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INDIA'S AGRICULTURE AND FOOD EXPORTS: OPPORTUNITIES AND CHALLENGES

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"You cannot solve a problem on the same level that it was created. You have to rise above it to the next level". Albert Einstein

I. Perspective

The remarkable India growth story took a hit because of the debilitating impact of the COVID 19 pandemic on income, output and employment. This once in a century pandemic devastated lives and livelihoods across the development spectrum. Thankfully now growth is gaining traction and the India growth story seems here to stay.

There are persisting challenges to macroeconomic stability. The recent Report of the Finance Ministry stressed managing short-term risks (fiscal deficit, economic growth, inflation, current account deficit, Rupee value) without sacrificing "hard earned macroeconomic stability". Despite the headwinds to growth, India is at a lower risk of stagflation.

Rationalizing non-capex expenditure assumes significance because of the fears of gross fiscal deficit exceeding budgeted level on account of slashing of excise duties on diesel and petrol. Hence, careful monitoring is needed to contain the situation within manageable proportions.



The trial of adversity was that of the freedom fighters of India; the trial of prosperity is that of the present day Indians. If the India growth story has to be sustained over the long haul, all the three sectors, viz., agriculture, industry and services must perform well. Hence, the asymmetric process and pattern of development reflected in the steep decline in the contribution of the Indian agriculture from 55 per cent of GDP in 1951 to about 20 per cent now despite agriculture still accounting for about 55 per cent of total employment causes concern.

This assumed greater significance because an unusually hot March and April with temperatures exceeding 40 degrees C (maximum temperature for such crops is 35 degrees) damaged summer crops and caused widespread uncertainty. Given that agriculture continues to have a significant bearing on various macro-economic parameters, it caused concern both for economic growth and distributive equity at the broader national level.

II. Holistic Development: How?

Transforming consumption patterns, shifting agricultural practices, diversifying agriculture from foodgrains to high value items, viz., horticulture, livestock, fisheries is critical for a holistic perspective—from sowing to planting, drainage, irrigation, fertilizer, plant protection, harvesting, weeding, and storage and better livelihoods that are truly sustainable, for the village and the villagers. Widely acceptable benchmarks developed by Lead Banks and National Bank for Agriculture and Rural Development (NABARD) can be used for an assessment of verifiable quantifiable indicators.

There has to be an attention on the age-old problems of timeliness, adequacy, security and cost of credit and convergence of BC based financial inclusion initiatives with SHG network and demonstration of banking technologies through Mobile Van on a much larger level to drive economic growth in conformity with the requirements of distributive equity. Some other measures of strategic significance include stress on enhancing productivity of crops and animal husbandry, checking soil erosion and promoting watershed development and the role of trans-disciplinary approach and community participation in village scale groundwater management more effective in enabling farmers, other village community members and NGOs to design holistic interventions with wider ownership and deliver longer-term sustainability of groundwater regionally.

The determinants of peoples' participation in watershed development stress the need for developing effective local institutions, capacity building through training of farmers and providing off-farm employment opportunities in countryside itself.

Upswing of financial inclusion by developing aspirational districts, micro finance, sanction and disbursement of higher credit by banks and financial institutions, formation of Joint Liability Groups (JLGs) and their credit linkage and monitoring and evaluation of verifiable quantifiable indicators and accent on Farmers Producers Organizations (FPOs) would be useful.

The RBI demonstrates that the Indian agriculture is marked by record foodgrains production, horticulture diversification, greater significance of allied sectors and changing dynamics of agriculture trade. Going forward, the key enablers, viz., productivity, mechanization and irrigation need to be strengthened for broad-based economic development. While the size of the national cake must grow, the pie must also be more evenly and equitably distributed.

The RBI has also brought into focus agricultural challenges of climate change, agriculture waste management, disguised unemployment and volatile food prices. These and other aspects necessitate supply-side interventions, viz., higher public investment, storage infra and food processing industries to meet the challenges of the present and the expectations of the future.

III. Food Prices

The Food and Agriculture Organization (FAO) shows rise in food prices by 75 per cent post mid-2020. The Indian CPI reveals doubling of rural consumer food prices in FY 22 because of Ukraine war, rising rural costs, viz., food production and transport. The food sector is interconnected and interdependent; “seismic hunger crisis” in Africa and Asia necessitating support to vulnerable countries by urgent synchronized measures. Failure is not an option in meeting basic human needs and managing food inflation and volatility.

The IMF stresses countries should allow hikes in food and fuel prices to pass-through to domestic prices since food prices make up 44 per cent of consumption in low income countries, 28 per cent in emerging market economies and 16 per cent in advanced economies. But there has to be an accent on the most vulnerable segments and sections of society.

The IMF’s study on food prices in Sub-Sahara Africa shows external factors drive food price inflation but domestic factors can reduce their impact. A sharper focus on monetary and fiscal policy, overall economic environment and transport constraint is, therefore, needed.

IV. Going Beyond Credit

Agricultural credit disbursement rose from ₹ 64,000 crore in FY2002 ₹17.09 lakh crore in FY22. While credit is a pre-requisite to development, credit must grow both in quantitative and qualitative terms. Streamlining credit requires differentiated needs based approach, thrust on FPOs to enhance credit and direct credit to desired channels, horticulture and value chain financing.

There have been sweeping changes in cooperatives with computerization of about 63, 000 functional Primary Agricultural Credit Societies (PACS) with a budget of ₹2516 crore (GoI ₹ 1528 crore) to raise the number of PACS to 3 lakh by 2025 and benefit 13 crore farmers. Such historic changes to make PACS “viable” and “multi-dimensional” involve not just ₹2500 crore but ₹ 3.19 lakh crore by the Government of India (GoI), State Government. and National Bank for Agriculture & Rural Development (NABARD). PACS broadened by 20 new options, reduced surcharge from 12 per cent to 7 per cent for PACS with earnings of ₹ 1-10 crore, reduced Minimum Alternate Tax (MAT).

V. Agricultural exports

Agricultural exports rose by 20 per cent to \$50 billion in FY 22 because of the link between production and exports; familiarizing State Governments and farmers in exports; help in removing infrastructural, logistics, post-harvest bottlenecks; new markets, greater share in existing markets, reduced transport costs and quality losses, use of refrigerated rail containers and modified tariff structure.

The Government of India’s Agri Export Policy in 2018 visualised a robust and diversified agriculture. Some of the basic elements of this vibrant tapestry were:

- o Double Exports from \$30 billion to \$60 billion by 2022 and reach \$100 billion in the next few years thereafter, with a stable trade policy regime.

- o Diversification of the export basket, and boost high value and value-added agricultural exports including focus on perishables.

- o Non-Traditional Agri Products Promotion: To promote novel, indigenous, organic, ethnic, traditional and non-traditional Agri products exports.

- o Market Access: To provide an institutional mechanism for pursuing market access, tackling barriers and deal with sanitary and phyto-sanitary issues.
- o Global Integration: by doubling India's share in world agri-exports by integrating with global value chain.
- o Benefit Farmers with export opportunities.
- ☒ Vision: Harness export potential of Indian agriculture, through suitable policy instruments, to make India a global power in agriculture and raise farmers income.

The time is now apposite to achieve the avowed goals of development. As William Shakespeare stressed centuries ago,

"There is a tide in the affairs of men.

Which, taken at the flood, leads on to fortune;

Omitted, all the voyage of their life

Is bound in shallows and in miseries.

On such a full sea are we now afloat,

And we must take the current when it serves,

Or lose our ventures."

Shakespeare's Julius Caesar (Act-IV, Scene-III).

VI. Roadmap Ahead

While there are significant state-wide differences in terms of the proportion of persons dependent on agriculture and allied activities for their livelihood because of historical factors, agro-climatic conditions and opportunities for alternative productive employment, close to 60 per cent of the population at the national level continues to derive their livelihood from agriculture. Hence, an emphasis on KCC/Rupay KCC, Crop Insurance, Land Records-Digitization and creation of charge is called for.

There also has to be a close coordination between the Revenue Department and State Level Banker's Committee for registration of property rights, stress on balanced/integrated farming and ensuring full and timely knowledge about crops, climatic conditions and market conditions to optimize production and ensure remunerative prices to farmers.

Most parts of India have ample sunlight; hence focus on renewable energy sources, viz., solar power and development of solar farms, as cogently argued by Professor Ashok Gulati, is imperative.

Some other elements of the growth-theoretic could be promotion of drip/sprinkler for fruits and vegetables in view of the acute water scarcity in most parts of the country, establishment of hi-tech nursery to promote and propagate production of fruits, vegetables and flowers. Another innovative and out of box strategy could be agri-tourism, which is a kind of multi-functionality involving various agricultural activities, animal rides and stay at rural surroundings with natural and fresh cuisines, needs to be effectively used as an integral part of the overall development strategy.

This strategy could effectively supplement earnings of villagers; also sustain rich heritage. Important criteria in location identification are proximate water source, away from polluted environment, better connectivity, natural site, historical importance, agricultural prosperity, etc. Lack of credit facilities, lack of water resources, lack of specific policy and unclear tax exemption policy hamper agri-tourism. Given the huge latent potential, there is a compelling need to focus on site, infrastructure, marketing, innovative ways of displaying agri-tourism products and services.

In an attempt to provide an impetus to the overall process of economic growth and structural transformation, skill development; vocational education and training and focus on meeting challenges of first generation women at micro level business startup would promote women empowerment both through provision of employment and enterprise creation would be helpful. Simultaneously, concerted attempts need to be made to provide greater incentives for investment and attention on rural technology, marketing, infrastructure and private participation; clusters - both natural and induced - since they provide productivity gains on a continued basis and develop a network of sub-contracting between firms and an accent on strengthening of the pre-requisites for development, such as, credit, marketing, technological modernization and infrastructure.

Given the success stories in some semi-arid regions in the country, e.g., north Rajasthan, community-based groundwater and ecosystem restoration needs to be stressed to check a negative spiral of ecological and socio-economic decline. Further, locally appropriate, integrated social and technical solutions promoting a virtuous cycle can increase the quality of ecosystems and the well-being of local people with effective use of the STEEP (social, technological, economic, environmental, political) framework.

The roadmap ahead must bring about a paradigm shift with an accent on competitiveness, pricing, quality, timeliness, diversification, food parks and cold chain infrastructure, value-addition and moving up the value-chain. This is a tall order and requires coordinated and concerted strategic and operational measures with a sense of urgency. Strategic action includes policy measures, infrastructure and logistics support, holistic export-oriented approach and greater engagement of State governments in agricultural exports. At the operational level, there has to be a renewed thrust on cluster-based approach, value-added exports, marketing and promotion of "Brand India", strong quality control and evaluation mechanisms, research and development. This vision of 'a new India' - an India, which is fully developed, inclusive and equitable needs to be implemented in complete earnestness for India to move from "swaraj" (self-rule) to "suraj" (good rule). And it needs no clairvoyance to perceive that in this vision of 'a new India', agriculture and food exports have to play a critical role. This is by no means easy and requires synchronized measures by the Govt, State governments, Agricultural and Processed Food Products Export Development Authority (APEDA), National Dairy Development Board (NDDB), Gujarat Cooperative Milk Marketing Federation (GCMMF), exporters, food and agro processing industry, RBI, NABARD, Exim Bank, banks, agri-tech start-ups, FPOs/FPCs, apart from the farmers themselves.

The issue of India's agriculture and food exports evokes animated discussions. I am delighted that Dr. Debesh Roy and Ms. Bijetri Roy have brought out a contextually significant book on this emerging kaleidoscope. This book, which has a wide canvas, would be of interest to agriculturists, planners, policy-makers and even those at the helm of affairs in reshaping the contours of India's agriculture and food exports policy and its operational frame in a more meaningful and effective manner. I compliment and congratulations both the Editors for a job well done!

• Address delivered on the occasion of the book launch and Seminar on India's Agriculture and Food Exports: Opportunities and Challenges organized by Institute for Pioneering Insightful Research and Edutech Pvt. Ltd. (InsPIRE) sponsored by NABARD at Sandal Suites by Lemon Tree Hotels, Sector 135, Noida on August 24, 2022.