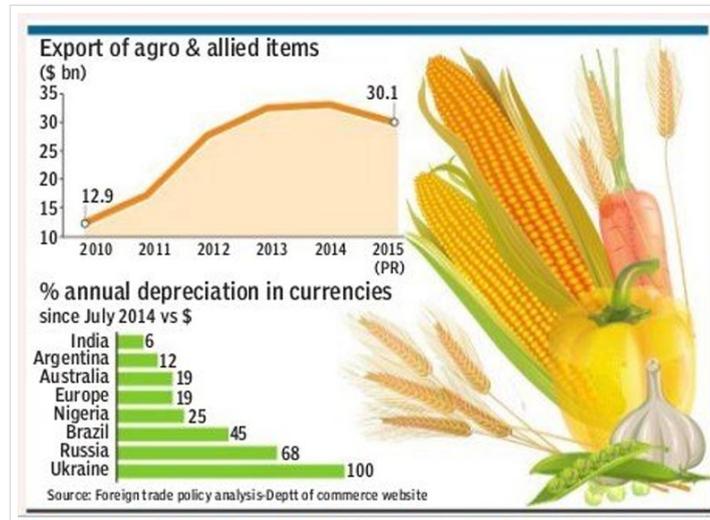


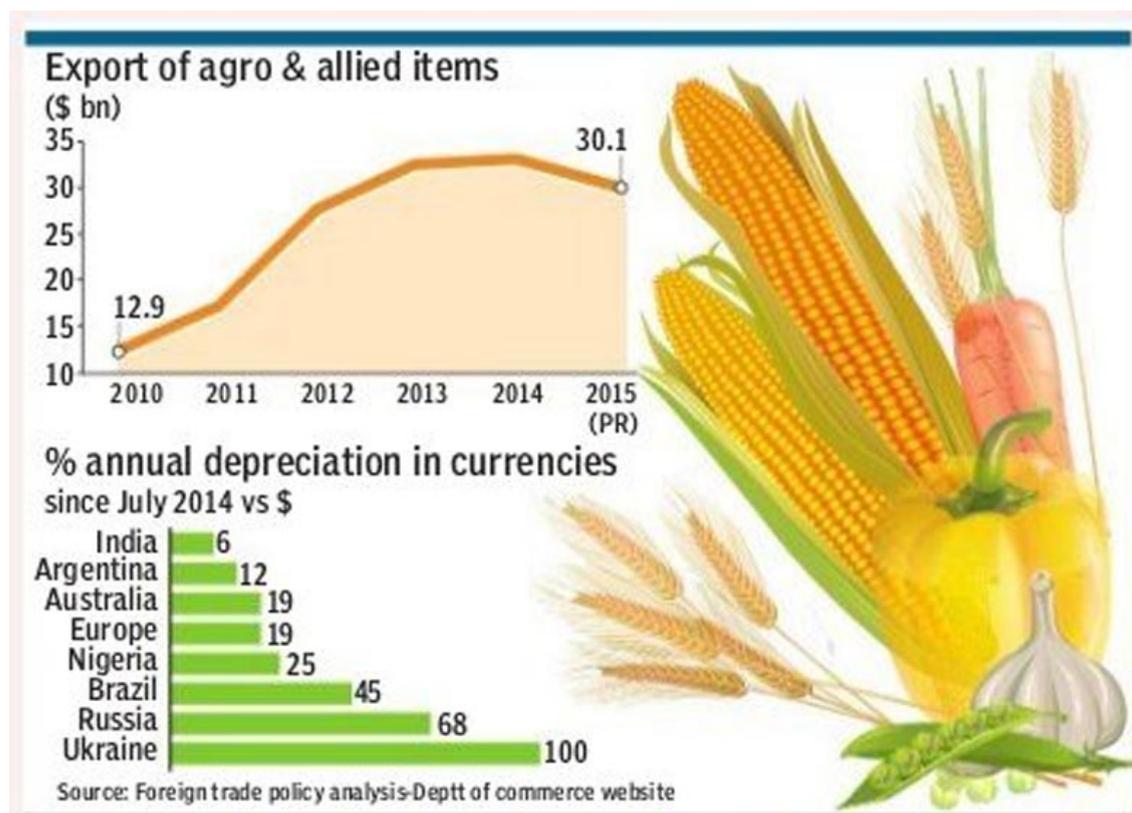
Agri export outlook not bright for India



The trend of a rise in agri and allied exports in the last five years has reversed—such exports fell by 8.5%, from \$33 billion in 2014 to \$30.1 last year—though the decline has been somewhat stemmed by higher beef and meat products exports, up by \$500 million. It simultaneously reflects policy paralysis in the Indian agriculture sector as well as the redundancy that has set in for most processes due to the march of technology. Is this tumble because of the global fall in prices of commodities, almost by 20-25%? No, not fully.

Globally, the demand for agri-commodities continues to expand. But India has lost ground in many traditional markets to competing economies such as Brazil, Argentina, France, Russia and Ukraine.

The depreciation of currencies of many rival countries, the poor yield of Indian agriculture, inflexibility due to the government's tight control of the sector, etc, are some factors for this dismal performance. The fall in exports of major agri items has been precipitous, to the extent of 50% in some cases.



The continuing fall in crude oil prices due to the conflict in West Asia, the inevitable entry of Iran and the ample US-shale oil output

is likely to trigger price compression of ethanol and other bio-fuels, which in turn will cause a reduction of consumption of corn and soya. That trend will continue to aggravate, causing values of agri-commodities like wheat, sugar, oil meals and vegetable oils, to bottom out.

Add to this mix the currency depreciation scenario in many countries. Thanks to the Greek crisis, the euro is already weak and will continue to remain so or weaken further—even a dollar-euro parity (1:1) is being speculated. The Russia-Ukraine conflict and the falling crude values create more their respective currencies. Brazil's real will fall further as it struggles to ensure export consistency of its humongous crops of soya and corn to service the weakening power of China. These factors portend India will remain out-priced in near future.

In the short-term, a downward bias will prevail internationally for agri-commodity prices, unless there are major droughts or environmental issues. Even under relatively volatile conditions, the world will produce more agri-commodities with the improvement in sowing/ harvesting/ irrigation/ fertiliser technologies and the growing usage of GM seeds. To meet the competition owing to global changes and turbulence, India has to introspect on its macropolicy for agriculture. The motto has to be “more crop per drop”, and that ethos concerns each unit of power, fertiliser and technological investment.

However, the current scenario lends itself to diverse views. Do we need to focus wheat and rice production which is tied to dedicated procurement for 7%-8% farmers? Should we keep importing about 14 million tonnes of edible oil, with annual increments of 1 million tonnes? Are we to continue with the import of pulses, given our demand stands at 5-6 million tonnes with outlook of only increasing? Should we to shed our aggression in oil meals export, where the decline is 52% in FY15, over FY 14? Can we afford to keep our soy output unchanged at the 10-11 million tonnes we have been seeing for the past 5 years? Should our maize/corn production remain at 23-24 million tonnes while Brazil's output has jumped to 80 million tonnes from 50 million tonnes in the last five years? Is the government-controlled pricing of sugarcane, irrespective of market forces, sustainable? Will more yield per hectare spur exports?

Should we continue to impose custom duties on items which are cheaper abroad to protect our domestic inefficiencies and outdated policies? India has become a high-cost agri market. Even Pakistan and Bangladesh, that hitherto sourced oil meals from India, have shifted to oil meals of South American origins despite the logistical disadvantage.

Green revolutions have happened when India either kept pace with world's scientific developments or adapted them.

The introduction of high-yielding varieties of Mexican wheat seeds, as per Norman Borlaug, the renowned American scientist, with increased use of fertiliser and irrigation technologies, was responsible for average yields hooting up to 3 tonnes/hectare from less than 1 tonne. Hybridisation of paddy by Indian Council of Agricultural Research, led by scientist VP Singh, enabled India to improve the quality and yield of basmati rice. Lower yields mean sub-optimal use of land, labour, inputs and other natural resources. Reduced output is responsible for lower income and lower economic growth, leading to stress in the economy.

There appears to be congenital apathy in India for GM crops, which are now widely grown in the US and South America. China is the largest importer (74 million tonnes) of GM soyabeans. But India keeps thwarting agricultural progress by stalling on introduction of GM crops. This supports vested interests in agricultural, industrial and political circles. Why is a fair cost-benefit analysis not being carried out for GM crops? Can we stand as an isolated island when it comes to modern agricultural practices? If some modifications in the policy are to be introduced for induction of GM crops, let these be deliberated upon. On the one hand, we are one of the biggest consumers of imported GMO soy oil and cotton seed oil. On the other, we still don't permit these crops to be planted in our country. Is this pure hypocrisy?

As the economy grow, we will need more corn, soy, pulses, wheat, rice, edible oils, sugar, etc. Unless we don't come up with the right blend of policy, we may soon turn importers rather than be a producer and exporter.