



Challenges and Strategies for Enhancing Agricultural Exports in India

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Abstract

This article discusses the challenges faced by agricultural exports in India and presents strategies to overcome them for fostering sustainable growth. The challenges include low productivity, high logistics costs, limited value addition, export promotion and branding issues, non-tariff barriers, and quality concerns. To address these challenges, the article suggests encouraging efficient global value chains and contract farming, diversifying agricultural exports, promoting value-added products, enhancing export logistics, developing market intelligence, collaborative export promotion efforts, addressing non-tariff barriers, promoting agri-export hubs, and supporting organic production. By implementing these strategies, India can enhance its agricultural exports, improve competitiveness, and expand market reach, contributing to the growth and development of the agricultural sector.

Key words: Agricultural export, Challenges, Strategies, Export promotion, Atmanirbhar Bharat.

Introduction

Agriculture has played an important part in defining India's economic environment for ages, serving as a critical pillar of the country's development. Not only does it contribute significantly to India's GDP, but it also the prime source of livelihood for a large segment of the population, especially in rural areas. With a fast growing population and a growing demand for different agricultural products both domestically and across borders, developing agricultural exports holds enormous promise for India's economic prosperity and international position.

Demand for Indian agricultural items such as rice, wheat, spices, fruits, and vegetables continues to climb in the worldwide market, signalling a wonderful chance for the country to establish a stronger position in the international trade arena. Increased agricultural exports can help to boost foreign exchange reserves while also providing greater opportunities for income generation and rural development. However, capitalising on this potential is easier said than done, as India's agricultural export sector faces a slew of obstacles impeding its smooth expansion.

Explore the intricate network of challenges that India's agricultural export industry faces in this article. From limited infrastructure and fragmented supply chains to variable quality standards and phytosanitary restrictions, these challenges to realising the sector's full potential are enormous. Furthermore, the volatility nature of global markets, shifting trade regulations, and competition from other agricultural powerhouses complicate the situation. Yet amidst these complexities lies an opportunity for India to rise to the occasion and unlock the true potential of its agricultural exports. Drawing on extensive research and expert

insights, we explore a range of strategic actions that can be taken to effectively overcome these hurdles. By addressing the challenges head-on and implementing targeted solutions, India can not only strengthen its agricultural export industry, but also promote greater sustainability and inclusivity throughout the supply chain.

Challenges before agricultural exports in India

Agricultural exports in India face various challenges that can hinder their growth and success. These challenges often stem from limited resources and other factors. Here are some of the key challenges faced by agricultural exports in India:

- **Low Productivity and High Logistics Costs:** India lags behind other major agricultural producers in terms of crop yield per hectare for various crops, including spices, shrimp, mangoes, and buffalo. One of the contributing factors is the smaller size of Indian farms, averaging around 1-2 hectares, which makes it difficult to achieve economies of scale. Additionally, mechanization is relatively low, and Indian farmers do not utilize high-yield input varieties commonly used in other agricultural producing countries. Currently, India's logistics costs account for approximately 14% of its GDP, which is higher than that of developed country exporters like the US (9.5%). To enhance its competitiveness in agricultural exports, India has set a target to reduce logistics costs to below 10%.
- **Limited Value Addition:** India primarily exports commodities rather than value-added agricultural products. In global rankings, India stands 10th in processed meat exports, 18th in processed fruits and vegetables, 35th in dairy products, and 61st in poultry and egg exports. Value-added processed foods make up only 16% of India's agricultural exports, whereas the figures are 25% for the US and 49% for China. The low level of value addition can be attributed to a relative lack of private sector investment and insufficient incentives.
- **Export Promotion and Branding Challenges:** While India has made substantial investments in a wide range of export promotion schemes, the incentives provided for exports have gradually declined over time. As India works towards complying with WTO regulations in export promotion, there is an opportunity to increase export incentives and develop a more focused and coordinated investment strategy specifically targeting the promotion of agricultural exports, with an emphasis on value addition.
- **Non-tariff Barriers:** Indian agricultural exports face non-tariff barriers in lucrative markets such as Europe. For example, there are more stringent shrimp inspections for Indian exports compared to those from other top exporting countries. Additionally, barriers related to foot and mouth disease restrict the export of Indian buffalo, despite its rarity in the country. Non-tariff barriers and the absence of robust trade agreements with target markets are significant obstacles to substantially increasing Indian agricultural exports.
- **Quality Issues:** While Indian agricultural commodities meet the sanitary and phytosanitary (SPS) standards of the domestic market, they encounter challenges when it comes to meeting the standards of the US and EU. These SPS issues result in rejections at ports, particularly for shrimps and spices, and hinder India's ability to penetrate the European market significantly. For instance, between 2014 and 2018, India had the highest number of notifications and refusals from the US, highlighting the quality challenges that need to be addressed to foster export growth.

Moreover, inadequate infrastructure facilities including transportation and storage facilities, and cold chains, pose a significant challenge for agricultural exports. Additionally, gaining market access to foreign countries, limited investment in research and development (R&D), limited access to affordable credit and financial resources and also struggles with

limited access to up-to-date market information are common challenges facing the Indian agricultural export system.

Strategies to tackle the challenges for export

- **Encourage Efficient Global Value Chains and Contract Farming:** Foster direct relationships between exporters and farmer producer organizations (FPOs) through contract farming and efficient global value chains. This will streamline the procurement process and ensure consistent supply of quality products.
- **Diversify Agricultural Exports:** Focus on diversifying the export basket by including both low-value and high-value agricultural commodities. Invest in infrastructure, trained personnel, and support facilities to meet international standards and improve competitiveness in the global market.
- **Promote Value-Added Products:** Emphasize the export of value-added products with extended shelf life and improved packaging. Develop international brands and establish global marketing channels to enhance market reach and competitiveness.
- **Enhance Export Logistics:** Address infrastructure and logistics challenges by investing in cold chain facilities for transportation and storage. Aim to reduce logistics costs from the current 13% of GDP to 8% by 2025 to improve overall export efficiency.
- **Develop Market Intelligence:** Establish an effective market intelligence system to monitor global market developments, including prices, demand and supply trends, and subsidy levels. Link import tariffs to world prices to ensure competitiveness.
- **Collaborative Export Promotion Efforts:** Integrate various export promotion organizations, including Agricultural and Processed Food Products Export Development Authority (APEDA), Ministry of Food Processing Industries, industry associations, export councils, and regulatory bodies. Synergize collaborative efforts to boost exports.
- **Address Non-tariff Barriers:** Advocate for harmonization of standards for products, streamlined quarantine procedures, and globally accepted rules and regulations. APEDA can play a crucial role in advocating for uniform standards at international forums, reducing compliance costs, and minimizing disputes.
- **Promote Agri-Export Hubs:** Utilize the "One District One Product" scheme to develop districts as agri-export hubs. Focus on local products with global potential, encouraging their growth and facilitating their entry into global markets.

By implementing these strategies, India can enhance its agricultural exports, improve competitiveness, and expand market reach, contributing to the growth and development of the agricultural sector.

Conclusion

The promotion of farm exports is crucial for earning foreign exchange and achieving self-reliance in agriculture. Despite various challenges, the growth trend analysis of agri-exports indicates positive progress. To further enhance agricultural exports, a comprehensive approach involving government support, investment in infrastructure and research, capacity building, improved market access, and stronger collaborations is essential. By overcoming these challenges, Indian agricultural exports can tap into the vast potential of global markets, strengthening the agricultural sector and contributing to Atmanirbhar Bharat's vision.

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