

Changing the agri exports basket

India has the potential to become a global leader in the food processing sector

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The Indian government has been encouraging agricultural exports to meet an ambitious target of \$60bn by 2022. The Ministry of Food Processing Industries shows that the contribution of agricultural and processed food products in India's total exports is 11%. Primary processed agricultural commodities form the majority share. India's export earnings will increase by focusing more on value-added processed food products rather than primary processed agricultural commodities (Siraj Hussain, 2021). From 2015-16 to 2019-20, the value of agricultural and processed food increased significantly from \$17.8bn to \$20.65bn. The Indian agricultural economy is shifting from primary to secondary agriculture where the focus is more on developing various processed foods. The Indian food processing industry promises high economic growth and makes good profits.

Changes over the years

India's agricultural export basket is changing from traditional commodities to non-traditional processed foods. Traditionally, Basmati rice is one of the top export commodities. However, now there is an unusual spike in the export of non-basmati rice. In 2020-21, India exported 13.09 million tonnes of non-basmati rice (\$4.8bn), up from an average 6.9 million tonnes (\$2.7bn) in the previous five years.

Similarly, Indian buffalo meat is seeing a strong demand in international markets due to its lean character and near organic nature. The export potential of buffalo meat is tremendous, especially in countries like Vietnam, Hong Kong and Indonesia.

In 2020-21, the export of poultry, sheep and goat meat, cashew kernels, groundnuts, guar gum, and cocoa products went down in terms of value and total quantity.

The export of processed food products has not been growing fast enough because India lacks comparative advantage in many items. This may imply that the domestic prices of processed food products are much higher compared to the world reference prices.

The main objective of the Agriculture Export Policy is to diversify and expand the export basket so that instead of primary products, the export of higher value items, including perishables and processed food, be increased. The exporters of processed food confront difficulties and non-tariff measures imposed by other countries on Indian exports (Siraj Hussain, 2021). Some of these include mandatory pre-shipment examination by the Export Inspection Agency being lengthy and costly; compulsory spice board certification being needed even for ready-to-eat products which contain spices in small quantities; lack of strategic planning of exports by most State governments; lack of a predictable and consistent agricultural policy discouraging investments by the private sector; prohibition of import of meat and dairy based-products in most of the developed countries; withdrawal of the Generalised System of Preference by the U.S. for import of processed food from India; export shipments to the U.S. requiring an additional health certificate; and the absence of an equivalency agreement with developed countries for organic produce.

The way forward

The Centre's policy should be in the direction of nurturing food processing companies, ensuring low cost of production and global food quality standards, and creating a supportive environment to promote export of processed food. Developed countries have fixed higher standards for import of food items. Reputed Indian brands should be encouraged to export processed foods globally as they can comply with the global standard of codex. Indian companies should focus on cost competitiveness, global food quality standards, technology, and tap the global processed food export market. India has competitive advantages in various agricultural commodities which can be passed onto processed foods. It has the potential to become a global leader in the food processing sector.

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