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PROBLEMS & PROSPECTS OF AGRICULTURE EXPORTS IN THE EMERGING SCENARIO

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ABSTRACT

India is an agriculture based economy, where 43% of its people remain employed in agriculture and allied activities. India's agro-climatic conditions and rich natural resource base sets prelude for doing well on the agriculture front. Today, India has become the world's largest producer across a range of commodities, like coconut, mango, banana, milk and dairy products, cashew nuts, pulses, ginger, turmeric and black pepper. It is also the second largest producer of rice, wheat, sugar, cotton, fruits and vegetables with a view to promoting agriculture in the country and to fetch remunerative returns to the farming community in the sustained manner, the state and the central government have been encouraging agri and food products from India. The expansion of this sector can bring in unutilized and under utilized land and labour resources into use which can be poverty alleviating. Export of agricultural and allied products not only generate foreign exchange but also give an opportunity for bringing about agriculture revolution in the country. India with an enviable share of the world's agri-produce and diverse agro-climatic regions coupled with changing demographic patterns, food habits and rise in income levels opens up numerous opportunities in the sector. India as a potential sourcing hub to the world. Yet India's share in the global food trade is just around 1.5 percent, the paper examines the current scenario of the agri and allied product exports in India and the government policy frame work to support the sector.

KEYWORDS

agriculture exports, agri products.

INTRODUCTION

Agriculture is known as the back bone of Indian economy accounting for 14.6% of the country's Gross Domestic product (GDP) and 8.7% of the total exports in FY 2009 -10 the sector provides employment to over 55% of the work force.

India's food and agriculture exports were valued US \$ 15,617 million in 2009 -10, a decline by 9% from the level of US \$ 17,154 million in 2008 -09, which was 3.4% higher as compared to exports in 2007 -08 (US \$ 16,597)

TABLE 1: SHARE OF EXPORT OF FOOD AND AGRICULTURE PRODUCTS TO TOTAL EXPORTS (Figures millions USD)

Particular	Exports in value Terms		
	2007-08	2008-09	2009-10
Total Exports	1,63,132	1,85,295	1,78,751
Food & Agri Exports	16,597	17,154	15,617
Share of food & Agriculture Exports to total	10.2%	9.3%	8.7%

In spite of value of food and agriculture exports rising during the last five years (excluding 2009 -10) its share to total exports has been witnessing a downward, trend which necessitates corrective steps to promote growth.

India enjoys a competitive advantage in agriculture. Therefore there is an immense scope for increasing farm income and employment by enhancing agro-based exports by consolidating rather than jeopardizing the food security already achieved. Exports of agriculture products add to the competitiveness of production, productivity and quality in relation to other exporting countries. On account of the green revolution, Indian agriculture is transformed from subsistence agriculture to surplus agriculture. Further due to emergence of liberalization as well as globalization, the scope of commercialization of Indian agriculture have exported oriented bias has increased manifold. According to APEDA, India's agro export turnover is expected to double in the next five years to reach US \$ 18 billion.

INVESTMENTS

According to the Annual Report 2009 -10 of the Ministry of Agriculture, the Public and the private sector investment in agriculture have been steadily increases since 2004 -05 while public sector investment in agriculture have increased from US\$ 14 billion in 2004 -05 to US \$ 25.5 billion in 2008 -09.

The flow of FDI in the food processing sector up to June 2010 stood at US \$ 1067 million, and in agriculture services sector at US \$ 1,507 million.

CURRENT TRENDS

Seed companies in India have been targeting the export markets in SAARC (South Asian Association for Regional Co-operation) and African countries with a host of hybrid seeds and best farm practices. Indian agro-based companies are also investing increasingly in agriculture lands in south-east Asia and African countries in food and fuel crops.

OPPORTUNITIES

World market is undergoing a major transformation. Today, major market are product-driven and less commodity driven. To boost economic returns from farming, it is important to find ways for farmers to earn a greater share of the product sale revenue after adding value to the produce.

The problem of improvement in agriculture exports need to be tackled from two different angles, first to increase productivity of agriculture and delivery system, and second, to increase the farmer's earnings through efficient and effective value addition. Value addition of raw food material in India is estimated to be only 7% while it is 23%, 45% and 188% in China, Philippines and UK, respectively.

Through the contribution of the agri – input industry has been progressing gradually, time has come when agriculture has to be run as agribusiness rather than subsistence agriculture. Agri – input companies in India are currently emphasizing on delivery of package of products and services to customers and help improving the farming community through technology transfer and value – added services, profits have to be achieved through judicious selection and application of inputs, higher productivity and improved quality.

CHALLENGES

India has been unable to reap its inherent potential for agriculture exports due to several challenges the prime hindrance has been inadequate export infrastructure specific for agriexports like storage and fast track inland and port handling facilities, the other challenges are the lack of large scale processing technology and export quota restrictions which made supply sources of India unreliable and hindered the exploitation of Indian Agriculture exports. Low level of agri – processing, grading quality control and poor or lack of quality, branding and packaging has added to the woes of the Sector.

SUB – SECTOR SNAP SHOTS

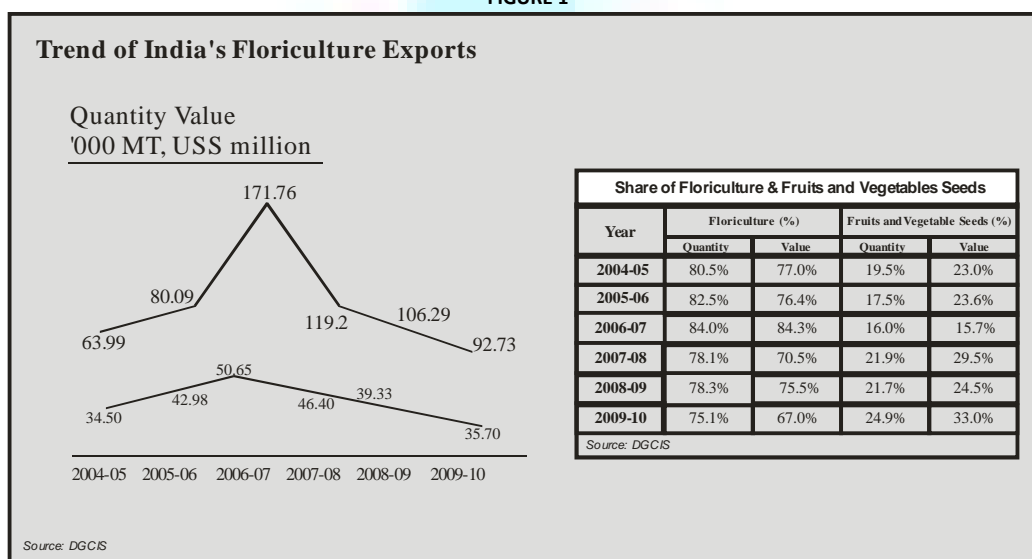
FLORICULTURE

Post globalization, Horticulture has become one of the important commercial activities in Indian agriculture. Karnataka, Tamil Nadu, Andhra Pradesh, West Bengal, Maharashtra, Uttarakhand, Uttar Pradesh, Delhi, Haryana, Kerala, Himachal Pradesh, and North eastern states are the major flower growing states in India. TamilNadu is the largest loose flower producing state, while west Bengal is the leading cut flower producing state in India.

Rose is the principal cut however grown all over the country, other most important cut flower crops in the country are Gladiolus, Tuberose, Asters, Gerbera, Carnation, Anthusium, Lillian, and Orchid.

SHARE OF FLORICULTURE & FRUITS AND VEGETABLES SEEDS

FIGURE 1



EXPORT SCENARIO

India's exports of floriculture products in the year 2009-10 decreased by 22.6 percent US \$ 62.1 million, from US \$ 80.2 million in 2008-09, which is 4.6% less than exports in 2007 – 08 (US \$ 84.3 million).

In recent years, dried flowers and foliage have been forming a large part of floriculture product exports from India accounting for 82% and 66% of total floriculture export in quantity & Value terms respectively during year 2009–10, from United India States and Europe continue to be the largest destination for Indian floriculture exports.

FRESH FRUITS AND VEGETABLES

India is the second largest producer of fruits and Vegetables in the world next only to China; India is the fruit and vegetable basket of the world. India's production of fruits vegetables currently stands at 73.5 million tones and 136.2 million tones respectively, making up for around 12% and 13% of world production in the respective sector. India produces 54% of the world's mango, 23% banana, 24% Cashew nuts, 36% green peas and 10% onion production.

EXPORT SCENARIO

Total export value of fruits and vegetables grew 19.8% in 2009 -10 to US \$953.14 over US \$ 795.64 of 2008 – 09. However, exports in quantity terms were down to 2.56 million MT during 2009 -10 from 26.46 million MT showing a negative growth of nearly 3.3% Although India's share in world exports of fruits and vegetables are less than 1.5%, India's exports of fruits & vegetables have been growing. The export of fruits and vegetables has registered growth of 58.2% during the last three years. (2007-08 to 2009-10).

TABLE 2: EXPORT DISTRIBUTION PATTERN BETWEEN SEGMENTS OF FRESH FRUITS & VEGETABLES.

Fresh Fruits and Vegetable Segments	Share in Qty.		2009-10	Quantity CAGR%
	2007-08	2008-09		
Fresh Onions	58.5%	63.1%	65.0%	18.20%
Other Fresh Vegetables	20.3%	19.1%	16.4%	6.2%
Walnuts	0.4%	0.02%	0.4%	10.5%
Fresh Mangoes	3.2%	3.2%	2.9%	11.1%
Fresh Grapes	5.6%	4.7%	5.1%	10.6%
Other Fresh Fruits	12.0%	9.7%	10.2%	7.9%

Source: DGDIS

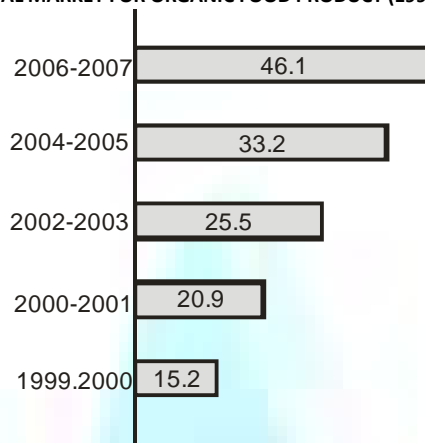
ORGANIC PRODUCTS

According to the Research Institute of Organic Agriculture (FiBL) and organic monitor, the global market for organic product in 2007, has been estimated at US \$46 Billion growing at a CAGR of around 20 % since 1999.

Fresh produce is the leading organic product category, comprising one – third of total revenues from sales of organic product in the world. Organic fruit and vegetables, such as apples, oranges, carrots and potatoes are some of the typical items, which have large demand in the organic market. Dairy products and beverages are the other major organic product categories.

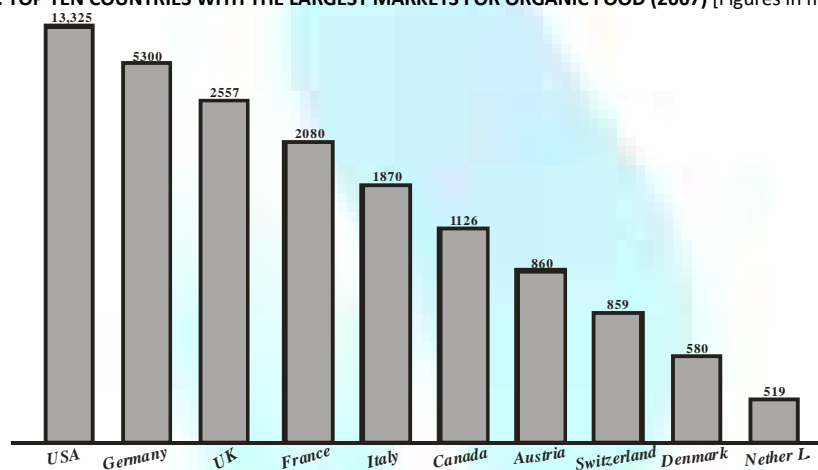
GLOBAL MARKET FOR ORGANIC FOOD PRODUCTS

FIGURE 2: TRENDS OF GLOBAL MARKET FOR ORGANIC FOOD PRODUCT (1999-2007) [Figures in US \$ billion]



Source: Organic Monitor, 2009

FIGURE 3: TOP TEN COUNTRIES WITH THE LARGEST MARKETS FOR ORGANIC FOOD (2007) [Figures in million Euros]



Source FIBL SURVEY 2009

RECOMMENDATIONS

The recommendations have been drawn with the objective of India Food and Agriculture Exports taking at least 3% share in world trade of agriculture and food products.

(1) Fit the product to the export market for focus to meet long term objectives

"Focus" and long term strategy are the cornerstones for sustainable success in food and agriculture exports, the focus should be on commodities where India has marketable surplus and competitive strength in the export market.

(2) Product segmentation for right positioning in export markets

India's exports of food and Agriculture products can be segmented on the basis of market potential and the opportunity to differentiate the product offering. India has inherent production advantage on account of unique varieties such as Durum wheat, Darjeeling tea, Alphonso Mango, which can be leveraged effectively to establish a premium position in these categories.

(3) Integrating various schemes of government

The government through various ministries and allied agencies offers support to exporters through various schemes. These include APEDA, MPEDA, Coffee board, Tea board, Export Inspection council, Ministry of Agriculture, Ministry of food processing etc. It is essential to align to various offerings of the government to ensure that all issues hindering exports are tackled comprehensively.

(4) Improving market access for exports

In order to focus on some key products and markets, it is critical to develop a strong database to help current and potential export to take rational decisions. Exporters from India do not have resources to invest in developing a dynamic market information system. We recommend a special cell to be set up by the Ministry of Food Processing which provides requisite information.

(5) Harmonization with international standards/practices, certification and testing

One of the major challenges for India, following the dismantling of quantitative restrictions on imports, is to raise the level of productivity and quality standards to international competitive levels.

There are variation in standards and regulations adopted by importing countries, which may lead to trade conflicts and disputes. Regulatory agencies, worldwide have focused their attention on ISO guidelines for code of conduct and a specific system for the food industry known as hazard analysis and critical points HACCP.

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With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

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