The Hindu Business Line-New Delhi-November 20, 2018, P-06

Why doubling agri exports may remain elusive

The Commerce Ministry has done little in terms of export promotion and its policy has been far from stable

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The Commerce Ministry is working on a new agricultural export policy. The policy will contribute to doubling of farmers' incomes, it is said. While details will be unveiled in course of time, data of the last four years are far from flattering.

Since 2014-15, India's agricultural goods exports have remained trapped in the \$35-40 billion range while the share of agriculture to total exports too has been almost rigid, at 12.5-13 per cent, suggesting no significant improvement in export, possibly in the absence of a strategic approach.

The Commerce Ministry has much to answer for in terms of its export-promotion efforts in the last four years. If anything, one can safely assume that 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.

Some of the significant commodities of export from the country include rice (basmati and non-basmati) valued at \$7.7 billion; marine products \$7.4 billion; meat and poultry \$4.6 billion; spices \$3.1 billion; oilseeds, oilmeals and castor oil \$3.1 billion; fruits and vegetables \$2.4 billion; raw cotton \$1.9 billion; and coffee, tobacco, tea and cashew fetching less than \$1 billion each.

Queer picture

It would be simplistic to look at agri exports in isolation without considering import of related commodities. Within the same category of agri export, a look at imports presents a queer picture and inspires no confidence. The value of export becomes negligible when one looks at the value of import of related products.

Take cashew for example, where the value of raw cashew import, at \$1.4 billion, is far higher than the value of export earning of processed cashew kernels, at less than \$1 billion.

The oilseeds complex performs the worst. While export earnings from oilseeds, extractions and castor oil aggregate \$3.1 billion, vegetable oil imports are valued at a whopping \$11.6 billion. The country is chronically short of edible oil and our import dependence has worsened in recent years to nearly 70 per cent.

Ignoring the pulse of the market AP

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. Often, imports may be inescapable, either (raw material) to produce an export product or to meet specific domestic demand.

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.

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.

Given this, the government's track record of last four years leaves much to be desired. Two significant commodities — pulses and edible oil — remained in the restricted list for an inordinately long time despite the fact that the country pursued a very liberal and unrestricted import policy.

Restrictions on pulses export hurt primary producers such as growers. Even depressed domestic prices did not move the policy-makers for a long time and it was as late as September 2017 that the government lifted export restrictions on pulses and edible oil after there were nationwide protests by growers against depressed prices.

And having lifted export controls, the government did little in terms of export promotion. To promote pulses, it was logical to have set off a dialogue with neighbouring trade partners Bangladesh and Sri Lanka who annually import 1.5 million tonnes and 0.5 mt, respectively even as domestic prices have been languishing below the minimum support price.

All these go to show that within the government, there is very little commercial intelligence capability and there is none who is able to strategically think about export promotion.

Most ministries work in silos with little coordination — agriculture for production, food and consumer affairs to track prices, finance to impose or vary tariffs, and commerce for exim policy.

Doubling agri exports will remain a chimera unless genuine export surpluses are generated and stable exim policy with a long-term perspective is assured. Overseas buyers will not respect Indian exporters if the government followed a 'switch-on switch-off' policy. If the import window for a commodity is open, there is no justification to keep the export window shut.

Even if exports are liberalised, there is no guarantee we will succeed in the overseas markets because quality considerations will continue to play a critical role in foreign trade as seen in Chinese restrictions on import of Indian rapeseed and soybean meal. The Commerce Ministry has its task cut out.

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