India’s Agriculture Trade Policy

WTO symposium–Agricultural policy landscape
Geneva
14th June 2018

Siraj Hussain
Visiting Senior Fellow
ICRIER
Impressive performance in achieving food security

- From being a ship to mouth food economy in 1950s, India jumped to become self sufficient in most food items by 1980s.
- Green revolution was a success in irrigated area with use of chemical fertilisers, seeds, extension, remunerative prices and assured prices in a few states.
- Food grain production increased from about 50 Million Metric Tonnes (MMT) in 1950 to 272 MMT Million in 2016–17.
High growth in wheat, rice and other cereals

Production of Wheat, Rice and Other Cereals (In Million Tonnes)

*2nd Advanced estimate
Source: Statistics at Glance, 2016
Impressive growth in cotton production

Cotton Production (In Million Bales)

*2nd Advanced Estimate

Source: Statistics at Glance, 2016
India shows the way in milk production

Milk Production (in Million Tonnes)

Source: NDDB, FAO, USDA, Dept. Of Animal Husbandry, Dairying & Fisheries
Horticulture production increases too

Production of Fruits and Vegetables (In Million Tonnes)

Note: Vegetables include Melons, Roots and Tubers and Fruits exclude melons
Source: FAOSTAT 2016
Great stride in poultry

All India Poultry Meat Production (In Million Tonnes)

Source: FAOSTAT 2016
Good achievement in poultry

Egg Production (In billion numbers)

Source: Department of Animal Husbandry, Dairying and Fisheries
But challenge of poverty continues to impact food policies

- Tendulkar Committee estimated 21.9 per cent population was poor (2011–12)
- World Bank (2015) estimated 12.4 per cent poverty ratio at 1.9 USD per day for 2011–12 (PPP 2011)
- Differences in estimates due to various reasons including recall period
- Any hint of food inflation beyond 5% attracts action from Govt as it hits the poor
- Export of essential food items is discouraged when inflation/expectation is high
Indian agriculture is too fragmented

- Average land holding size 1.16 ha
- Small and marginal farmers (up to 2 ha) occupy 44% of operational area
- And the plots held by farmers may not be at one location
- Most of small farmers do not have access to bank credit
- These farmers are poorly placed to make required investments in farming
Only small quantity of agri-items is available for exports

- India has only marginal surpluses in most agri-products.
- Aggregation from small and marginal farmers is cumbersome and expensive
- Corporate agriculture is completely missing from Indian scene except for plantation crops
- Infrastructure for aggregation, assaying, storage and movement is rather poor to allow large exports from producing areas
- Uncertainty about Govt policies discourages private investment in value chain
Trends in Indian agri-trade

Rice, marine products and meat are most exported products. Edible oils, pulses, fruits and nuts (mainly almonds) are most imported items.

Source: FTPA, MoC&I
Major items of agri-exports in 2016–17 (USD)

- Rice: 6 billion
- Marine products: 5.8 billion
- Meat & Preparations: 4 billion
- Cotton: 1.99 billion
Emerging threat to rice exports

- Declining under-ground water level in most productive regions
- 52% of agriculture is rain-fed
- 78% of water resources used for agriculture
- 60% of irrigation water used for rice and sugar cane
- Punjab and Haryana—major rice exporting states are in acute crisis of under ground water
- When policies on free electricity and water reflect the true economic cost of water, production of rice will go down in north-west India
Buffalo meat exports also facing challenges

- Restrictions were imposed in 2017 on trading of animals in markets
- Fear of violence also contributing to reduced trade
- Incentives for setting up integrated cold chains for meat withdrawn
- Exports are stagnating at about 4 billion USD for several years
Exports of several commodities regulated through quotas, duties, minimum export prices, bans

During FY 2002 to FY 2015, wheat and rice faced quantitative restrictions, Minimum Export Prices (MEPs), bans on future trading and exports

Cotton export restricted through export duty and bans

Export of pulses banned for several years

Potato and onion subjected to MEP and bans in several years

Edible oil exports restricted to small packs and in limited quantity
Major instruments of control

- Essential Commodities Act, 1955 empowers Govt to regulate prices, supply, distribution
- Seven essential commodities are listed but food-stuffs cover everything used as food
- Govt can impose stock limits, movement restrictions, MEPs, controls on future trading and even complete bans on exports
- Private sector fearful of criminal action so it is reluctant to invest in value chains
- Any hint of excessive price rise can attract action under EC Act and
Draft Export Policy, 2018 identifies items having good potential for exports

- Increase export from 30 billion USD to 60 billion USD by 2022
- Set up export centric clusters
- Promote value added exports
- Certain items identified as having high export potential
  - Shrimps and meat
  - Basmati rice
  - Bananas, pomegranate, vegetables including potatoes
  - Cashew
  - Medicinal herbs, herbal medicines
  - Nutraceuticals
  - Aromatics, spices (cumin, turmeric, pepper)
  - Ethnic & organic food
Trade policy under discussion

- Items identified as essential will continue to be subject to export restrictions like MEPs and bans
- Processed and organic products will be exempted from any restrictions on exports
- The policy may also exempt items identified as non-essential food products from export restrictions
- Items considered sensitive for food inflation will continue to invite restrictions on trade and export
Summing up

- Major items of current agri–export basket are under threat due to ground water depletion and restrictive domestic policies
- Export clusters may be successful if high class infrastructure in built and trade policies remain predictable and stable
- Key to exports lies in domestic policies on subsidies, trade and infrastructure
- India unlikely to pose any serious threat to dominant players on global scene