From Plate to Plough: Freeing the farm

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The Agriculture Minister, Radha Mohan Singh, recently tweeted about the government's resolve to increase the value of the country's agricultural exports to $100 billion by 2022-23. The Dalwai Committee Report on doubling farmers' incomes also talked of a similar target. It said, "the aim should be to raise agricultural exports by a minimum of three times by 2022-23, to reach the target of $100 billion". Interestingly, the draft Agricultural Export Policy, that has been put in the public domain by the Minister of Commerce, has a much more modest target — $60 billion by 2022-23.

When two Union ministries talk of vastly different goals for agri-exports, one wonders which ministry should one believe. One also wonders which ministry is actually responsible for attaining the concerned target. The different targets also reflect a disconnect within the government and show inter-ministerial coordination in poor light. In any case, it is worth noting that when the UPA held office, India's agri-exports grew five times: From $8.7 billion in 2004-05 to $42.6 billion by 2013-14. This was an unprecedented achievement in independent India's history. Not only this, India's net agri-export surplus (exports minus imports) increased from $3.7 billion in 2004-05 to about $27 billion in 2013-14; that was a more than a seven-fold increase. However, in 2014-16, India's agri-exports fell to $32 billion. They rose marginally to $33 billion in 2016-17 (see graph). The net trade surplus fell to $9.5 billion in 2015-16 and further to $7.8 billion in 2016-17. The April-February data for 2017-18 shows agri-exports at $34 billion; this is likely to go up to about $38 billion once we have figures for the entire financial year.

Thus, the real challenge for the Narendra Modi government is to first engineer recovery of agri-trade to the 2013-14 levels. Besides, the target of $60 billion by 2022-23 is less than a 50 per cent increase over a nine-year period — from 2013-14 to 2022-23. The target of $100 billion is surely bolder.

In a global economy that is highly price- and quality-sensitive, what should be the strategy to double or triple Indian agri-exports by 2022-23? The draft Agri-Exports Policy rightly identifies two steps: Identify commodities in which India holds a global comparative advantage and develop clusters in states to create value chains for these commodities. Research conducted at ICRIER can be of help if the government decides to take the first step enunciated in the draft policy. Eleven commodities — marine products, rice, meat, spices, cotton, fresh fruits and vegetables, sugar, coffee, groundnut, oilmeals and cashews — comprised more than 80 per cent of the country's agri-export basket in 2016-17. Our study of 10 years' data pertaining to 70 per cent of India's agricultural output (20 commodities), shows that most crops were globally price-competitive in most years. However, since 2013-14, many of these commodities lost out on competitiveness, due to a fall in global prices. But it is not just price competitiveness that restricts our exports; the biggest hurdle comes from uncertain domestic marketing and trade policies. The inherent "consumer bias" in these policies makes the trading environment unstable and unpredictable. Any rise in domestic prices almost immediately leads to the imposition of market restrictions. Exports are restricted through the use of minimum export prices and bans while the Essential Commodities Act is used to regulate private participation. This harms India's image of a reliable supplier of agri-products and ensures that the country does not get the best price for its exports. This consumer bias in policy must be redressed and a balance should be struck between meeting the needs of food-insecure consumers and income-insecure farmers.