

Making India a food export powerhouse

In response to the pandemic, the Centre has encouraged investment in building storage and infrastructure for the agri produce with a fair degree of certainty. The Cabinet has also recently approved a provision of ₹1 lakh crore for agri-infrastructure as an integrated part of the ₹20 lakh crore package that will help agrarian economy.

India's total share in world trade is only 2 per cent, making agricultural exports as low as 2 per cent of the domestic GDP. While the country is a food surplus one, supply chain inefficiencies hurt exports. Further, the choice of seeds and cultivation practices makes only a select range of Indian crops competitive in the global market. Looking closely at each category of products, and the production and consumption pattern, certain inefficiencies and reliability issues need to be corrected before the country takes its place as a powerhouse of food exports.

India being the second-largest agricultural producer in the world with 98 per cent of agricultural commodities seamlessly complying with the legally-permissible upper limits for pesticide residues makes its food products among the safest commodities.

Agricultural export during 2020 has improved by 43.4 per cent, to ₹16,229.3 crore, when compared to the 2019 figures. The jump in the export can be split up (in percentage) as groundnut (35 per cent), refined sugar (104 per cent), wheat (206 per cent), Basmati Rice (13 per cent), and non-Basmati Rice (105 per cent).

During the same period, rice export has risen by 13.7 per cent from \$3,359 million in April-August 2020 to \$3,820 million in April-August 2021, and fresh fruits and vegetables exports registering a 6.1 per cent growth in dollar terms.

Apart from this, the most significant contributors to change have been cereals, followed by poultry products. Figures estimate a considerable jump of 142.1 per cent in the export of cereals, while meat, dairy and poultry products saw

an increase of 31.1 per cent from April-August 2021. In absolute terms, the export of cereals increased by \$222 million in a year-on-year comparison, and the export of poultry and dairy products shot up by \$369 million in the same period.

However, the surprise element was dry fruits with cashews cashing in a growth of 28.5 per cent as its export rose from \$144 million in April-August 2020 to \$185 million in April-August 2021.

On the other side of the gamut, the Ministry of Food Processing Industries suggests that India's total exports have an 11 per cent contribution from agricultural and processed food products. In five years, the value of agricultural and processed food increased pointedly from \$17.8 bn to \$20.65 bn. This goes on to show that the agrarian economy is taking a proactive stance towards developing various processed foods.

The vast scope for Indian brands, value-driven products and homegrown quality is very likely to increase this share. The increasing penetration of Indian food into global palates is further contributing to this, as the market for value added Indian products is now starting to extend beyond the diaspora and entering many mainstream segments.

However, the country needs to address the following elements of the agri-food supply chain to emerge as a top global exporter:

- Agri-production practices
- Supply chain and logistics
- Streamlining regulatory compliance practices
- Delivering transparency and traceability using technology
- Developing products suited to the global palate.

On logistics, whether it is transportation bottlenecks, farm gate storage infrastructure, or the facilities and turnaround time at the exit port, poor logistics are estimated to add 6-8% to the Free On Board (FOB) cost when compared to developed countries like Germany, Singapore, and Hong Kong. These need to be

removed step-by-step. Further, evolving the right sea protocol for perishables is critical to increasing agricultural exports. Philippines and Ecuador have already developed such regulations for 40 days and 24 days respectively for banana transportation, whereas India struggles for even short trips of 3 to 4 days. Furthermore, due to the logistics cost of ocean freight going through the roof, the government support needs to be extended across more commodity categories

There is a need to think right about a unified body that can handle all Sanitary-Phyto Sanitary (SPS) issues from a single window. The USDA and USFDA in the US and the FSVPS in Russia are examples of how international authorities deal with market access requests for imports and exports, keeping them in a dominating position to make an adequate quid pro quo.

Domestic policies and schemes would need to align with the disruptive modifications that Artificial Intelligence, IoT, and Blockchain will bring to the field in the coming days for the legislation changes to work in favour of the potential rise. The policies relating to Minimum Support Price (MSP) will also have to be made WTO compliant. Further, the administration of agriculture sector will have to recognize the reality that global clients require reliable, predictable supply that cannot be disrupted by sudden actions such as stock controls.

Lastly, tweaking of products to meet specific consumer tastes, scouting potential markets, and understanding the requirements will also need to be taken up scientifically.

Being a developing country, the government will continue to streamline its produce towards domestic consumption. However, if the Centre can push through reforms along the above lines, while maintaining the support to farming communities, it can create a space for widespread improvements in agri-exports.

Source: The Business Line