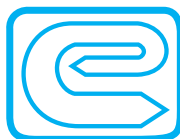




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India's Agricultural Export Policy 2018

Government of India in 2018, brought out India's Agricultural Export Policy for the country. India despite having made progress in various sectors of the economy, still remains an agrarian economy. The agricultural sector of the country contributes around 17-18% of India's GDP. However, there was always a felt need to adequately tap the sector so as to make its growth prospects more promising. Currently India's share in global exports of agriculture stands at 2.3%; whilst the share in 2008 stood at 1.6%.

Apart from approving the draft policy, the Government also approved the proposal for establishment of Monitoring Framework at Centre with Commerce as the nodal Department with representation from various line Ministries/Departments and Agencies and representatives of concerned State Governments, to oversee the implementation of this Policy.

Objective and Vision

- The National Agriculture Export Policy is formulated in line with the vision to

double the farmers' income and increase the share of agricultural exports from present ~US\$ 30+ Billion to ~US\$ 60+ Billion by 2022.

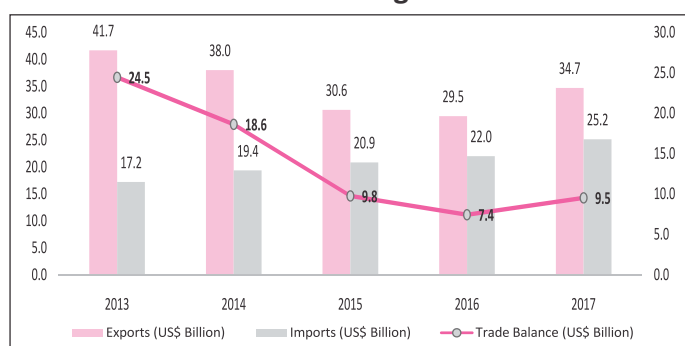
- To boost high value and value added agricultural exports, focusing on perishables.
- To promote novel indigenous, organic, ethnic traditional and non-traditional categories.
- To provide a mechanism for tackling market access barriers and deal with sanitary and phytosanitary issues.
- To become one of the top 10 exporting countries of agricultural products and strive to double India's share in world agriculture exports.
- Focus on export centric clusters for integrated Commodity Focus Value Chain and Infrastructure Development.

Current Agriculture Trade Scenario

The global agriculture exports were valued at US\$ 1488 billion in 2017, marginally up from US\$ 1471 billion in 2013, registering a marginal annual average growth rate of 0.5%, during this period. The major global exporters in

¹HS code 1 to 23 has been considered to assess agricultural exports

India's Trade Balance in Agriculture Products



Source: ITC Trade Map

2017 were USA (9.5%); Netherlands (6.4%); Germany (5.5%); Brazil (5.2%); and China (4.9%).

India's agriculture exports, on the other hand, were recorded at US\$ 34.7 billion in 2017, down from US\$ 41.7 billion in 2013, thereby recording an AAGR of (-) 3.6%, during this period. India, for long, has been a trade surplus nation, when it comes to agriculture. However, its trade surplus in the last 5 years has decreased from US\$ 24.5 billion in 2013 to US\$ 9.5 billion in 2017.

India's agriculture export basket has been a mix of various products with the 'Cereals' (HS code-10) contributing the highest at 21.2% in 2017, followed by 'Marine Products' (HS code-03) at 19.2%; and Meat (HS code-02) at 12.4%. Major export destinations for Indian agricultural products in 2017 were Vietnam (14.8%); USA (13.3%); UAE (5.7%); Saudi Arabia (4.2%); and Iran (4.2%).

Elements of agriculture export policy framework

Strategic Recommendations

- **Policy Measures**
 - *Stable Trade Policy Regime*
 - *Reforms in APMC Act and streamlining of Mandi fee*

- **Liberalising Land Leasing norms**
- **Infrastructure and Logistics Boost**
- **Greater involvement of State Governments in Agri Exports**
 - *Identification of a nodal State Department/ Agency for promotion of agriculture export*
 - *Inclusion on agricultural exports in the State Export Policy*
 - *Infrastructure and Logistics to facilitate agricultural exports*
 - *Institutional Mechanism at State level and cluster level to support exports*

Operational Recommendations

- **Focus on Clusters**
- **Promoting Value added exports**
 - *Product development for indigenous commodities and value addition*
 - *Promote Value added Organic exports*
 - *Promotion of R&D activities for new product Development for the upcoming markets*
- **Infrastructure and Logistics to support agricultural exports**
 - *Ease of Doing Business & Digitization*
 - *Developing Sea Protocol*
- **Establishment of Strong Quality Regimen**
 - *Establish and maintain single supply chain and standards for domestic and export market.*
 - *SPS and TBT Response Mechanism*
 - *Conformity Assessment*
- **Marketing and promotion of "Produce of India"**
- **Self-sufficiency and export oriented production**
- **Research and Development**
- **Creation of Agri-start-up fund**

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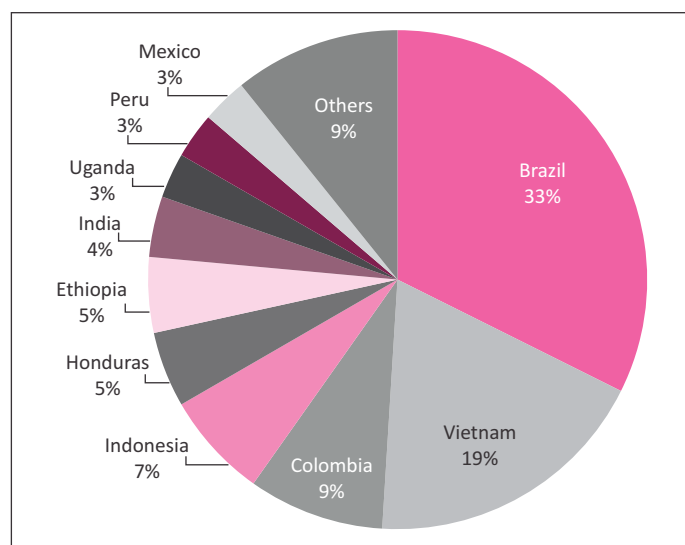
- Ministry of Commerce
- ITC Trade Map

Coffee Industry: Global and India

Global Production

The aggregate coffee production during the year 2017 was registered at 159375 (in thousands 60 kg bags), registering a year-on-year growth of 0.2%. Out of the total global production of coffee, Arabicas variety constitutes around 61%, while the rest are the Robustas variety. Brazil has been the leading producer of coffee in the world with a share of approximately 33% in the global production, in 2017. The other major producers of coffee in the world include Vietnam (19%); Colombia (9%); Indonesia (7%); and Honduras (5%). India had a share of 4% in the world coffee production during 2017.

Global Coffee Production (2017)



Source: International Coffee Organization

Trade Analysis

Global exports

Brazil, the largest producer of coffee, occupied the

leading position in the exports of coffee as well, accounting for approximately 14.4% of global exports in 2017. Its major export destinations included USA (20%); Germany (19.1%); and Italy (10.6%). Vietnam exported coffee worth US\$ 2.7 billion in 2017, and had a share of 8.6% in the global exports. Germany (share of 8.3% in global exports), Colombia (8.1%); and Switzerland (7%) were the other major coffee exporting countries. India ranked sixteenth among the global exporters of coffee in the world during 2017, with a share of 2%.

Global Imports

Global imports of coffee (HS Code 0901) have increased from US\$ 29.1 billion in 2013 to US\$ 32.7 billion in 2017, registering an AAGR of 3.1%. USA occupied the leading position in the imports of coffee, accounting for approximately 19.3% of global imports in 2017. Colombia was the leading supplier of coffee to the USA (20.9%), followed by Brazil (17.2%); Canada (8.6%); Vietnam (8.6%); and Guatemala (5.3%). Germany was the second largest importer of coffee at 10.7%, with imports in 2017 aggregating approximately US\$ 3.5 billion. Brazil (24.5%); Vietnam (14.8%); Honduras (9%); Switzerland (7.3%); and Italy (6.2%) were the primary coffee suppliers to Germany. France (8.4%); Italy (5.5%); and Japan (4.4%) were the other major coffee importers, globally.

Major Exporters of Coffee in the World (US\$ billion)							
Country	2013	2014	2015	2016	2017	Share	AAGR (2013-17) in %
Brazil	4.6	6.1	5.6	4.9	4.6	14.4%	1.5
Vietnam	2.6	3.3	2.4	3.0	2.7	8.6%	4.7
Germany	2.4	2.5	2.3	2.3	2.6	8.3%	3.0
Colombia	1.9	2.5	2.6	2.5	2.6	8.1%	8.4
Switzerland	2.2	2.2	2.0	2.1	2.2	7.0%	0.8
World	28.3	31.9	30.5	30.4	31.9	100.0%	3.3
Major Importers of Coffee in the World (US\$ billion)							
USA	5.5	6.0	6.0	5.7	6.3	19.3%	3.9
Germany	3.6	4.0	3.4	3.4	3.5	10.7%	-0.3
France	2.6	2.7	2.4	2.4	2.8	8.4%	2.1
Italy	1.6	1.7	1.8	1.7	1.8	5.5%	2.2
Japan	1.6	1.4	1.6	1.4	1.4	4.4%	-2.2
World	29.1	31.2	30.8	30.1	32.7	100%	3.1

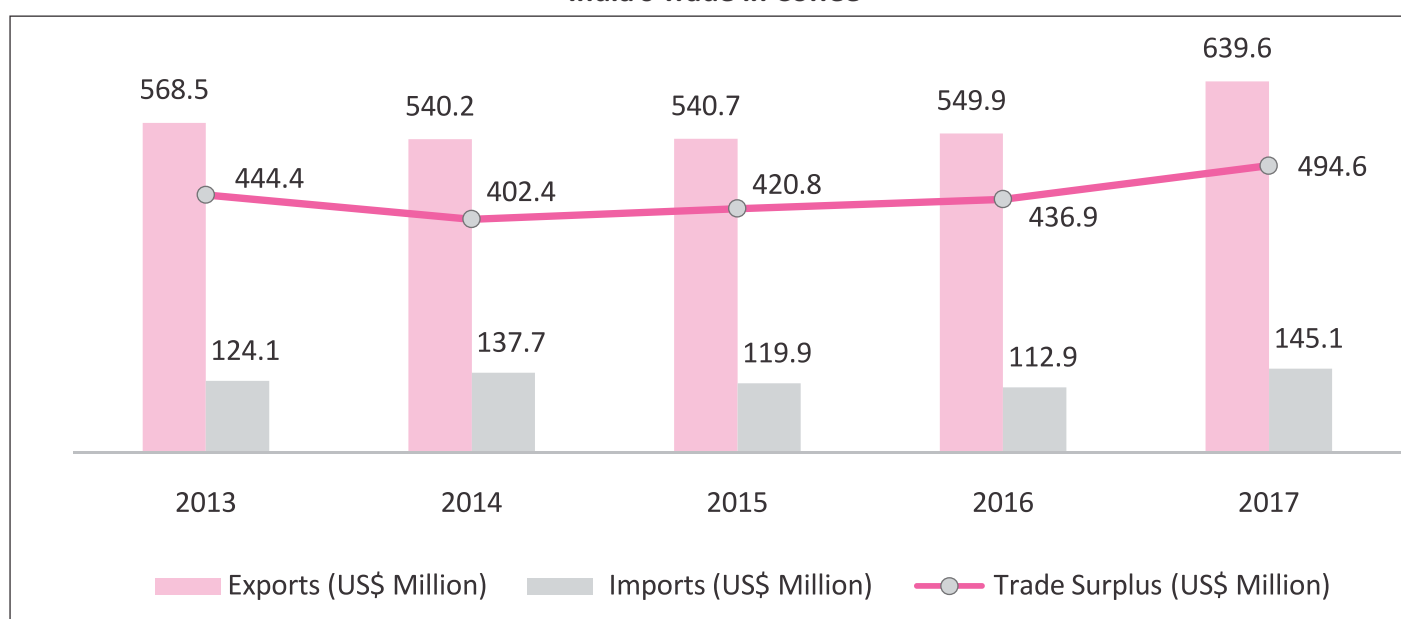
Source: ITC Trade Map

Indian Scenario

India's trade in coffee increased from US\$ 692.7 million in 2013 to US\$ 784.7 million in 2017. India recorded a huge trade surplus in coffee at US\$ 494.6 million in 2017, up from US\$ 444.4 million in 2013. While the exports of coffee from India increased

from US\$ 568.5 million in 2013 to US\$ 639.6 (AAGR of 3.3%), the imports of the same jumped from US\$ 124.1 million in 2013 to US\$ 145.1 million in 2017 (AAGR of 5.2%). India's imports of coffee registered a y-o-y growth of 28.5% in 2017 over 2016.

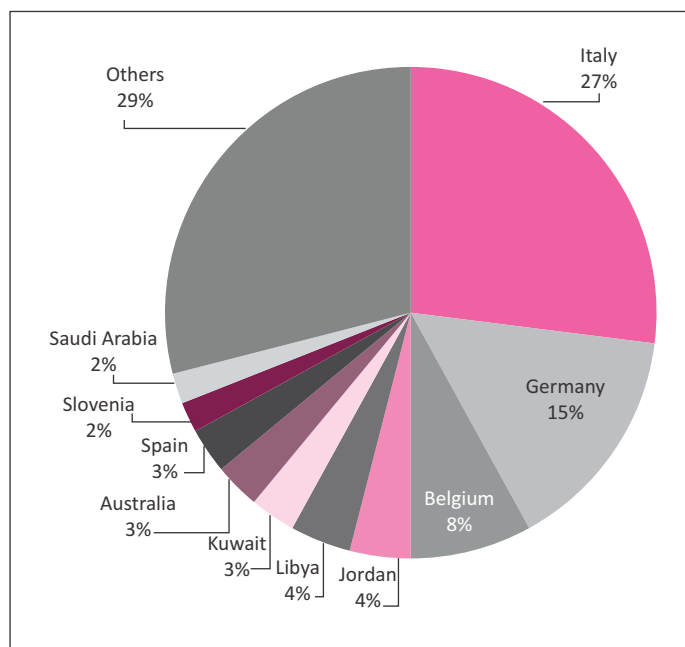
India's Trade in Coffee



Source: ITC Trade Map

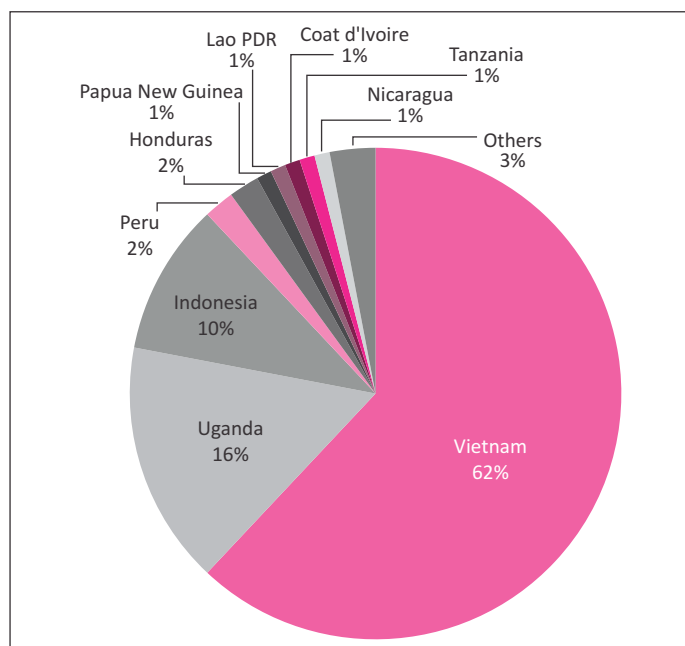
Major exporting destinations for Indian coffee in 2017 were Italy (26.9%); Germany (15.4%); Belgium (8%); Jordan (3.9%); and Libya (3.5%). Unlike the major exporting destination, the major import sources for India are quite concentrated for coffee.

Major Export destinations for Indian Coffee: 2017



Source: ITC Trade Map

Import Sources for Indian Coffee: 2017



Source: ITC Trade Map

Vietnam alone accounted for 62.6% of the Indian coffee imports. It was followed by Uganda (15.6%); Indonesia (9.8%); Peru (2.1%); and Honduras (1.6%).

Prices

Global coffee prices continued to fall and were 6.5% lower on-year in November 2018, led by a fall in both Arabica and Robusta prices, and reached 109.6 cents/lb from 111.2 cents/lb in October 2018. The international coffee prices hit as low as 98.2 cents/lb in September 2018. While Arabica prices fell 5.5% on-year, Robusta prices declined by 8.6% on-year in November 2018. Prices fell owing to strong output from both Brazil and Vietnam. Arabica output is expected to increase as ample rains boost production in Brazil. Robusta production recovered owing to normal weather conditions in Espirito Santo, the key Robusta producing state in Brazil post two consecutive droughts. It is expected that international coffee prices during yearly 2019 might decline further owing to anticipated surplus production from Brazil, Vietnam, Indonesia and Columbia.

Increasing coffee demand in India

Traditionally, the coffee consumption in India has been largely concentrated in the southern region which also contributes ~90% of the total domestic production. The availability of fresh coffee, at an affordable price, is the major driver for the high levels of domestic consumption in southern India. However, in recent times, there has been a spread in coffee consumption to other parts of India, even if largely in urban centers. This penetration of coffee

consumption is not restricted to the beverage alone but also in other forms like desserts and ice-creams. The increase in disposable incomes, the higher number of double income households, more global exposure, the increasing media penetration and attention to food, the rapid urbanization and changing lifestyle preferences, influenced by the western world, along with a greater number of modern retail outlets stocking a larger variety and more variants of coffee, and new product developments by national and international players have boosted the consumption of coffee in other parts of India.

Additionally, according to CMIE Industry outlook, Indian coffee production is expected to reach 5516.6 (in thousands 60 kg bags) in 2021-22, up from 5266.6 (in thousands 60 kg bags) in 2017-18.

The increased acceptance of coffee can also largely be attributed to the growing café culture with brands like Café Coffee Day and Barista opening outlets across the nation, which appeal to the young urban population as a popular hangout place. Cafés have not only widened the awareness of Indian consumers vis-à-vis popular variants of coffee drinks e.g. cappuccino, mocha, latte, espresso, Americano, etc. but also introduced them to more exotic and innovative drinks like espresso, macchiato, affogato, etc., different kinds of frappés, and a multitude of add-on flavors. The increasing

interest in the “bean” has led to more international coffee variants being offered in upmarket cafés at a premium. As a result, the best coffees worldwide, e.g. Brazilian, Ethiopian, Columbian, Guatemalan, etc. are being served and consumed with élan.

The growth and success of these brands have in turn stimulated the appetite of other international players like Costa, Starbucks, and The Coffee Bean & Tea Leaf to venture into the Indian market. The surge in the number of cafés has strongly contributed towards making India a “coffee loving country”. However, the geographic penetration of coffee is largely limited to the urban population in Metros, Mini metros, Tier I and Tier II cities, excepting southern India. With approximately 70% of the Indian population living in rural areas, it is imperative that players offering packaged brands stress on penetration into the rural market. The challenge lies in generating appeal among the rural consumers, who are traditionally tea drinkers, and in creating scope for a shift in their preference. However, with the past, and forecasted, growth in this category, the future for packaged coffee brands is promisingly healthy.

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- International Coffee Association
- ITC Trade Map
- CRISIL
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Crop Diversification

Indian agriculture took an important turn in the 1960s when Green Revolution was introduced in the system. Agriculture gradually became more commercialised with high yields and productivity and States such as Punjab, Haryana and parts of western Uttar Pradesh started focusing more on wheat and rice.

While, India's farming system is characterized by the presence of a large number of small and marginal scale farmers with small farm holdings, the country is blessed with diverse agro-climatic conditions which enable the farmers to produce a large number of agricultural commodities.

Scope of Crop Diversification

- Crop diversification provides the farmers with a wider choice in the production of a variety of crops in a given area so as to expand production related activities on various crops and also provides the farmers with the possibility of covering the various risks associated with a single crop farming.
- Crop diversification in India is generally viewed as a shift from traditionally grown less remunerative crops to more remunerative crops.
- Crop diversification and growing of large number of crops are practiced in dry-land areas to reduce the risk factor of crop failures due to recurring droughts.
- Crop substitution and crop shift are also taking place in the areas suffering with some specific soil related problems.
- The crop diversification also takes place due to governmental policies, and their thrust on some

crops, market reforms, infrastructure development, government subsidies, certain other price related support mechanisms, higher profitability and stability in production, amongst others.

Factors facilitating the crop diversification

While the majority of farmers for long have been risk averse in terms of their focus on farming of various crops, however with the advent of modern agricultural technology there has been a continuous surge for diversified agriculture in terms of crops, primarily on economic considerations. Some of the factors which would facilitate crop diversification are as follows:

- Resource related factors covering irrigation, rainfall and soil fertility.
- Technology related factors covering not only seed, fertilizer, and water technologies but also those related to marketing, storage and processing.
- Household related factors, covering food and fodder self-sufficiency requirement as well as investment capacity.
- Price related factors covering output and input prices as well as trade policies and other economic policies that affect these prices either directly or indirectly.
- Institutional and infrastructure related factors covering farm size and tenancy arrangements, research, extension and marketing systems, and government regulatory policies.

The above mentioned factors cannot be isolated in such a diverse ecosystem and are inter-related. For instance, the adoption of crop technologies is

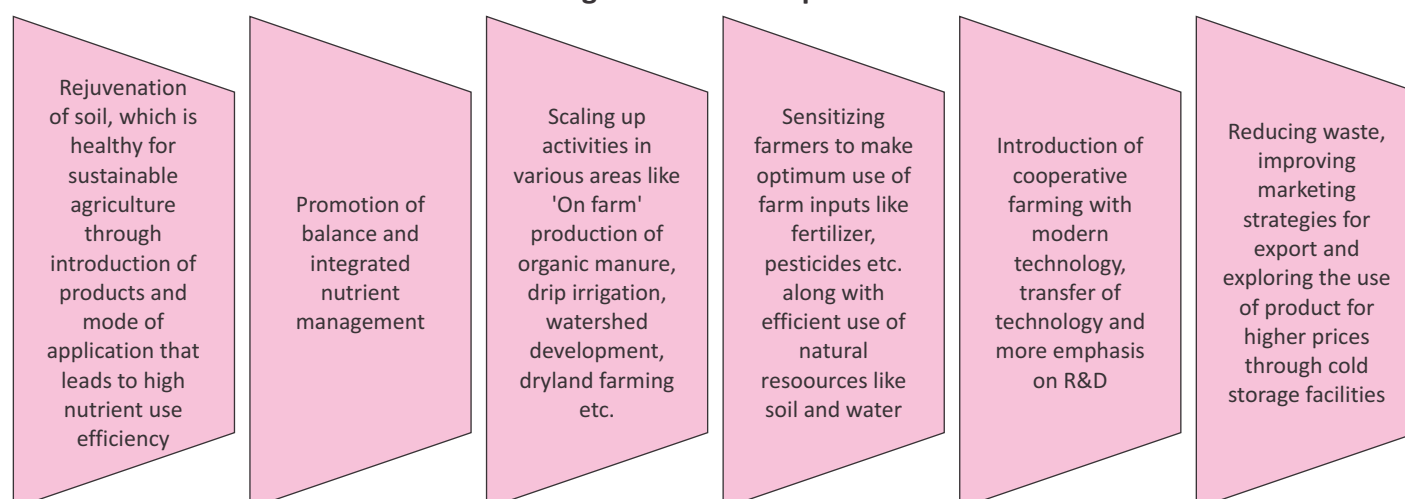
influenced not only by resource related factors but also by institutional and infrastructure factors. Similarly, government policies, both supportive and regulatory in nature, affect both the input and output prices. Likewise, special government programmes also affect area allocation and crop composition. More importantly, both the economic liberalization policies as well as the globalization process also exerts strong pressures on the area allocation decision of farmers, essentially through their impact on the relative prices of inputs and outputs. While factors such as food and fodder self-sufficiency, farm size, and investment constraints are important in influencing the area allocation pattern among smaller farms, larger farmers with an ability to circumvent resources constraints usually go more by economic considerations based on relative crop prices than by other non-economic considerations. Similarly, economic factors play a relatively stronger role in influencing the crop pattern in areas with a better irrigation and infrastructure potential. In such areas, commercialization and market networks co-evolve to make the farmers more dynamic and highly responsive to economic impulses.

Constraints in crop diversification

The major problems and constraints in crop diversification in India are primarily due to the following reasons with varied degrees of influence:

- Almost half of the cropped area in the country is rain fed and is dependent on rainfall
- Sub-optimal and over-use of resources like land and water resources, causing a negative impact on the environment and sustainability of agriculture
- Inadequate supply of improved and quality seeds and planting material of improved cultivars
- Fragmentation of land holdings and lack of mechanization of agriculture due to investment constraints and land holding sizes
- Poor basic infrastructure like rural roads, power, transport, communications etc.
- Inadequate post-harvest technologies and inadequate infrastructure for post-harvest handling of perishable horticultural produce
- Weak agro-based industry
- Inadequate research - extension - farmer linkages
- Emerging species of diseases and pests affecting most crop plants

Select Strategies towards Crop Diversification



References

➤ FAO

Source: FAO

Indian Horticulture Scenario

India's diverse climate ensures availability of all varieties of fresh fruits & vegetables. It ranks second in fruits and vegetables production in the world, after China. In terms of exports of vegetables, globally, the major exporters in 2017 were, China (15%); Netherlands (10%); Spain (9%); Mexico (9%); and USA (7%), while for the fruits, USA (13%); Spain (8%); Mexico (6%); Netherlands (5%); and Chile (5%).

Production

According to the latest available data, India's production of fruits increased from 81.3 million metric tons (MMT) in 2012-13 to 92.8 MMT in 2016-17, registering an AAGR of 3.5% during this period. During the same time, productivity increased from 11.6 MT/hectare in 2012-13 to 14.3 MT/hectare in 2016-17.

A similar trend was observed for vegetables whose production increased from 162.2 MMT in 2012-13 to 175 MMT in 2016-17. However, its productivity

decreased marginally from 17.6 MT/ hectare to 17 MT/hectare, during this period.

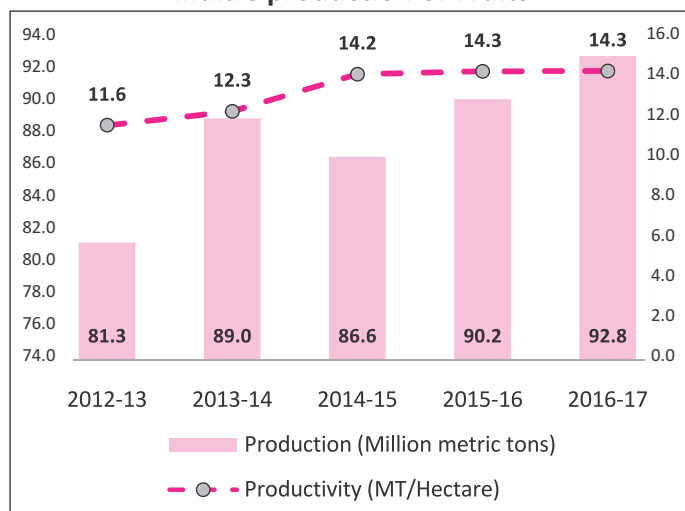
Some of the major States producing fruits in India are Andhra Pradesh (13%); Maharashtra (11%); UP (11%); Gujarat (9%); and Karnataka (8%). As far as global production is concerned, India tops the chart banana; mango, mangosteen and guava; lemon & lime; and papaya.

For vegetables, leading States in terms of production are Uttar Pradesh (15%); West Bengal (15%); Madhya Pradesh (10%); Bihar (8%); and Gujarat (8%). Amongst vegetables, globally, India is the largest producer of okra, and the 2nd largest producer for potato; tomato; onion; cabbage; cauliflower & broccoli; and brinjal.

Trade

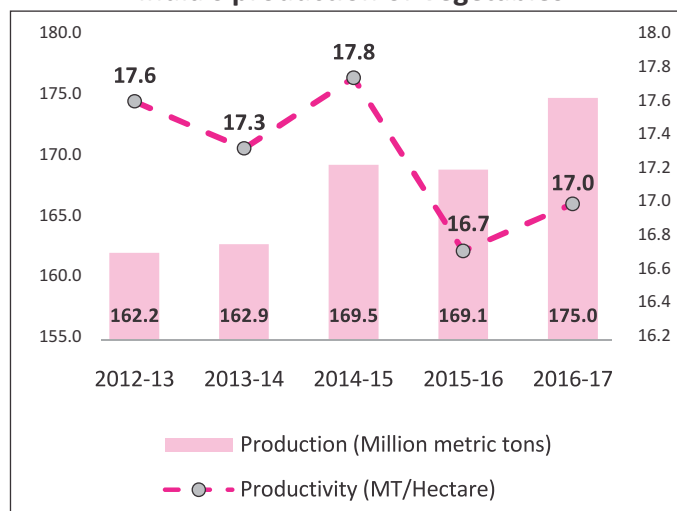
India's trade in fruits increased from US\$ 3.8 billion in 2013 to US\$ 5.3 billion in 2017. This was majorly driven by the growth in the imports during this period, which increased from US\$ 2.2 billion to

India's production of Fruits



Source: National Horticulture Board

India's production of Vegetables



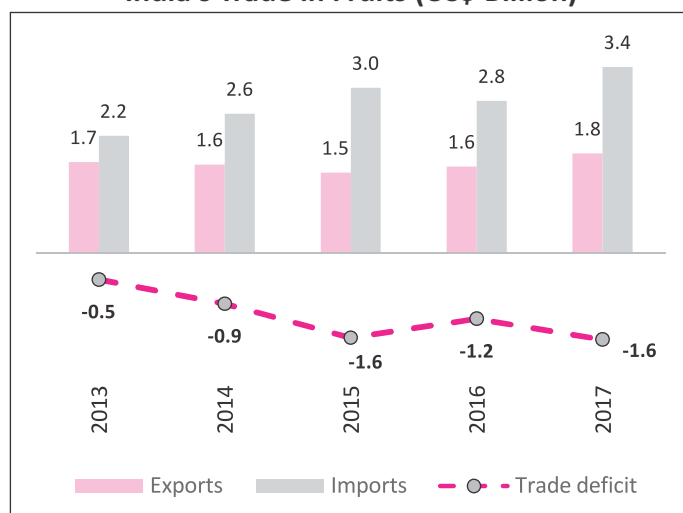
Source: National Horticulture Board

US\$ 3.4 billion and registered an AAGR of almost 13%. The exports however recorded an average annual growth of 2.7%, during the period 2013-17.

Like fruits, the trade in vegetables also increased from US\$ 3.7 billion in 2013 to US\$ 5 billion in 2017. On similar lines of fruits, the imports of vegetables also registered a high AAGR of 15.2%, during the last 5 years, while its exports fell at an average rate of (-) 4.4%, annually, during 2013-17, showing a demand for vegetables in India.

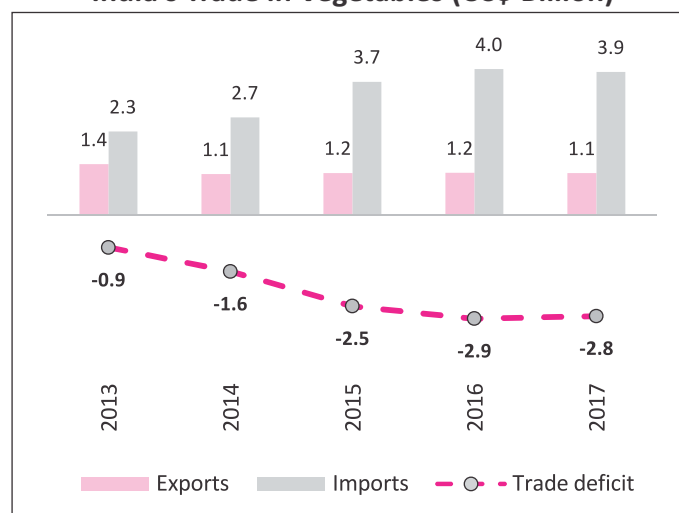
India's concentration in terms of export destinations, for fruit exports, has remained more or less stable in the last 5 years, with the top 10 export destinations, comprising 71% of exports. Kuwait (2%) and Belgium (2%), which were not a part of top 10 exporting destinations in 2013 were the new entrants to the list of the major export destinations of India's fruits in 2017. Further, the share of Germany as an export destination for the Indian fruits increased from 2% in 2013 to 3.6% in 2017.

India's Trade in Fruits (US\$ Billion)



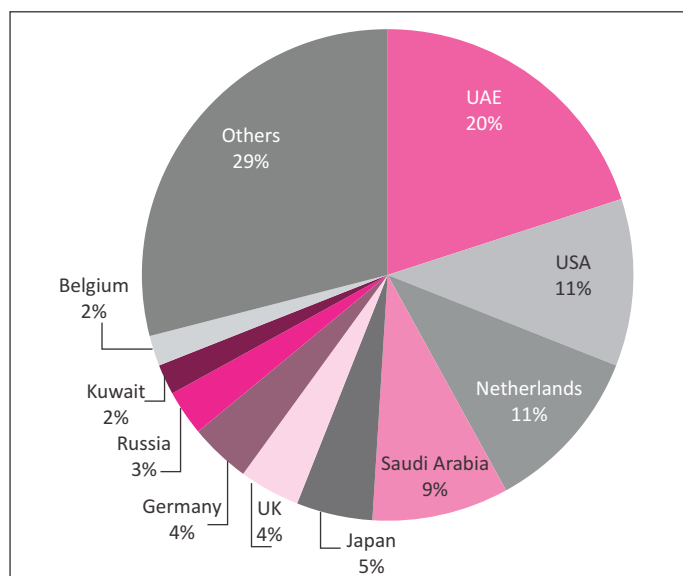
Source: ITC Trade Map

India's Trade in Vegetables (US\$ Billion)



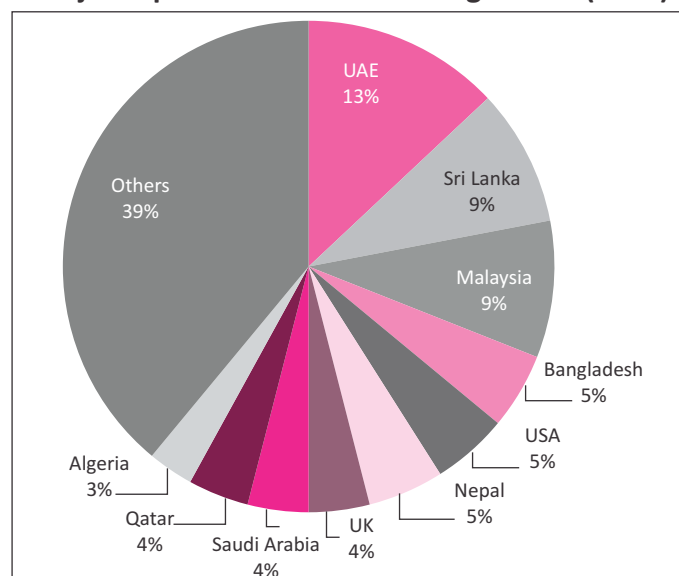
Source: ITC Trade Map

Major export destinations for Fruits (2017)



Source: ITC Trade Map

Major export destinations for Vegetables (2017)



Source: ITC Trade Map

In terms of vegetables, in the last 5 years, India has diversified significantly, its export destinations. While the top 10 exports destinations contributed to 68% of the total exports in 2013, the concentration fell to 62% in 2017 – thus showing diversification of markets. USA (5%); Nepal (5%); and Qatar (4%), made it to the list of top 10 exporting destinations for Indian vegetables in 2017 and were not a part of this list in 2013.

Select Challenges

- *Marginal Land Holdings:* Sub-division and fragmentation of the holdings is one of the main causes of our low agricultural productivity. A lot of time and labour is wasted in moving seeds, manure, implements and cattle from one piece of land to another. Irrigation becomes difficult here.
- *Seeds:* Good quality seeds are out of reach of the majority of farmers, especially small and marginal farmers mainly because of exorbitant prices of quality seeds.
- *Storage:* Farmers are compelled to sell their produce immediately after the harvest at the prevailing market prices which are bound to be low. The Parse Committee estimated the post-harvest losses at 9.3%, of which nearly 6.6% occurred due to poor storage conditions alone.

- *Agricultural Marketing:* In the absence of sound marketing facilities, the farmers have to depend upon local traders and middlemen for the disposal of their farm produce which is sold at throw-away price.

Policy Measures

The Cabinet recently approved the National Agriculture Export Policy which has been formulated in line with the vision to double the farmers' income and increase the share of agricultural exports from present US\$ 30+ Billion to US\$ 60+ Billion by 2022.

Further, Operation Greens was announced by Union Government in Budget 2018-19 to stabilise supply of Tomato, Onion and Potato (TOP) crops. It is aimed at ensuring availability of TOP crops throughout the country, round the year, without price volatility. It is essentially price fixation scheme that aims to ensure farmers are given the right price for their produce. However, various strategies have to be worked out for implementing this operation in order to address various challenges such as technology; funding of the program; market organization; production centres etc.

Reference:

- National Horticulture Board
- ITC Trade Map

News Focus

eNAM reports first Inter-State sale

The first-ever inter-State transaction on the online trading platform of National Agriculture Market took place when a farmer from Haldwani in Uttarakhand sold his tomato crop to a trader in Bareilly in Uttar Pradesh. Similar inter-State transactions between e-NAM mandis in Uttarakhand and Uttar Pradesh in potatoes, brinjal and cauliflower since 2019 have commenced.

One of the major issues that hinders seamless transactions on eNAM, which is supposed to act as a pan-India electronic trading (e-trading) portal, is the non-availability of a trading licence for traders other than those from the home State. The Government has been pushing the States to adopt a universal licence, very similar to the way a driving licence issued by one State is recognised in other States.

The e-NAM platform has an inter-State dashboard to promote inter-State trade. So far, 585 regulated markets in 16 States and 2 Union Territories have been integrated with the e-NAM platform. Another 415 markets are expected to be on the platform by March 2020.

Source: The Hindu Business Line

Cotton yarn realisation to touch 20% this fiscal

After hitting a multi-year low last fiscal, cotton yarn spinning companies' profit margins have improved in the December quarter of 2018-19, due to revival in export and rupee depreciation. However, sustainability of profit is already threatened by rising cotton prices and competitive pressure from Vietnam and Bangladesh.

According to ICRA, over 90% of increase in exports to

China in first seven months this fiscal helped Indian spinners regain a part of the export market lost to competing nations such as Vietnam over the past few years. However, the difference between domestic and international cotton prices have fallen to 8% in the quarter ended December of 2018-19, from 16% logged in June quarter, adding to competitive pressures from Vietnam. Further, it is expected that the annual cotton yarn exports will grow at 18-20% this fiscal (2018-19), supported by a strong beginning.

Source: The Hindu Business Line

Thai seafood industry buoyed by lifting of EU 'yellow card'

The European Union removed Thailand from a list of countries warned over illegal fishing. This is being met with relief by big Thai seafood companies that had feared being locked out of the huge European market.

Thailand was removed in 2015 from the EU's Generalized System of Preferences, a preferential tariff system for developing countries.

Thailand has become a leading seafood producer, ranking among the top 20 countries by catch volume. It exported 189.5 billion baht (US\$ 5.93 billion) worth of fishery products in 2017. The EU is the country's third-largest seafood export destination behind the U.S. and Japan, accounting for about 10% of the total.

With yellow cards, Vietnam and Cambodia remain on the same EU illegal-fishing watch list from which Thailand was just removed. Receiving a red card from the bloc leads to a total ban on importing seafood into the EU.

Source: Nikkei Asian Review

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