

A roadmap for boosting India's agri-export



By incorporating cutting-edge food processing technologies and establishing globally recognised quality standards India can push its agri-exports substantially



In a bid to give impetus to strengthen the supply chain from farm to fork, foster collaboration among global and Indian food sector stakeholders, and support food processing units near farm gates to ensure better profits for farmers and reduce post-harvest losses, The Ministry of Food Processing Industries is taking the lead by hosting World Food India from September 19-22 in New Delhi. In addition, the Union Budget for 2024-25 has allocated Rs 1.52 lakh crore to prioritise agricultural sector development. This funding will focus on climate resilience, productivity, innovation, and processed food exports.

This is crucial as agricultural product exports saw an 8% decline to \$48.9 billion in 2023-24 from \$53.2 billion in 2022-23. The average annual growth rate of agri-exports was just 2% during 2014-23. Notably, five products — rice, wheat, meat, spices, sugar and tea/coffee — account for over 50 per cent of total agricultural exports and sometimes face restrictions to match the domestic demands and supplies to control inflation. Only 25 per cent of our agri-exports are processed or value-added, a figure that has remained virtually unchanged over the last decade.

This is significant due to a need for more tech-based operational size and production capacity and for meeting international standards to tap the global market. However, the success of global giants like Nestle (Switzerland), with an annual turnover of \$111 billion in the processed food and beverages sector, shows us what is possible with technology and research. Notable Indian firms in domestic processed agriculture, such as AMUL, with a turnover of \$9 billion, are far behind in operational size, production capacity, and meeting international standards. Still, they can achieve similar success with the proper support and approach.

The Global exports of processed agricultural products are nearing \$1 trillion, with Germany (\$63 billion) at the top, the US (\$58 billion), the Netherlands (\$57 bil-



IN 2020, THE CENTRAL GOVERNMENT ANNOUNCED AN AGRICULTURE INFRASTRUCTURE FUND OF INR 1 TRILLION TO PROVIDE MEDIUM-TO-LONG-TERM DEBT FINANCING FOR ESTABLISHING COLD CHAINS AND POST-HARVEST MANAGEMENT INFRASTRUCTURE AT FARM GATES AND AGGREGATION POINTS

lion), China (\$53 billion), and France (\$50 billion). Southeast Asian nations like Indonesia, Malaysia, and Thailand are also major exporters of processed agricultural products. While, India's value-added exports increased by \$6.5 billion over the last five years since the agro-export policy was introduced to boost value-added agriculture exports, taking the total to \$15 billion, it only marginally improved our global rank from 21 to 17.

This can be surely improved. The Economic Survey 2023-24, reveals that the annual output of fruits and vegetables in India is the world's second-largest at a substantial 300 million tonnes after China, yet the processing levels at 4.5 per cent for fruits, 2.7 per cent for vegetables, 21.1 per cent for milk, 34.2 per cent for meat, and 15.4 per cent for fisheries, compared to 25-30 per cent in China and 60-80 per cent in Western countries.

This deficiency in processing capacity leads to a substantial amount of produce going to waste in India. Estimates of post-harvest losses in the country vary from 18% to 25% across the entire supply chain, though they are thought to be much higher, at up to 45%, for fruit and vegetables. NITI Aayog estimated annual post-harvest losses of close to Rs 90,000 crore. To improve this situation, it is suggested to focus on proper sorting and grading near the farm gate and enhance processing capacity. Incentivizing Farmers: It's crucial to repurpose agricultural incentives to motivate farmers to reduce losses and waste on and near farms.

In 2020, the central government announced an agriculture infrastructure fund of INR 1 trillion to provide medium-to-long-term debt financing for establishing cold chains and post-harvest man-

agement infrastructure at farm gates and aggregation points. Tamil Nadu's recent unveiling of its food processing policy is a promising step toward reducing wastage and increasing the value of farm produce.

The policy encourages Farmer's Producers Organisations (FPOs) and the food processing industry to access financial support from central schemes.

However, it's important to note that Punjab has yet to make a similar move, despite the success of neighbouring states like Haryana with their dedicated Agribusiness and Food Processing Policy. Revisit the PLI Scheme: The Production Linked Incentive Scheme for the Food Processing Industry (PLISFPI) will be Rs 10,900 crore (\$1.25 billion) from 2021-22 to 2026-27, precisely to attract large globally competitive firms to produce in and export from India. This scheme aims to expand processing capacity, grow strong Indian brands, increase global market presence, create jobs, and boost farmer incomes. As of May 2024, 90% of the PLISFPI funds still need to be utilised. The government has disbursed only Rs 1,073 crore among 158 SME beneficiaries, using only 10% of the funds over half of the timeline expired.

This underutilisation highlights the need for more focused policy intervention. To achieve the twin objectives of the PLI scheme—global competitiveness and increased exports—these SMEs must form joint ventures with globally established 'anchor' firms. Over the past decade, India has attracted Foreign Direct Investment (FDI) worth Rs 500 billion, with 100% FDI being permissible. The Way Forward: Food processing is considered India's sunrise industry and plays a crucial role in the transformation to ben-

efit farmers effectively, a multi-pronged approach combining MSP, value addition and industry integration is essential for agricultural development due to its strategic importance in providing food security.

As the world's most populous country, we exert significant environmental pressure on Earth, resulting in ecological issues such as soil degradation, loss of biodiversity, and water depletion. Within the broader food systems, waste reduction stands out as one of the leading climate change mitigation solutions, contributing to reduced emissions throughout the food supply chain from farm to fork. By incorporating cutting-edge food processing technologies, establishing globally recognized quality standards, and opening up access to international markets, this focused strategy to attract anchor global firms will help achieve our goals. Apple serves as a prime example of the success of this targeted approach in the electronics sector; it manufactures 14 per cent of the world's iPhones in India. Electronics exports, mainly intelligent mobile phones, have surged from under \$3 billion in 2020 to \$15.6 billion in 2023 and have led to the creation of over one lakh jobs. This same model should be replicated across various industries. The Ministry of Food Processing Industries should roll out a time-bound outreach program to attract anchor global firms and facilitate their partnerships with Farmer's Producers Organisations (FPOs) and SMEs. (The Author is Vice-Chairman of Sonalika IITL Group, Vice-Chairman of the Punjab Economic Policy and Planning Board, Chairman of ASSOCHAM Northern Region Development Council; Views expressed are personal)