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The Missing Thread in the Making of Agricultural Export Policy in India

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ABSTRACT

This paper critically evaluates the making of the Agricultural Export Policy (AEP), 2018 in India and identifies the missing thread in the process. The analysis is based on relevant policy documents, supported by secondary literature and interaction with key stakeholders. Prima facie, the policy (AEP, 2018) seems to be an improvised version over the then existing Agricultural Export Zones (AEZ) policy but still many caveats are associated with it. The major one includes: inadequate emphasis on infrastructure required to boost agricultural exports, errors in the inclusion and exclusion of products identified under AEP and side-lining issues about trade facilitation, doing business and also capacity building and preparedness at the state level.

Key Words: Government, India, Agricultural Export Policy; Doing Business and Trade Facilitation; Inclusion and Exclusion.

JEL.: Q17, Q18, Q27

I

BACKGROUND

In terms of global agriculture production, India stands second, whereas with 2.2 per cent share in global exports it ranks in the ninth position (WTO, 2019). Agricultural exports' contribution to India's gross domestic product (GDP) is less than two per cent which is far lower than many developing agrarian countries. Brazil and Indonesia, for example, are the third and sixth, respectively, in terms of world agricultural exports with agri exports contributing 5 per cent and 4.4 per cent, respectively, to their GDP. In addition to this, the share of agriculture sector in the country's total exports has declined marginally from 12.07 per cent (2016-17) to 11.76 per cent (2018-19) (PIB, 2019a). Reasons for such a decline are attributed to lower prices and demand in the international market, unfavourable currency movements and international developments like sanctions against Iran and Russia. In addition to this, several restrictions in the name of food security and corresponding inflationary conditions have further added to it. Though the situation has improved significantly with improvement in food production, monsoon-induced inflation has been the driving force behind re-introducing export restrictions on agri-specific exports. However, there seems to be

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two different views on export ban on agriculture. The government, on the one hand, argues that, between 2016 and 2019 there is no restriction imposed on the export and import of any of the major agricultural products in the country (PIB, 2019b). WTO, on the other hand, in its recent report, has blamed India for having an inconsistent approach in exports restrictions, import ban, among others. For instance, WTO in its report argues that "The average MFN applied tariff for agriculture in 2019-20 was 34.8 per cent, a decline from 36.4 per cent in 2014-15. It revived to 36.5 per cent in 2020-21. In addition to this, minimum support price (MSP), which is meant to protect farmers' interest, adversely affect India's competitiveness in the global context as it makes our product significantly costlier as compared to international prices, anywhere between 119.3 per cent and 10.9 per cent (Kapoor, 2020). All these eventually contribute to lower farm income in India.

Against this backdrop, of late it has been realised that increasing agricultural export is only a necessary condition for improving the farmers' income. In addition to this, what is more important is to improve the value-added exports of agricultural products, which make up less than 15 per cent of India's total agricultural exports (Gulati *et al*., 2019). Buying this argument, to push agricultural exports, the central government has undertaken several initiatives such as 'Transport and Marketing Assistance for Specified Agriculture Products,[1] Trade Infrastructure for Export Scheme (TIES), Market Access Initiatives (MAI) Scheme, Merchandise Exports from India Scheme (MEIS) etc. In addition, assistance to exporters of agricultural products is also available under the Export Promotion Schemes of Agricultural & Processed Food Products Export Development Authority (APEDA), Marine Products Export Development Authority (MPEDA), Tobacco Board, Tea Board, Coffee Board, Rubber Board and Spices Board. The recent year also has seen government introducing the first exclusive Agricultural Export Policy (AEP) in 2018.[2] If it is implemented in its true spirit, AEP is expected to be a major game changer for the trade participation of the agriculture sector. Despite these initiatives, India is struggling to improve its share in the global map and also have better diversified and value-added agricultural exports.

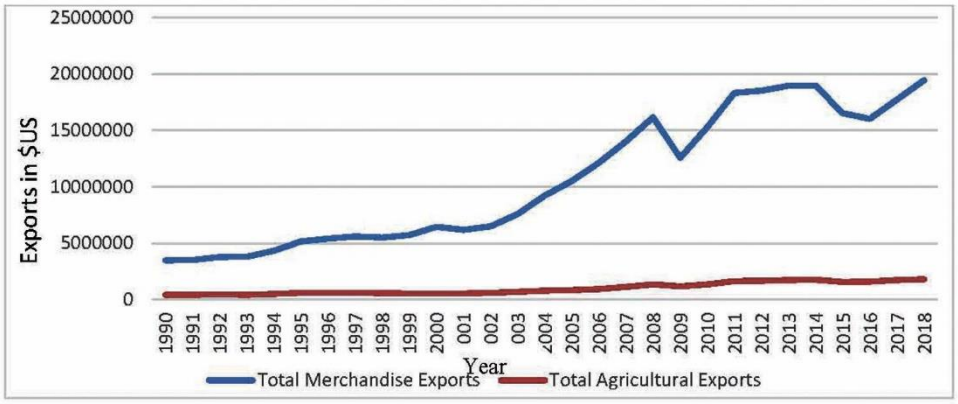
At the same time, there has not been any systematic study that tries to understand how this new policy (AEP) is better over the then existing Agricultural Export Zone (AEZ): in particular, was the new policy successful in streamlining export-related value chain process and doing business issues concerning agriculture exports, or are there any flaws in its making? It is in this background; this paper critically evaluates the Agricultural Export Policy, 2018 in India. The argument starts with the poser on the effectiveness of the existing policy tools. This is followed by clarifying the contours of making of the agriculture export policy in India and locating the missing threads. The analysis is based on critically evaluating pertinent policy documents, supported by secondary literature and data and also enriched with information gathered through interaction with key stakeholders. The rest of the paper is organised as follows. The second section provides the major attributes of agricultural exports in the country. The

section following this presents the making of Agriculture Export Policy in India and major issues affecting them. The last section summarises the paper.

II

MAJOR ATTRIBUTES OF AGRICULTURAL EXPORTS IN INDIA

In absolute value, global trade in the last three decades has increased from US$ 3,489.7 billion in 1990 to US$ 19,450.6 billion in 2018 (Figure 1). Within this, the share of agriculture in total global exports has reduced from 11.9 per cent to 9.3 per cent over the same period. Between 1994 and 1995 agricultural trade grew more than 15 per cent, but drastically fell to a negative growth rate till 1999. The decade 2000-2010 was a period of resurgence, with agricultural export growth averaging more than 10 per cent, till the financial crisis of 2008 after which growth declined by 12 per cent in 2009. From 2012, exports growth has been fluctuating in single digits, last being 4 per cent in 2018.

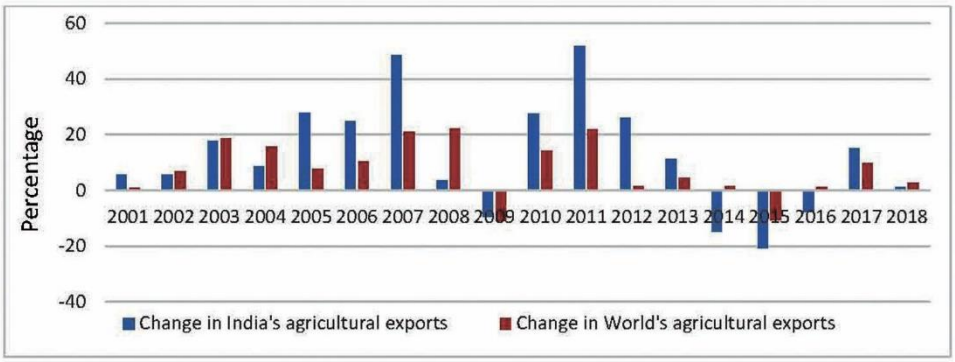


Source: WTO Statistics (1990-2018).

Figure 1. World's Merchandise and Agricultural Exports (1990-2018).

Global, as well as India's, agricultural exports saw a decline after 2011 (Figure 2), which the UN termed as anaemic growth (2012-2014), then by a downturn (2015 and 2016) and finally by a strong rebound (2017 and 2018) (UNCTAD, 2019). While the anaemic growth period was a continuation of the 2009 recession, what was surprising was that the downturn of 2015 and 2016 occurred against positive global real GDP growth (ibid). Such a pattern was the result of several factors including declining commodity prices, weak demand in major economies and United States dollar appreciation. The rebound of 2017 was also largely unanticipated, and more so the strong increase in trade for 2018 as last year was characterised by increasing global uncertainty (ibid). Concerning India, FAO (2018) noted that while India increased its agricultural exports due to increased productivity, rising incomes and falling poverty resulted in increased imports due to higher demand for food commodities. The top-10

products exported in the world as of 2018 and India's share in those exports listed in Table 1 indicate that except for crude materials, i.e., products that have not been manufactured or processed, where India's exports accounted for more than 3 per cent of global exports, for the other top 10 exported products, India's share is less than one per cent.



Source: Calculations from FAOSTAT (2001-2018).

Figure 2. World and India's Agricultural Export Growth (Per cent)

TABLE 1. INDIA'S SHARE IN WORLD'S TOP-TEN AGRICULTURE EXPORTS (2018)

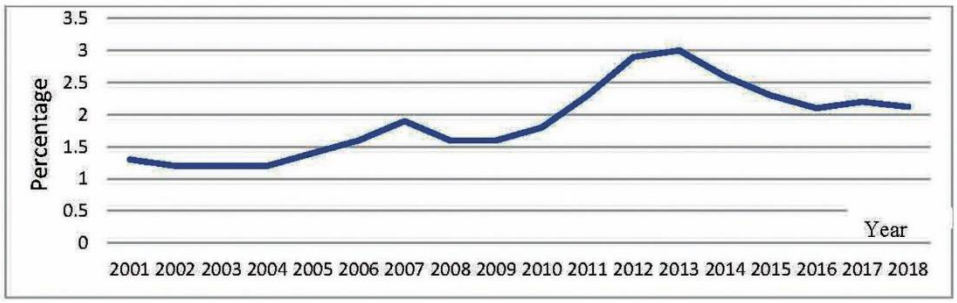
(*per cent*)

Top ten products world exports in 2018 (1)	India's share (2)
Food preparations not elsewhere specified	0.59
Soybeans	0.21
Crude materials[3]	3.43
Wheat	0.11
Wine	0.02
Meat, Cattle, Boneless (beef and veal)	0
Maize	0.75
Beverages, distilled alcohol	0.51
Oil, palm	0
Pastry	1

Source: FAOSTAT (2018).

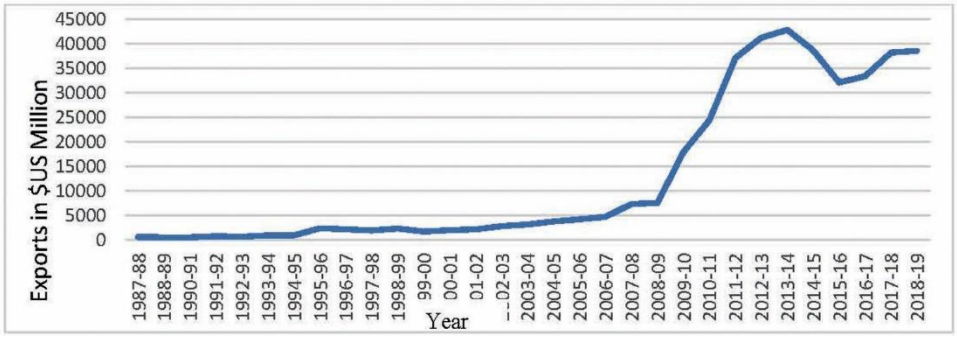
Note: While India exports cattle, for category meat, cattle, boneless (beef and veal), FAO statistics show no data.

Nevertheless, India's share in world total agricultural exports increased over the years from 1.2 per cent in 2000 to 2 per cent in 2017. However, this export share declined from 3 per cent to 2.1 per cent over five years from 2013 to 2018 (Figure 3). Domestically as well, the share of agriculture in India's total exports declined from 14.23 per cent in 2000-01 to 11.8 per cent in 2018-19 and rose back to 14.17 per cent in 2020-21 (DGCIS). APEDA maintains export data on 37 products from 1987 but did not include marine exports, spices, tea, coffee and raw cotton, which happen to be among India's most exported agricultural products. APEDA began to maintain export data on these products from 2008-09, which explains the upward spike in Figure 4 from that period.



Source: FAOSTAT (2001-2018).

Figure 3. Share of India's Agricultural Exports to World's Agricultural Exports (per cent).



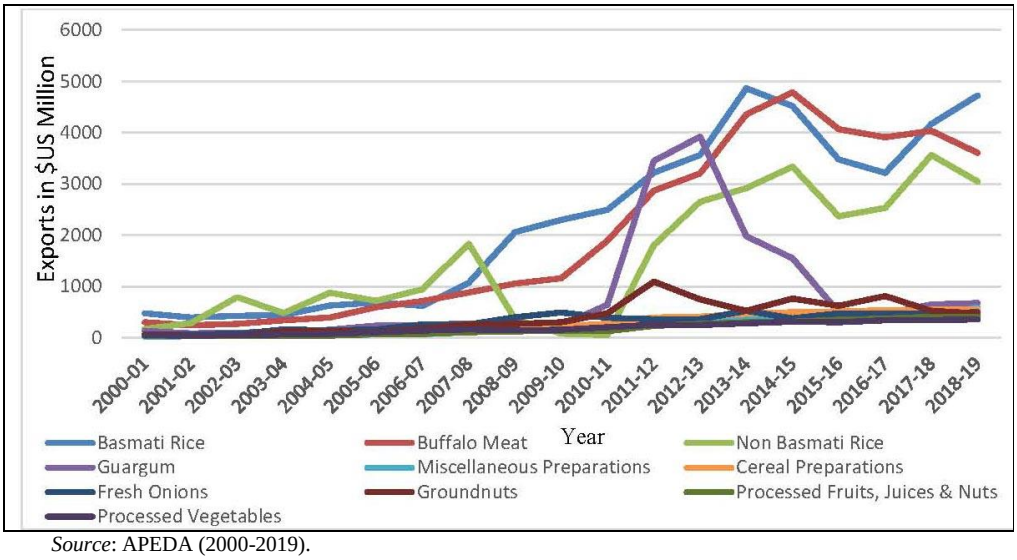
Source: APEDA (1987-2019).

Note: From 2009-10, graph includes data on marine, tea, coffee, spices and cotton exports.

Figure 4. Trend in India's Agriculture Exports.

As far as the composition of exports (Figure 5) is concerned, non-basmati rice has seen tremendous increase over the years. This is because of the government's policy to remove a ban on exports of non-basmati rice varieties in 2011, making India the largest exporter of rice in the world since then (Chandrasekhar and Ghosh, 2019). But, exports have dropped in 2019, partly due to Bangladesh importing less rice and the government withdrawing certain incentives (Business Standard, 2019). Over 10 years, guargum, which was the most exported product in 2011-13 at nearly $4,000 million, has seen a major decline in its exports to $330 million as of 2019-2020. The decline in exports over the years has been attributed to declining demand from the USA, a major buyer that has been using substitutes to guargum, as well as lower sowing due to late monsoons (Jha, 2014). While marine products, basmati rice and spices are seeing increasing exports, raw cotton, which saw a drop in its exports after 2013-14, is witnessing a resurgence. For the year 2009-10, Basmati rice (12.78 per cent), Marine products (11.70), cotton raw including waste (11.45) oil meals (9.26), spices (7.02) and buffalo meat (6.49) together account for 56 per cent of India's total agricultural exports. Over the years, the basket has changed slightly in favour of marine products (17.63)

followed by Basmati rice (12.22), oil meals (9.30), cotton raw include waste (8.58), spices (7.78) and miscellaneous processed items (5.46), as exports of buffalo meat have reduced. All of them account for 61 per cent of the country's total agriculture exports. USA, Vietnam, China, Japan and Thailand are the top five destinations for India's total marine exports and they account for 70.89 per cent. Regarding Basmati rice, Iran, Saudi Arabia and UAE are the major markets and they account for 72.19 per cent of India's exports (APEDA, various issues).



Source: APEDA (2000-2019).

Figure 5. Selected Agricultural Exports from 2000-01 to 2018-19.

III

THE MAKING OF AGRICULTURAL EXPORT POLICY OF INDIA

Improving food production to attain the availability part of food security was the need of the hour in the post-Independent India. In the process, it resulted in the expansion of the area under cultivation of major agricultural crops in India. Subsequently, emphasis was placed on increasing productivity, application of technology (OECD/ICRIER, 2018). Thus, agriculture, as a tradable commodity, was given low priority and it was only in the 2010s that a major shift was experienced towards promoting select agricultural exports through systematic interventions. As a result, the need to have a separate policy to enhance agricultural exports was never felt. Rather, policies in support of agricultural exports were always presented as a part of the larger foreign trade policy of the country, which was prepared by the Ministry of Commerce and Industry (MoCI). Meanwhile, attempts were made to support the sector by establishing institutional support to safeguard the interest of farmers at various levels (*ibid*): These include, APEDA, MPEDA, EIC for the framework to establish a

systematic structure in the supply chain, farmer registration, creation of farmer producer organisations, provision of quality inputs, training farmers, among others. Other institutions such as state agricultural universities, state departments of horticulture, fisheries, ICAR institutions and food processing department were also put in place. Despite having these institutions, trade could not enhance income flows. This is largely due to the structural and institutional problem being faced by the sector, which includes instability owing to various types of risks related to production, markets and prices. The dependence of agriculture on monsoons, archaic techniques, low intensity of inputs and low productivity of land, make it difficult for the sector to respond to modern competitive globalisation to sustain the share of trade in international markets. In addition to this, there is a widening of the investment-subsidy gap, low public investment and lack of effort to reform agriculture market were also a matter of concern (ASSOCHAM, 2007). Concerning the impact of 1991 reforms in the agricultural sector, it is found that in the beginning, measures including reducing subsidies for fertilisers and hiking minimum support prices to bridge the domestic and international price gap, led to positive agricultural growth (Chand *et al*, 2007). However, after 1995-96, production and per capita incomes in agriculture fell partly due to decreased international prices which affected domestic prices, stagnant crop intensity, less diversification of produce and decline in area of cultivation due to rapid industrialisation (ibid). In fact, for harmony across economic sectors, development must happen along with rapid productivity growth in agriculture, ensuring rising farm incomes and adequate food supplies for the people.

Agriculture Export Policy – 2018

Until recently, trade in agriculture was erroneously considered synonymous with India's entry to WTO and subsequent reduction in tariff rate. The intensity of trade before 1995 was not very significant and hence, it was not at the foreground of discussions then. The possibilities of government intervention to strengthen the supply side, specifically through improving the agriculture value chain as a trade commodity, is less focused/thought of. As a result, much of the measures introduced in the late 1990s and early 2000 were largely meant to protect the farmers' interest in lieu of India's entry into WTO rather than capacity building in the sector. It is in this context, the introduction of the new Agriculture Export Policy in the year 2018 has high expectations both in its reach and outcome.

The need for a dedicated policy was proposed, taking into consideration the administrative structure of the Union and State Governments. There already exist several departments such as the DAC & FW, DAHDF that focus on production, pre-harvest and boosting farmer incomes, and the MoFPI that looks at value addition and reducing post-harvest losses. But it is the Department of Commerce that has the assigned task of Foreign Trade Policy. Hence, the government wanted to establish a stable and predictable Agriculture Export Policy to reinvigorate the entire agriculture supply chain from export-oriented farm production to processing and transportation,

infrastructure and market access. This policy is meant to fit with the existing framework for agriculture and surplus produce (Government of India, 2018a). It intends to help to set up institutions at the state and cluster level by forming Committees to support exports. It also allows states to get involved in logistics to facilitate agricultural exports (Lok Sabha, 2020). The broader objectives of the policy are: to double agricultural exports by 2022; diversify export basket and also its destinations; boost high-value and value-added agricultural exports; provide an institutional mechanism for pursuing market access, tackling barriers and dealing with sanitary and phytosanitary issues and thereby enable farmers to get the benefit of export opportunities in overseas market. This is expected to be achieved through no export restrictions for all agricultural products; export restrictions on those products which are important from a food security perspective will be decided by a high-level committee and will be carried out in a WTO-compatible manner. There will be no minimum export price, duty or ban on organic and processed agricultural products. Imports of agricultural products for value addition and re-export will be liberalised. To address one of the long-standing demands, the AEP proposes to reform APMC Act and land leasing. The specific set of policy recommendations under 'strategic' and 'operational' is put forward in the policy as listed in Table 1. In March 2020, APEDA signed memorandums of understanding with the Indian Institute of Technology, Delhi, Quality Council of India (QCI) and Indian Chamber of Food and Agriculture (ICFA). The unique part of the Agricultural Export Policy is to facilitate the involvement of state government at all levels of policy making and execution at least on paper. Agriculture is a state subject under the Constitution, which means that though the central government may advise and allocate funds, the proper implementation of farm and market infrastructure reforms lies with the State Governments. This is because each state is unique in their priorities, socio-economic and political climate, as well as different agro-climatic zones which lead to different cropping patterns and natural calamities; one part may have a drought while another has floods. However, since trade and commerce come under the Union list, State Governments often do not see any formal role for themselves when it comes to agricultural exports. Right now, Maharashtra, UP, Kerala, Nagaland, Tamil Nadu, Assam, Punjab and Karnataka have a State Action Plan (Economic Times, 2020). As many as 25 states and 2 Union Territories have designated nodal agencies to promote agricultural exports. Nearly 16 states have constituted State-Level Monitoring Agencies (Lok Sabha, 2020). It is in this background, the Agriculture Export Policy seeks to promote a proactive role of state governments through: Identifying a nodal department or agency for agricultural exports; a state policy focused on agriculture exports; including policies on reforming the APMC Act, inland and marine fisheries, promotion of good agricultural practices, quality assurance, infrastructure for pre- and post-harvest, integrating exporters with farmers; providing solutions to infrastructure and logistical bottlenecks including the provision of landing space at airports, less fuel duty, provision of cold chain facilities and fish landing centres in major coastal states.

TABLE 2. POLICY RECOMMENDATIONS AND SPECIFIC MEASURES UNDER AEP, 2018

Sl. No. (1)	Policy recommendations (2)	Specific Measures (3)
1)	Strategic	Policy Measures Infrastructure and Logistics Support to strengthen government attempt to improve India's position in agriculture value chain Holistic Approach to boost exports by establishing coordination and harmony between different ministries and department. Greater involvement of State Governments in Agriculture Exports so as to accommodate the state-specific requirement in promoting agriculture exports.
2)	Operational	Focus on Clusters Promoting value-added exports Marketing and promotion of "Brand India" Attract private investments into production and processing Establishment of Strong Quality Regimen Research & Development Miscellaneous

Source: Government of India, 2018a.

3.1 *Critical Evaluation of the Policy*

Undoubtedly, the Agricultural Export Policy intends to improve India's position in agricultural export. Nevertheless, in the making of it many threads are missed out which perhaps defeat the very purpose of making the agricultural policy in the country and in the process, we may fail to reach the target set in the policy. It is in this background; this section highlights a few issues surrounding it.

Old Wine in a New Bottle

Under the new Agriculture Export Policy, potential products for exports are selected using a cluster-based approach. Next, the geographical region, within which these products are grown, are selected so that the raw materials can be sourced and the aim is to integrate the whole process from production to reaching the final market. Before AEP, we have had a similar policy under AEZs. AEZs set up to converge the efforts and schemes of Central and State governments to increase exports of agricultural commodities. It included identifying clusters for potential export products, and coordinating activities to cover the entire value chain from farm to the consumer (APEDA). The anticipated benefits included strengthening backward linkages, value addition to basic produce, increasing employment opportunities and improving product quality and packaging among others. There were hardly any attempts to strengthen AEZ policy by identifying its loopholes and limitations. Rather, in subsequent regulations, it was declared non-functional. A quick review of clusters identified under AEZ and current AEP indicate that (Table 3) Bihar, HP, Jammu and Kashmir, Sikkim, Tripura West Bengal and Uttarakhand had clusters identified in the AEZ but not the AEP. Meghalaya is included in the AEP for turmeric.

TABLE 3. CLUSTERS IDENTIFIED UNDER AEZ AND AEP

State (1)	Products under AEZ (2)	Products under AEP (3)
Assam	Ginger	Tea
Andhra Pradesh and Telangana	Mango, Grapes, Gherkins, Chili and Vegetables	Banana, Pomegranate, Mango, Marine Products, Chili, Turmeric
Gujarat	Mango, Vegetables, Sesame, Value-Added Onion	Banana, Mango, Potato, Marine Products, Cumin
Karnataka	Gherkin, Rose Onion, Flowers, Vanilla	Pomegranate, Rose, Onion, Coffee, Pepper
Kerala	Horticulture Products, Medicinal Plants	Banana, Turmeric, Pepper, Cardamom
Madhya Pradesh	Potato, Onion, Garlic, Seed Spices, Wheat (Duram), Lentils, Oranges	Pomegranate, Onion, Potato
Maharashtra	Grape, Alphonso and Kesari Mango, Flowers, Onions, Pomegranate, Banana, Oranges	Banana, Pomegranate, Mango, Grape, Onion, Orange
Odisha	Ginger, Tea	Turmeric, Marine Products
Punjab	Vegetables, Potato, Basmati Rice	Potato
Rajasthan	Coriander, Cumin	Isabgol, Cumin
Tamil Nadu	Flowers, Mango, Cashewnut	Banana
Uttar Pradesh	Potato, Mango, Vegetables, Basmati	Mango, Potato

Source: Government of India, (2018a).

In this context, a natural question that arises is, on what merits AEP drop those sectors from the previous basket? Is it because those clusters have achieved targeted competitiveness during the AEZ era and can sustain and grow by their own capabilities? Is it because these sectors are not fittest for survival in the future? Or those were failed experiments? Or is it to address the drastic changes in the factor endowments and agro-climatic condition? *These questions are relevant because export policy should be evolutionary in nature and any change in priorities, tools and incentives should following the (i) changing agro landscape of the state, (ii) changes in factor endowments and hence, capabilities and (iii) changes in market demand. Whilst the former two deal with states' supply-side factors, the latter is global market factors.* There is no discussion on how these products are chosen under AEP, 2018 and earlier AEZ structure, what criteria is followed in inclusion and exclusion of product. For instance, in the context of Karnataka, KAPEC is a nodal agency established in 1996 to facilitate agricultural exports from the state. Surprisingly, their expertise and vision did not get reflected in the making of agricultural exports, not only in terms of the product identified for clusters but also for districts chosen for the same as per AEP, 2018. Pomegranate clusters are identified in Mysore and Belgaum, whereas if one goes by comparative advantage and also APY data, Bellary, Chitradurga, Koppal, Chikkamagaluru and Bagalkot have more advantage to participate in clusters, which is completely missing in the AEP, 2018. This invariably mirrors the lack of coordination between the central agency (APEDA) with state-specific agency like KAPEC. An Action Plan prepared by KAPEC as an implementing agency is not approved so far nor its opinion reflected in the policy document.

A study conducted by ASSOCHAM highlighted some key problems facing the AEZs structure and urged for its development. Attention is required in the development of infrastructural facilities, coordination among the stakeholders, especially the nodal agencies, convergence of various schemes in AEZS at the district level, appropriate technological intervention for specific crops, stabilising contract farming legal framework for adoption by all states, promotional initiatives in the marketing of Indian crops and patenting product based on geographical indications, focus on organic production in AEZs and quality certification by internationally-accredited certifying agencies, project monitoring at the district level. In this context, it is very unclear how the current AEP has been improvised over the AEZs structure as many of the concerns are missing in the AEP as well.

Inclusion and Exclusion of Product under Current AEP Clusters

Comparing the products identified under current AEP structure vis-a-vis with respective state comparative advantage, measured in terms of area, production and productivity brings out a few more interesting insights on inclusion and exclusion of product identified under AEP clusters. For instance, under the AEP 2018, the product clusters identified for Karnataka were pomegranate, rose onion, coffee and pepper. A study of KAPPEC export data from 2013-2018, shows that while Karnataka's main agricultural exports have been coffee, gherkins and rose onion (Table 4) which are included in the AEP cluster. However, one major product that Karnataka exports but has not been included in the AEP at all, is cashew nuts. Another export of Karnataka that has not been mentioned amongst the clusters, is marine products; export data for 2017-18 mentioned that Karnataka exported produce worth $187.8 million, which was 2.74 per cent of India's marine exports. Karnataka is also amongst the leading producers of mangoes in the country (Table 5), but states such as Maharashtra, Gujarat and Telangana, that produce less mangoes with lesser productivity, have been identified to have clusters for exporting mangoes.

TABLE 4. MAJOR EXPORTS OF KARNATAKA

Commodity	2013-14	2014-15	2015-16	2016-17	2017-18
(1)	(2)	(3)	(4)	(5)	(6)
Coffee products	3598	4973.25	3171.24	3192.15	3738
Silk products	650	554	489.84	368.42	306
Cashew and kernels	1200	1505.32	736.19	979.09	1225
Agri and processed food	1300	1382.84	5303.98	4092.98	4250
Spices	1150	1125.66	330.58	309.46	332
Bangalore rose onions	200	250	300	300	300
Gherkins	955.2	1202.41	999.17	942.71	1285
Per cent of agri in total exports	3.13	3.56	2.12	1.9	2.07

Source: KAPPEC (2020).

TABLE 5. AREA, PRODUCTION AND YIELD OF MANGO

	2015-16			2016-17			2017-18		
	Area	Production	Yield	Area	Production	Yield	Area*	Production	Yield
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Karnataka	181.70	1725.67	9.5	180.60	1719.73	9.52	183.23	1760.60	9.61
Maharashtra	162.08	463.17	2.86	156.84	603.83	3.85	166.76	791.36	4.75
Gujarat	153.18	1241.59	8.11	161.27	1424.87	8.84	162.77	1207.78	7.4
Telangana	194.05	1778.32	9.1	111.65	482.46	4.32	115.99	1080.14	9.3

Source: Government of India (2018b).

Note: Area (ha), Production (quintals) and Yield (metric tonnes per hectare .

With respect to marine clusters, though Kerala, Maharashtra, West Bengal and Tamil Nadu, emerged as the top five marine product exporters (Table 6) under all three major sub-products: shrimp, molluscs, fish (Drip Capital, 2019) are excluded amongst the marine product cluster states. On a similar line, Orissa, though it does not figure in the top-five marine exporting states, is included for Marine clusters under new AEP, 2018.

TABLE 6. TOP MARINE EXPORTING STATES IN INDIA

Top marine product exporting states in India (in million USD)	2016-17	2017-18	2018-19	2019-20
(1)	(2)	(3)	(4)	(5)
Arunachal Pradesh	1286	1792	2423	
Gujarat	574	716	843	798
Kerala	656	736	888	778
Maharashtra	512	557	670	605
West Bengal	389	500	606	591
Tamil Nadu	559	568	619	560

Source: Adopted from Drip Capital, 2019.

In Gujarat, clusters have been identified for banana, mango, potato, marine products, cumin and castor. However, no clusters have been identified for pomegranates, where Gujarat has higher productivity than Andhra Pradesh, Karnataka, Maharashtra and Madhya Pradesh under which clusters for pomegranates have been identified (Table 7). Gujarat also has high productivity in onions, but none of its districts have been identified under the AEP 2018. It is the most productive state for turmeric, but it has been excluded in favour of less productive states such as Telangana, Kerala, Meghalaya and Orissa (Table 8). The most productive state, Tamil Nadu, has

TABLE 7. MOST PRODUCTIVE STATES FOR POMEGRANATE

(metric tonnes per hectare)

State	2015-16	2016-17	2017-18
(1)	(2)	(3)	(4)
Tamil Nadu	33.10	27.83	23.39
Gujarat	15.00	15.14	15.13
Andhra Pradesh	13.51	14.99	14.69
Maharashtra	11.57	11.49	12.10
Karnataka	11.72	14.23	10.33
Madhya Pradesh	8.63	11.01	11.81

Source: Government of India (2018b).

TABLE 8. MOST PRODUCTIVE STATES FOR TURMERIC

(metric tonnes per hectare)

State	2015-16	2016-17	2017-18
(1)	(2)	(3)	(4)
Gujarat	19.5	15.9	19.7
Haryana	17.9	14.6	14.6
Nagaland	13.2	15.3	14.4
Maharashtra	14.2	16.6	11.9
Manipur	11.7	11	11

Source: Government of India (2018b).

also not been identified as having clusters to promote pomegranate exports. None of the most productive states in turmeric have been identified for promoting turmeric exports.

Issues Pertaining to Doing Business, Trade Facilitation and Agriculture Exports

The WTO in 2015 highlighted that if countries adopt trade facilitation measures, the cost of trading agricultural goods can be reduced as much as 10.4 per cent and for perishable goods, as much as 18 per cent. India has earlier faced issues complying with international standards; 28 containers of grapes consignment to the Netherlands in 2003 were rejected, and the EU had once banned purchasing Guargum from India due to presence of pesticides above permissible limits (World Bank, 2009). Given India's fragmented system of agriculture characterised by small farm holdings, it is difficult to ensure traceability of produce and certification of product and raw materials. Moreover, small farmers are not aware of changing international standards and practices. For instance, invariably exporters from Karnataka raised concern over the lack of Global GAP certificate among pomegranate farmers, which put restrictions in entering many European markets. Also farmers are not aware about Maximum Residual limit allowed across major destination countries.

In the Foreign Trade Policy 2009-14, the government planned to set up nodal agencies to operate a single-window system for export clearance, and a single-point payment system, as well as an Electronic Data Interchange (EDI). In this context, the AEP intends to identify product-specific clusters and develop transport and cold-chain facilities, including developing dedicated perishable berths at ports, creating state-of-the-art fish landing centres in coastal states, cold chain facilities and vapour heat and irradiation facilities to enable exports. The aim is to make logistics expenses 8-9 per cent of exports which is the case in developed countries; currently in India the expenses are 14-15 per cent of total exports (Government of India, 2018a).

However, the AEP does not specifically outline the measures that would be taken to ensure better trade facilitation. The Policy does not outline measures to ensure 24/7 single-window clearance of perishable goods at major ports and only suggests that there be more quarantine officers at strategic ports. Though the Policy has outlined an integrated portal for updates on tariffs, documentation and other notifications, it has considered grievance redressal to be an optional inclusion to the portal, and hasn't

offered alternatives to that. It has also not talked about the initiatives that would be taken to ensure that farm practices and domestic marketing practices around the country would be harmonised to ensure that they abide by international standards. Mahagrapes, an initiative by APEDA saw increased acceptance of their grape consignments once they made it a point to update farmers periodically on new standards being adopted worldwide. APEDA has also started Hortinet, which is meant to provide farmers with information on registration and certification for certain fruits. However, such nets are yet to be seen for other exports. Perhaps, through AEP the coverage and inclusion of keyagri-exports under such nets can be extended further.

Capacity Building and Preparedness at State Level

The AEP emphasises a lot about increasing State involvement in export policy, but the question is whether the states are prepared to take on those levels of responsibilities. For example, most states in the North-east do not have testing laboratories and have to depend on sending their produce to Kolkata and the transport infrastructure in these states is not well developed. The AEP does not talk about capacity building, and neither about how much funds will be allocated to fulfil their objectives. This is important because though it is the Ministry of Commerce that has proposed the AEP, the states are responsible for implementing these objectives. For instance, Pack House, which is one of the important facilities required for boosting agricultural exports, is highly skewed in one state, namely Maharashtra (Table 9). Whereas many states do not have sufficient numbers of Pack House to cater to their requirement of agricultural exporters. Further, majority of them are privately owned and only a small percentage of them are publicly owned, which again makes it very difficult to avail the service at reasonable costs, specifically to small exporters.

TABLE 9. NUMBER OF PACK HOUSE ACROSS INDIAN STATES (AS ON JANUARY 2021)

State	Number of pack houses
(1)	(2)
Andhra Pradesh	6
Delhi	2
Gujarat	10
Haryana	1
Karnataka	8
Kerala	6
Maharashtra	149
Punjab	3
Telangana	4
Tamil Nadu	9
Uttar Pradesh	4
West Bengal	3
Chhattisgarh	1
Rajasthan	1
Total	207

Source: http://apeda.gov.in/apedawebsite/Announcements/Active_Pack_House_list_jan_2021.pdf.

Beside this, it is worth examining in detail whether there exists any vertical and horizontal coordination across different actors involved in successful implementation of the policy, what kind of initiatives are taken in the last two years across different department and ministerial levels. In the context of Karnataka, there is apparently a big void in communication between KAPEC and APEDA. For instance, clusters identified under AEP, 2018 for Karnataka have missed out a few important products and also district identified do not represent comparative advantage. In this direction, KAPEC has been trying to get course correction from APEDA but nothing much has happened so far.

IV

CONCLUSION

India is known to be one of the major producers of agricultural products in the world. However, its contribution to global agricultural exports are very meagre. On the one hand, this has been due to flaws in the Indian agricultural organisation and system. On the other, it is too fragmented for international trade, and most exports lie on the low end of the value chain. Having understood the potential of making India a major agricultural exporter, the government, for the first time, introduced a dedicated Agriculture Export Policy in 2018, giving state governments more responsibilitied in implementing the policy and identifying different institutions and their responsibilities. Hitherto, exports were largely controlled by the Ministry of Commerce and a need was expressed to include International Trade in the Concurrent List. Prima facie, the policy seems to have been improved over the then existing AEZ policy but still many caveats are associated with it. For instance, the policy has not given specific information when it comes to trade facilitation and allocation of funds, which is a central government subject, and it could come across as an extension of the Agriculture Export Zone policy, which had been discontinued years before. There is also a crunch in the key infrastructure needed to boost agricultural exports in the country besides governance issues across agencies. It remains to be seen if state governments have taken any initiative to formulate their state export policies given that only a few states have developed a specific action plan towards agricultural exports. There also seems to be errors in the inclusion and exclusion of products identified under AEP, which needs to be revised after having due consultation with the concerned state department. Now Covid-19 has brought to the forefront the withdrawal of many countries in the international trade giving an opportunity for India to plug in. However, there are key obstacles facing Indian agriculture and also in the making of Agricultural Export Policy, which need immediate attention to make a mark on the global trade map.

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NOTES

1) Recently, it has been discontinued.

2) This subsequently resulted into closure of the then existing Agricultural Export Zone Policy, which was proposed in the EXIM policy statement of 1997-2002.

3) Crude products are not meant for direct sale to consumers; they are unprocessed and haven't undergone any manufacturing or fabricating. This includes plants and parts used primarily in perfumes, pharmaceuticals, insecticides, fungicides, or for similar purposes; seaweeds and other algae; vegetable saps and extracts; materials used for plaiting, stuffing or padding; materials used primarily in brooms or brushes; and materials used primarily in dyeing and tanning. It includes items of animal origin: human hair, unworked and waste; pigs bristles and hair; badger hair and other brush-making hair and waste; guts, bladders and stomachs of animals (o/t fish); skins and other parts of birds with their feathers or down; bones and horn-cores, unworked, defatted, simply prepared; powder and waste; ivory, tortoise shell, whalebone, claws and beaks; coral and shells of molluscs and crustaceans; sponges of animal origin, ambergris, castoreum, civet and musk; cantharides, bile glands and other animal products used in pharmaceuticals.

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