee have been completed.
- iii) The technology for preparation of coffee bags has been standardised.
- iv) One kg. and five kg. capacity coffee extractors were developed.
- v) The procedure for the development of decaffeination of coffee by assuring three solubles viz., Ethyle Acetate, water/aqueous sugar solution and super critical CO₂ has been standardised.

Foodgrains

Rice: Rice constitutes about 80% of the total foodgrains basket. World trade in rice is dominated by long grain white rice and Thai brown rice. The export trade was dominated by Thailand, USA and Vietnam. The export of basmati rice was to the tune of \$337.98 million in 1993-94. It declined to \$254.69 million in 1995-96 and again increased to \$454.10 million in 1997-98. Afterwards it again decreased to \$401.10 million in 1999-2000.

Rice is freely exportable from the country without any quantitative and price restrictions. Non basmati rice was mainly exported to Bangladesh, Indonesia, Iran, Philippines and countries in Sub-Saharan Africa. The major basmati rice export markets are Saudi Arabia, Kuwait, UAE, UK and USA.

Wheat: Exports of wheat are permitted subject to quantitative ceilings and Minimum Export Price (MEP) as notified by the DGFT from time to time. The export of wheat has increased from \$0.07 million in 1993-94 to \$196.91 million in 1996-97. It further came down to \$0.32 million in 1998-99.

Coarse Grains: Jowar, Bajra, Maize, Ragi, Small Millet and Barley constitute Coarse Grains. EXIM Policy allows export of Coarse Grains subject to quantitative ceiling as notified by the DGFT from time to time.

Tobacco: In India, about 6 million farmers and farm hands are engaged in cultivation of tobacco. Tobacco also provides sizeable employment in various operations like curing, grading, processing and manufacturing in addition to the large number of farmers and agriculture labour engaged in its cultivation. Flue Cured Virginia (FCV) tobacco is mainly cultivated in Andhra Pradesh and Karnataka, and in some parts of Maharashtra and Orissa.

The export of tobacco manufactured has increased from \$29.60 million in 1993-94 to \$44.55 million in 1999-2000. The export of tobacco unmanufactured has increased from \$117.28 million 1993-94 to \$247.17 million in 1997-98. It further came down to \$184.87 million in 1999-2000. The export of tobacco unmanufactured is about four times higher than the export of tobacco manufactured. Tobacco exports are promoted by i) allowing exports to countries facing foreign exchange crunch on long term credit terms, ii) allowing exports of tobacco to Russia through debt repayment route, iii) sponsoring delegations abroad and participation in international trade fairs.

Spices: India has a long history of producing and exporting spices. Major spices in the international trade are pepper, capsicum, seed spices, cinnamon and cassia. Exports of Spices are freely allowed under the present EXIM policy. Pepper is the most important spice exported from India. Cardamom, chillies, ginger, turmeric, seed spices, curry powder and spice oils and oleoresins are the other main spices/spice products exported from India. Exports of spices from India have shown a spectacular growth. The export of spices has increased from \$181.18 million in 1993-94 to \$393.23 million in 1999-2000.

The Spices Board assist the exporters through various schemes including 'Brand Promotion' 'Logo Promotion' and 'Spices House Certificate'. Indian spice industry has moved from mere trade to consumer oriented processing and production. Some of the companies have gone into joint ventures/marketing tie-ups with Multinational Companies, MC.Cormic, USA and M/s Tone Brothers, USA under 100% EOU Scheme.

Cashew: India occupies premier position in the export of cashew kernels in the international market. Brazil, Tanzania, Mozambique and Kenya are the other major exporters. Exports of cashew kernels have been on the increase since 1993-94. The export has increased from \$ 332.90 million in 1993-94 to \$ 566.42 million in 1999-2000.

Fresh Fruits and Vegetables: India is the second largest producer of fruits and vegetables in the world. The major fruits exported are mangoes, grapes, bananas, citrus fruits. Some new fruits introduced in international markets are strawberries, pomegranates, lychees and custard apples. The export of fresh fruits and vegetables has increased from \$146.45 million in 1994-95 to \$163.77 million in 1999-2000. The export of fresh fruits and vegetables has not witnessed substantial change during this period.

Processed Fruits and vegetables: Processed fruits and vegetables have sizeable export potential. In the recent past, some of the new products have been introduced in the market. These include: tomato paste in bulk aseptic packs, button mushrooms, freeze dried and instant quick frozen fruits and vegetables and gherkins. The export of processed fruits, Juices and vegetables has increased from \$ 79.19 million in 1994-95 to \$151.46 million in 1999-2000.

Meat and meat products: Meat is exported both in fresh and frozen form. Sheep and goat meat are generally exported in fresh forms whereas buffalo meat is largely exported as frozen. Beef (meat of cow) is banned for export. The export of meat and meat products has increased from \$ 109.72 million in 1993-94 to \$217.77 million in 1997-98. It further reduced to \$180.44 million in 1999-2000. The major markets for meat and meat products are Malaysia, UAE, Philippines, Saudi Arabia, Iran, etc. The quality of meat exported from India has always been subjected to criticism because of: i) Unhygienic condition of Indian slaughter houses ii) Prevalence of Rinderpest/foot and mouth disease among the animals.

Marine products: Marine Products are an important item of India's agro-exports next only to non-basmati rice. India has vast potential for the development of marine products. Apart from traditional items of exports in block frozen form, India presently exports value added items like IQF (Individually Quick Frozen) cultured Shrimp, Battered Shrimp, Cooked Shrimp, fish fillet, surmi, live fish etc. India has a coast line of 8129 Km and an Exclusive Economic Zone of 2.2 million Sq. Km. The total brackish water available in the country is about 1.2 million hectares which can be developed for aquaculture.

As much as 50 items under the umbrella of marine products are exported from India. The major items are frozen shrimp, frozen fish, frozen squid, frozen cuttle fish etc. The export of marine products has increased from \$ 812.70 million in 1993-94 to \$ 1208.72 million in 1997-98. It has further dropped to \$ 1181.55 million in 1999-2000. The major markets for India's export are Japan, USA, China, UAE, UK, etc.

Marine Products Export Development Authority (MPEDA) is the Government agency devoted to promote export of marine products from the country. MPEDA implements a number of plan schemes such as the following:

- i. Export Production — capture fisheries
- ii. Export Production — culture fisheries
- iii. Induction of New Technology and Modernisation of processing facilities.
- iv. Market promotion (MPEDA) has offices at New York and Tokyo. The Head Office is located at Cochin (Kerala).

USA imposed a ban which is applicable to exports of Indian shrimp and products derived from shrimp which have been harvested with commercial fishing technology which may adversely affect sea turtles.

On October 6, 1996, the U.S. court of International Trade ruled that shrimp harvested in the wild may not be imported into the U.S. unless the harvesting nation is certified under Section 609 of Public Law 101-162 as possessing an approved sea turtle protection regime. This new Court ruling prohibits importation of all shrimps from uncertified countries, except shrimp harvested from aquaculture.

In order to comply with this, Govt. of India has authorised MPEDA to countersign a certificate and authenticated by the exporters concerned that a consignment of shrimp for exports to USA has been sourced from aquaculture.

- a) The Supreme Court has ordered a ban on expansion of aquaculture activity in coastal states in December, 1994. MPEDA have filed an appeal before the Hon'ble Supreme Court of India.
- b) The foremost challenge before the Indian exporters of marine products dealing with EU countries and also the other important markets is to improve the standards of processing plants in particular and other activities relating to production in general. In fact, what EU require is that there is a total adherence to quality and hygiene standards right from the point of the raw material is obtained.

Floricultural Products: Floriculture has become an attractive industry in many countries of the world. Flowers and plants are an integral part of human life. Besides aesthetic importance, they are useful in improving the quality of life. In India, floriculture is an important business with high potential for export.

The floriculture sector comprises of the following:

- i) Florist trade of cut flowers and cut foliage which may be fresh, dried, dyed, bleached, impregnated, otherwise prepared in the form of garlands, bequests, floral baskets, floral ornaments and flower decorations.
- ii) Plant nursery for propagation and supply of live plants including those multiplied by tissue-culture.
- iii) Bedding plant industry for supply of seeding and rooted cutting of flowers, like chrysanthemum, carnation, gerbera, dahlia, etc.
- iv) Production and sale of seeds and bulbs of flower crops including hybrid seed production.
- v) Flower perfumes especially for essential oil, attar concrete etc. which are required by cosmetic food and flower industries.

The florist trade of cut flowers, cut foliage and pot plants is the main revenue earner. The export of floricultural products has increased from \$ 6.00 million in 1993-94 to \$25.18 million in 1998-99. It has further declined to \$ 20.94 million in 1999-2000. APEDA is implementing a project for enhancing production and exports of floricultural products with the assistance of UNDP. Under this project, it is planned to develop production manuals for major cut flowers produced in India, provide market information on a regular basis and give technical assistance.

The major markets for floriculture products are Netherlands, USA, Germany, Japan and UK. They account for 68% of India's total floriculture export.

8.2.2 Markets for Agricultural Products

The major markets for India's agricultural and allied products export are USA, Japan, Saudi Arabia, Russia, UAE, UK, Netherlands, etc. They accounted for about 56% of India's total export of agricultural products. USA is the leading market for agricultural products of India followed by Japan, Saudi Arabia, Russia, UAE, UK and Netherlands. Look at Table 8.3 which shows India's markets for agricultural products.

Table 8.3: India's Major Markets for Agricultural and Allied Products

(\$ million)

Countries	Year			
	1996-97	1997-98	1998-99	1999-2000
USA	660.09	651.53	677.62	857.32
Japan	699.49	736.26	648.08	638.49
Saudi Arabia	336.65	384.10	440.31	360.77
Russia	339.76	448.25	335.60	333.08
UAE	403.49	422.34	354.00	315.48
UK	285.35	301.03	257.10	304.58
Netherlands	284.32	227.41	202.00	264.57

Source: CMIE, July 2000.

Check Your Progress A

1) Enumerate five major foreign exchange earner items of agricultural exports.

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2) Enumerate five major markets for agricultural export.

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3) Enumerate India's three comparative advantages in agricultural export.

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4) State whether the following statements are True or False.

- i) India's share in world exports of agricultural commodities is very high.
- ii) Marine products are the leading agricultural export items for the year 1999-2000.
- iii) India is the fifth largest producer of fruits and vegetables in the world.
- iv) Indian meat is exported only in frozen form.
- v) USA is the leading market for India's agricultural products.

8.3 WTO AND AGRICULTURAL EXPORTS

It was for the first time that agriculture was discussed in market access negotiations under the Uruguay Round. The Agricultural Agreement involves border measures as well as reduction in domestic support. As a result of both these, there are likely to be higher global prices and drops in the global output for various agricultural products. India's agricultural exports are already price competitive and should become more so as a result of these changes. There are three important aspects to be noted. One is the impact of Uruguay Round Agreement on India's Agricultural Exports. The second aspect is the market access and the third aspect is the Intellectual Property Protection for Plants and Seeds and Sanitary and Phytosanitary conditions. On market access, studies carried out showed negative results. It is argued that the liberalisation represents a demand side change. But India's exports are fundamentally supply-constrained.

It is difficult to state in categorical terms particularly in terms of value the benefit that accrues to India's agricultural exports arising from the Uruguay Round Agreement on Agriculture. Certainly it becomes absolutely necessary for India to undertake reforms in substantial measure in the domestic agricultural reforms call for dismantling the regulatory and legislative hurdles to agricultural modernisation. The regulatory and legislative regime has become

outmoded and dysfunctional and encompasses production, procurement, movement, transportation, agro processing, storage, marketing and credit cooperatives.

8.4 GOVERNMENT'S MEASURES TO ENHANCE AGRICULTURAL EXPORTS

Government of India's is providing financial assistance to eligible exporters for establishment of various facilities for export of agricultural products. These include:

- i) purchase of specialised transport units for meat, horticulture and floriculture sectors;
- ii) establishment of pre-cooling facilities;
- iii) setting up of mechanised post-harvest handling facilities and sheds for grading, sorting, quality control and packaging;
- iv) establishing vapour heat treatment/fumigation/screening machines for exports; and
- v) establishing cold stores at airports/seaports for export purposes.

Financial assistance is also provided in respect of the following:

- i) supply of product samples for test marketing;
- ii) preparation of product literatures, publicity material, films, etc.
- iii) brand publicity through advertisements; and
- iv) participation in International Fairs/Exhibitions.

Scheme for Packaging Development is for (i) development of packaging standards and designs; and (iii) utilising packaging developed by APEDA through IIP or others alongwith "Produce of India" label.

Scheme for Assistance to Promote Quality and Quality Control is for (i) setting up/strengthening of quality control activities and laboratories; and (ii) for specialised consultancy services towards obtaining ISO 9000 or other recognised international quality control systems and developing quality control manuals.

Schemes for upgradation of meat plants provides financial assistance to public slaughter houses/processing plants engaged in export products of meat with international standards.

Scheme for organisation building and human resources development and training.

Scheme for generating relevant research through research institutions for common benefit of trade and industry.

Development Efforts of APEDA

1. **UNDP Project on Floriculture:** For enhancing product and productivity, a project titled "Promoting Export of Floriculture Products" is being implemented with the assistance of UNDP through Ministry of Commerce and APEDA.
 Some of the activities to be undertaken in this Project include advising 10-12 entrepreneurs on production, preparation of crop manuals and market survey reports providing market information and holding of seminars and arranging buyer-seller meets.
2. **Programme for setting up of VHT facilities with aid from Japan:** For export of fruits and vegetables, quality control is extremely stringent in Japan and the products are required to be treated with Vapour Heat Treatment measures before export. Under this scheme, a pilot plant is being set up at New Delhi. Technical know-how and assistance is being provided by Japan. More plants will be subsequently set up in other areas such as Maharashtra. The effectiveness of the process is being tested and the commercial scale adoption has yet to be worked out.

A scheme titled "Setting up of Integrated Cargo Handling facilities for Agriculture perishables at Delhi Airport" is being implemented by APEDA.

3. **India International Marketing Centre (IIMC) Rotterdam:** IIMC has been set up by private entrepreneurs with financial assistance from the Government of India and Municipality of Rotterdam. This centre is a wholly-owned subsidiary company. This has facilities for office space, show rooms for warehousing and trading of Indian goods in the European markets. 14 Air Cargo Complexes have been setup for providing cargo booking and Customs clearance facilities under one roof.

8.5 STRATEGIES TO BOOST EXPORT

In order to realise the full export potential of agricultural sector, it is necessary to strengthen the infrastructural and storage facilities. Govt. has to initiate many measures to exploit the export potential fully. Some of the measures needed to strengthen agricultural export activity include the development of infrastructure and creation of conducive export-import procedures.

India has one of the longest coast lines in the world and Indian ports need to be developed comparable with ports of Singapore and Hong Kong to handle the goods efficiently and effectively and to offer handling charges at very comparative rates. Indian ports have to handle larger tonnage than what is being done currently. The daily loading capacity at the Indian ports hovers around 2,500 to 3,500 tonnes which is 10 per cent of what ports of developed Asian countries handle. Lack of proper loading facilities, scarcity of modern warehousing capacity near ports, shortage of railway wagons for ferrying goods are adversely affecting competitiveness of India's exports. For example, rice and de-oiled cake exporters complain that they do not get railway wagons to carry their goods to the ports. In the case of fruits and vegetables, lack of storage capacity is adversely affecting the utilisation of fruits and vegetables and their exports. The Cold Storage Act is known to be working as a deterrent to the holding of stocks. Estimates are that more than Rs. 5,000 crore worth of fruits and vegetables get wasted each year due to lack of storage and transportation facilities.

The measures to be initiated by the Government include the following.

- i) Jettison the present policy which prescribes that only those farm products should be exported in which the country has a surplus.
- ii) Removal of physical barriers (particularly in cereals) on quantities to be exported.
- iii) Trade policy for the farm sector should be open, free and outward looking with complete freedom to the farmer to dispose off his produce without any Government restrictions on quantity, prices, etc. (cotton exports from the country are controlled by quotas monitored by the Textile Commissioner. Exports are permitted to be undertaken by designated agencies only).
- iv) Investments, both public and private into infrastructure, need to be encouraged to boost agro exports. Exports of fruits and vegetables could be increased manifold if refrigeration facilities are created at all points storage at the farm level, during transportation and also at airports.
- v) Abolish all export controls and regulations like canalisation.
- vi) Persistent efforts are required in the areas of post-harvest technology in order to preserve and utilise the produce both for domestic consumption and export purposes (wastage of fruits & vegetables, if prevented, would lead to greater availability for production and exports). To promote farm production and to encourage agro-based industries, the farm sector should be given the status of an industry with all the facilities extended including cheap credit, specialised funding institutions, storage and marketing facilities.
- vii) Agriculture sector should be excluded from taxes including capital gains tax.

- viii) Ensure proper use of farm land while taking ecological concerns into account. In the semi arid regions, agricultural expansion in areas not suited for cultivation should be prohibited to avoid environmental problems.
- ix) Foreign capital and technology should be encouraged liberally.
- x) Eastern States need to be geared to increase production of various agricultural commodities with the help of improved techniques.
- xi) Productivity of various crops needs to be enhanced as lands are likely to be scarcer in future. India has lower agricultural productivity at around 1.6 tonnes average yield per hectare which is lower to that of not only developed countries but also to that of developing countries like China, Indonesia, Bangladesh, Mexico and Brazil. To achieve a high agricultural growth rate the average yield has to be 2.5 tonnes or more per hectare.
- xii) Agricultural growth has to be substantially stepped upto over 3.5% to 6% in output terms. Efforts should be to achieve doubling of farm production within the next 15 years which require an average annual growth rate of 4.7%.
- xiii) Investments in agriculture have to be stepped up substantially, as a percentage of the total expenditure, five year plans, on a continuous basis.
- xiv) Irrigation systems need to be improved, strengthened and expanded so as to reduce drastically the dependence of agriculture on monsoon. Minor irrigation needs to be promoted very widely. Ground water should be treated as the principal source of irrigation to be popularised through incentive mechanism.
- xv) State-Governments should amend the Agricultural Land Ceilings Act.
- xvi) Consolidation of land holdings needs to be implemented with vigour. More than 60 per cent of land holdings in the country remain unconsolidated.
- xvii) Fertilizer consumption has to be promoted to increase production to meet the increasing domestic requirements and exports. Profitability of farming operations could be increased only through higher productivity. Use of bio-fertilizers, bio-pesticides, organic manures and micro-nutrients has to be promoted vigorously. The Plant Varieties Protection Bill would not go against the interests of farmers. Production of high-value seeds involves the process of hand pollination which is highly labour intensive and India would stand to gain.

Check Your Progress B

- 1) Enumerate three government's measures to enhance agricultural export.

- 2) What is UNDP Project on Floriculture?

- 3) Enumerate three strategies to boost India's export.

- 4) State whether the following statements are **True** or **False**.
- i) Agricultural reforms call for dismantling the regulatory and legislative hurdles to agricultural modernisation.
 - ii) Financial assistance is not provided for publicity material related to agricultural export.
 - iii) India International Marketing Centre, Rotterdam, is a wholly-owned subsidiary company.
 - iv) The agricultural agreement of WTO involves increase in domestic subsidy.
 - v) Trade policy for the farm sector should be inward looking.

8.6 LET US SUM UP

Agricultural products from the country have immense export potential. Particularly after the conclusion of the Uruguay Round Agreement on Agriculture, the scope for increasing exports of agricultural items has increased and new opportunities in promoting products and cultivating new markets have emerged. Major items that are entering India's agricultural exports include tea, coffee, rice (Basmati and Non-Basmati), tobacco unmanufactured, spices, cashew kernels, oil cakes, fresh and processed fruits and vegetables, meat and meat products, marine products, raw-cotton etc. In addition, scope exists for the export of a large number of items including floricultural products, health food products and many value added items.

India has a natural comparative advantage in agricultural products because of the lower import needs of inputs, reasonable labour costs and natural resources. The import content of the agricultural sector is insignificant as compared to the non-agricultural sector and this helps the country in gaining net foreign exchange through agricultural exports.

The full potential of agricultural exports has remained untouched and unexploited due to a variety of factors including the use of old technology, stagnation of output, rising domestic demand, due-to increasing population and income and lack of proper export promotion strategy. There are also other elements such as low growth rate, low productivity, low investment, low fertiliser consumption, inadequate credit availability and heavy dependence on monsoon.

In order to take full advantage of the various opportunities available, India has to undertake reforms in the agricultural sector. Various regulatory and legislative laws in force covering production, procurement, movement, transportation, agro processing storage, marketing and credit cooperatives have become out model and they need to be revamped to suit the present needs to promote trade. EXIM Policy also needs to be streamlined to promote agricultural exports.

8.7 ANSWERS TO CHECK YOUR PROGRESS

A4 i) False ii) True iii) False iv) False v) True

B4 i) True ii) False iii) True iv) False v) False

8.8 TERMINAL QUESTIONS

1. Describe the trends of India's agricultural exports.
2. Explain various items of agricultural exports from India.

3. Do you think that marine products are one of the most important emerging export items of agricultural products. What are the problems faced by marine products export.
4. Describe the government's measures to enhance agricultural export from India.
5. What strategies can you suggest to boost agricultural export from India.