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Hindustan Times, Delhi
Friday, 7th December 2018; Page: 1
Width: 20.13 cms; Height: 15.04 cms; a4r; ID: 17.2018-12-07.11

Cabinet clears India's first policy to boost farm exports

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NEW DELHI: The Union Cabinet on Thursday cleared a new agriculture export policy aimed at doubling farm incomes by 2022, a target set by Prime Minister Narendra Modi, which in a large measure requires lucrative markets abroad for Indian farm produce.

Until now, India has had a five-yearly national foreign trade policy anchored by the commerce ministry, which also covered farm produce. The current foreign trade policy spans the years 2015-20.

A KEY REASON FOR THE CURRENT SPELL OF POOR RETURNS TO FARMERS HAS BEEN A FALL IN FARM EXPORTS

Thursday's decision effectively sets in motion an agriculture-focussed trade policy, which will be tailored to double agricultural exports from \$30 billion at present to \$60 billion by 2022. The longer-term goal is to take up the value of exported Indian farm produce to \$100 billion.

The underlying objective of a trade policy devoted exclusively to agriculture is to have a "stable trade policy regime", which means the country will now only minimally resort to trade-distorting restrictions on exports to control domestic inflation.

A key reason for the current politically challenging spell of poor returns to farmers has been a fall in farm exports, driven by factors such as low international demand and also India's own unpredictable trade policy.

For instance, India's agricultural exports grew five times from about \$8.7 billion in 2004-05 to \$42.6 billion during 2013-14.

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Friday, 7th December 2018; Page: 1
Width: 20.66 cms; Height: 48.01 cms; a3; ID: 17.2018-12-07.11

Agri policy

This, however, plunged to $33 billion in 2016-17. Such a fall has hit farmers hard.

According to calculations by farm economist Ashok Gulati, who is with the think-tank ICRIER, in 2016-17, farmers received negative returns on moong, a type of pulse, to the tune of minus 7%. In jowar, a coarse cereal, there was a negative return of minus 18%, while in sesamum, it was minus 14%. Similarly, there were negative returns in sunflower (-13%), groundnut (-4 %) and urad, another type of pulse, (-4%).

"For the first time, the government has decided to frame an agriculture export policy. India luckily has the weather to produce a variety of food grains. There was a time when we used to import but now we export. But we did not have a policy in place. That's why we have created a policy framework today," Union minister Suresh Prabhu said, announcing the policy.

On September 4, HT had reported that the government was giving the finishing touches to a more liberal agriculture trade policy to bring about predictability and enable farm exports to more markets.

A liberal agricultural exports regime will require the government to fix permanent threshold quantities of farm commodities that will be kept free from any kind of trade restrictions, a government official who was part of the inter-ministerial discussions said, requesting anonymity.

This is a critical shift away from past policies because the country will have to keep a certain level of farm exports going even when supplies are low, for example during drought. However, this rule will not apply to commodities considered "critical to the country's food security", the official said.

The government's Doubling Farmers' Income report (Volume IV) last year stated that India's farm exports policy "does not promote agricultural trade but is mainly used to control prices in the domestic market". For instance, a three-year ban on non-basmati rice exports during 2008-11 amid a rice glut led to a "notional loss of $5.6 billion".

India often clamps down on exports at the slightest rise in food inflation. It is such kinds of "kneejerk reactions" that affect farm trade, the official cited above said.

"We will also remove all export restrictions on organic and processed products. Only for products which are sensitive, like onions, we will review (export norms) from time to time... otherwise we are removing [restrictions]," Prabhu said.

The new policy will set norms to "diversify the country's export basket, (new) destinations and boost high value and value-added agricultural exports including focus on perishables," an official statement said.

Predictable trade policies will make India a more dependable market for foreign buyers, said K Mani, an agricultural economist of the Tamil Nadu Agricultural University.

Under the new policy, Indian farm produce will also be aligned with global phytosanitary standards, which are basically norms related to safety of food in accordance with requirements of international trade. "We are estimating an outlay of ₹1,400 crore for this," Prabhu said.

PREDICTABLE TRADE POLICIES WILL MAKE INDIA A MORE DEPENDABLE MARKET FOR FOREIGN BUYERS