PROMOTING AGRICULTURE EXPORTS FROM INDIA

India Exim Bank

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Overview of Indian Agriculture Sector

India is an agrarian economy and agriculture plays a prominent role in the Indian economy, with over 70% of the rural households depending on agriculture and allied activities for livelihood. The contribution of agriculture and allied activities in the GDP of India was estimated at 17.8% during 2019-20, which has increased to around 19.9% during 2020-21, as per the preliminary estimates. In India, the employment in agriculture as a percent of the total employment was estimated at 43% during 2019[1]. India is among the largest producers of rice, wheat, cotton, milk, spices, various fruits and vegetables, and livestock.

Growth in the agriculture sector was estimated at 4.0% during 2019-20, as compared to 2.4% in 2018-19. The sector witnessed increased growth during 2019-20 as a result of good crop and rainfall conditions. The estimated growth was higher than the growth rate of the industrial sector, which was estimated at 0.8% for 2019-20. The growth rate in agriculture was closer to the overall growth rate of the country's GDP, which was estimated at 4.2% for 2019-20.

During the period of the COVID-19 pandemic in 2020-21, agriculture has been a boon. The growth of Gross Value Added (GVA) in agriculture has been reported to be higher than the growth of GVA of the overall economy for the year 2020-21[2]. While the overall economy witnessed a negative growth rate

[1] Modelled ILO estimate, The World Bank

[2] Economic survey 2021-22

due to the pandemic driven economic lockdowns, agriculture and allied activities witnessed a growth of 3.4% for the year 2020-21.

India's export of agricultural commodities[3] was estimated at US$ 34.8 billion during 2019. The export of agricultural commodities registered a CAGR of 6.8% during the period 2010 to 2019, as against the CAGR of 4.3% registered by India's overall merchandise exports. Globally, India was ranked 14th among the top exporters of agricultural commodities during 2019. Marine products were the top items exported from India with an estimated export value of US$ 6.7 billion during 2019-20, basmati rice was the second largest commodity with an estimated export value of US$ 4.4 billion. Other major commodity groups exported during 2019-20 were spices, meat preparations, sugar and molasses and non-basmati rice.

For the agriculture and allied products exported from India, the USA was the largest export destination with estimated exports of US$ 4.6 billion during 2019-20, and China was the second largest with estimated exports of US$ 3.7 billion. Other major export destinations in 2019-20 were Iran, Vietnam, the UAE, and Saudi Arabia.

Overview of Agricultural Policies

Agriculture trade policies in India have been emphasising on raising farm output for achieving self-sufficiency, reducing import dependency and ensuring food security. Concerted efforts of the policy makers, academia and the farming community have led India to evolve as an agriculturally surplus country. Several support programmes have been designed and implemented by the Government of India (GOI), which are both product and non-product specific.

To promote agricultural exports, the Government has introduced a comprehensive Agriculture Export Policy (AEP) in the year 2018. The vision of this policy, as per the policy document, is to "Harness export potential of Indian agriculture, through suitable policy instruments; to make India a global power in agriculture and raise farmers' income."

The focus of the Agriculture Export Policy is to instate a stable and predictable policy environment redirecting resources towards products that will earn higher returns in the international markets, while enabling improved responsiveness to market signals. The Agriculture Export Policy suggests measures to address the varied logistical bottlenecks faced by the agricultural sector through the newly formed Logistic Division in the Department of Commerce. Also, as part of the Agriculture Export Policy, several unique product-district clusters have been identified for export promotion.

The Government of India has also approved a new Central Sector Scheme – Pradhan Mantri Kisan SAMPADA Yojana (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters)

[3] HS01 to HS24

with a budgetary allocation of ₹ 6,000 crore for the period 2016-20 coterminous with the 14th Finance Commission cycle. Through the scheme, the Government envisages to create modern infrastructure with efficient supply chain management from farm gate to retail outlet.

The Kisan Credit Card (KCC) scheme by the Government of India is designed to provide farmers with timely access to credit. Farmers who are KCC holders are exempt from the high interest rates of the regular loans offered by the banks and the financial institutions. The interest rate for KCC can be as low as 2% and averages at 4%. In 2018-19, the Government of India has also extended the KCC facility to the fisheries sector.

The GOI has introduced new Farm Acts in 2020, which include (i) The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020; (ii) The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020; and (iii) the Essential Commodities (Amendment) Act. These acts are envisaged to increase private investment in the sector and further augment income for the farmers.

Besides several central and state-run schemes, the Government also provides financial support to the various stakeholders engaged in the agriculture and allied sector by way of subsidies on inputs and resources for production. The Government of India has recently introduced a Production Linked Incentive Scheme for Food Processing Industry (PLISFPI) with an outlay of ₹ 10,900 crore, to support creation of global food manufacturing champions.

To further strengthen and support the agricultural sector, several initiatives have been introduced by the Government of India under the Atma Nirbhar Bharat Abhiyan. The Government has earmarked a ₹ 1 lakh crore Agriculture Infrastructure Fund (AIF) for creation of farm-gate infrastructure for farmers. Further, the Government has put in place a ₹ 15,000 crores Animal Husbandry Infrastructure Development Fund (AHIDF); allocated ₹ 20,000 crores under Pradhan Mantri Matsya Sampada Yojana (PMMSY) for development of the fisherman community; and set up a ₹ 10,000 crores scheme for Formalisation of Micro Food Enterprises (MFE).

During the Union Budget 2021-22, the Government of India has suggested to double the initial corpus of the Micro Irrigation Fund (MIF), by augmenting it by another ₹ 5,000 crores. Under the ongoing MIF, projects worth ₹ 3,970.17 crore have been approved for sanction of loan.

The study also looks into the impact of inconsistent agricultural export and import policies. With a focus on restricting transmission of volatile global prices into the prices in the domestic markets, Indian policy makers have been alternating the policy between bans and restrictions on one side, and free trade on the other. The ban on international exports and missing private market has led to huge costs and losses for the Government— economic loss due to excessive purchase of grains and physical loss due to damage to the procured grains because of inadequate storage.

Institutional credit flow to agriculture has been steadily rising due to the various initiatives taken by the Government of India, RBI, NABARD, and other financial institutions. During 2019-20, banks have disbursed ₹ 13.68 lakh crore of credit support to the agriculture and allied sectors, which was about 8.8% more than the credit support extended during the previous year. India Exim Bank has been extending support to various industries to enhance their export potential. India Exim Bank's total credit exposure to the agriculture and food processing sector was estimated at ₹ 1,263.03 crore[4] (approximately US$ 173.4 million), accounting for 1.8% of the overall credit exposure to all the industries.

Cross-Country Agri Export Promotion Policies

Enhancing exports is one of the most important priority of the Governments across countries, as it plays a prominent role in realizing the development agenda of developing countries. And thus, intensification of trade demands a strong policy framework catering to country specific needs, and the interest of the exporters, as well as the demands of the importers. Keeping this in mind, countries around the world have developed various export promotion policies, where some have common characteristics, while the other are tailor-made and are unique to countries based upon their innate characteristics and needs. The export promotion strategies implemented in the countries analysed in the study, vary substantially even in the same geographical region. Thus, trade promotion policies of agriculture products can significantly differ in terms of goals, applied measures, institutional framework and mobilized resources. The study analyses and identifies the best agriculture promotional practices and policies being implemented in different developing countries, some of which could be implemented in India to boost production and exports of agriculture products. The existing policies and the new policies being implemented must complement each other for the sector to derive maximum benefit.

Some countries like Peru have followed open free trade policy, while some others like China are heavily supporting the domestic exporters through subsidies and price support. But one thing is clear, that the agriculture sector does need a range of supporting policies and financial support for it to contribute significantly to the economy's growth and GDP. Support mechanisms include, among others, provision for input subsidy, price support, soft infrastructure, logistics, access to finance, insurance schemes, technology, marketing, tariff structure, certification, fast and single window clearances, and agreements among others. It is a combination of these policies that needs to be developed and integrated to attain better results for such a sector to contribute to a growing economy.

Further the study also analyses some of the major export promotion programmes of the developed economies. These programmes of the developed countries have shifted more towards Green Box support in agriculture, thus ensuring WTO compatibility. Reviewing the past and present international

[4]As on March 31, 2021

experiences of these economies with the agriculture export promotion policies is hence crucial in providing other governments with some guidelines to help identify the best practices so far, which can later be adopted depending upon feasibility.

Strategies to Enhance India's Agriculture Exports

This study attempts to suggest a few strategies that could be adopted in order to expand India's agricultural exports. Some of the strategies which could be adopted for ensuring higher agriculture exports are briefly highlighted below:

Ensuring High Quality Standards: Efforts should be made to enhance quality and shelf life of the goods exported. Awareness needs to be generated among farmers about exportable varieties, new production techniques, harvesting and post-harvest management, and export market requirements, for a quality product to be produced adhering to international standards.

Technological Intervention and R&D: This may encompass digitization of land records, geo-mapping of lands, and registration of farmers and farm producer organizations (FPOs); revamping of entire cold storage and reefer infrastructure with adaption of high-end technologies; increased mechanisation of farm, harvest management; application of artificial intelligence in planning, monitoring, harvesting and resource allocation. R&D in new product development is essential, however, should also include innovations in other areas of application in product and farm management.

Ensuring WTO Compatibility: The policies relating to Minimum Support Price will also have to be made WTO compatible. India needs to shift its focus from domestic subsidies to direct income support. Under the Agreement on Agriculture (WTO), the direct payment to farmers comes under the Green Box and thus should be promoted. Direct support includes income guarantee and security programmes, programmes aimed at adjusting structures and environmental protection programmes, regional development programmes, among others.

Tapping Market Intelligence: A common information platform can be built, providing comprehensive information relating to trade opportunities and business environment in the different countries. While scouting for potential markets, products need to be tweaked in a scientific and sustained manner, to meet specific consumer tastes and requirements.

Enhanced Market Access: India also needs to develop a unified body to deal with market access requests for imports as well as exports, and handle all sanitary and phyto-sanitary issues pertaining to the agriculture sector. Under any bilateral trade negotiation, India needs to adopt a degree of flexibility in order to leverage its huge market of 1.3 billion people to get the best bargain for itself.

Development of Infrastructure: A robust infrastructure including last-mile connectivity, is one of the important pillars of a successful agriculture export policy. Availability of cold storage, warehouse and processing facilities, good roads, post-harvest infrastructure and world-class exit point infrastructure at ports have proved to be crucial in expanding exports of a country. Infrastructure development should also include strengthening of backward linkages in the agriculture value chain.

Adopting a PPP Model: PPP can transform the sector at multiple levels, by working in strict complementarity. An important role of the government will be to create an enabling environment for private investment.

Building 'Brand India': Marketing and promotion of ‘Brand India’ is an initiative that can propel India’s exports further through penetration into new foreign markets and new products, which could lead to higher value realization. The focus should also be on promotion of value added, indigenous and tribal products at international platforms.

Skill Development: Development of value chain necessarily requires skill development of the work force. Increased mechanisation, modernisation, upgradation, and adoption of technology in farm management and value chain development will need significant capacity building across the agriculture sector. This calls for a considerable and continuous investment in skill development and capacity building, with emphasis on industry and market-based requirements.

Strengthening Institutional Farm Credit Delivery: Aggressive efforts are needed to improve institutional farm credit delivery mechanism in the country through technology driven solutions to reduce the extent of financial exclusion of agricultural activities and households. Exploring collaborations with agri-tech companies/start-ups may enable financial institutions to provide access to credit in an integrated, timely and efficient manner to the farmers.

Go Green: Environment-friendly practices should be promoted along with the efforts in increasing the production. Incentives for promotion of organic farming, extending subsidy to the producers of green manure, bio-fertilisers and bio-pesticides and steps for promoting large-scale production of compost by utilization of urban solid waste can be adopted.

Convergence of Different Government Schemes: Export Promotion Scheme of different Ministries and departments should be converged into a unified scheme and possibly presented at a single platform for easier access to information and easy understanding by the farmers and exporters.

CHAPTER 1

An Overview of Recent Trends in Exports of Agriculture and Related Products from India

Overview of Agriculture Sector

India is an agrarian economy and agriculture plays a prominent role in the Indian economy, with over 70% of the rural households depending on agriculture and allied activities for livelihood. The importance can be understood with its contribution towards GDP, trade, and employment. The contribution of agriculture and allied activities in the GDP of India was estimated at 17.8% during 2019-20, which has increased to around 19.9% for 2020-21, as per early estimate (largely due to the fall in other sectors due to the COVID 19 pandemic). In India, the employment in agriculture as a percent of total employment was estimated at 43% during 2019[5]. However, as the employment in the sector is largely informal, the actual numbers may be much higher than the estimates.

Indian agriculture has registered impressive growth over last few decades. The sector has grown from being an import dependent sector to self-sufficient. The food grain production has increased from 51 million tonnes (MT) in 1950-51 to 292 MT during 2019-20, which is the highest ever. India is among the largest producers of rice, wheat, cotton, milk, spices, various fruits and vegetables, among others.

However, with land holding size of majority (85%) of the Indian farmers being less than 2 hectares, Indian agriculture continues to remain distinct from the agricultural sector prevailing across rest of the world.

[5] Modelled ILO estimate, The World Bank

Table 1.1: Contextual Indicators for Indian Economy & Agriculture 1995-2019

Particulars	1995	2019
Economic Context		
GDP PPP (Current International Dollar trillion)	1.52	9.56
Population (Billion)	0.96	1.366
Land area (‘000 km sq.)	2973	2973
Agricultural area (‘000 km sq.)	1809.4	1796.7*
Population density (inhabitants /km sq)	323	454.9*
GDP per capita (USD in PPP)	1485	6700.062
Trade (% of GDP)	19	39.55
Agriculture in the Economy		
Agriculture in GDP (%)	27	17.8
Agri share in employment (%)	61	42.6
Agro-food exports (% of total exports)	20	10.8
Agro-food imports (% of total imports)	6	4
Characteristics of Agri sector		
Crop in total agri production (%)	73	54.9**
Livestock in total agri production (%)	27	29.8**
Share of arable land in total land (%)	89	52.6**

Note- * 2018 data, ** Share in Gross Value Added by Agriculture 2018-19

Source: OECD Data, World Bank, India Exim Bank Research

Growth in the agriculture sector was estimated at 4.0% during 2019-20, as compared to 2.4% in 2018-19. The growth rate increased during 2019-20 in the backdrop of good crop and rainfall conditions. The estimated growth of the sector was higher than the growth rate of industry sector, which was estimated at 0.8% for 2019-20. The growth rate in agriculture was closer to the overall growth rate of the country’s GDP which was estimated at 4.2% for 2019-20.

Table 1.2: Growth Rate of Different Sectors of Economy (at 2011-12 Constant Prices) (%)

Sector	2018-19	2019-20
GVA at Basic Price	6.0	3.9
Agriculture	2.4	4.0
Industry	4.5	0.8
Services	7.5	5.0
Overall GDP Growth	6.1	4.2

Source: Provisional Estimates of Annual National Income,2019-20, NSO, MOSPI

Share of Gross Value Added (GVA) of agriculture and allied sector in total GVA of economy was estimated at 17.8% for the year 2019-20[6] (at current price). The estimated share is higher than the share during last year, which was 17.1%. The share of GVA contributed by crops in total agriculture GVA was estimated at 9.4%, while the same for livestock was estimated at 5.1% for the year 2018-19. GVA of agriculture and allied sectors and its share in total GVA of the country during 2014-15 to 2019-20 at current prices is as given in Table 1.3.

Table 1.3: Share of Agriculture & Allied Sectors in Total GVA (at Current Prices)

Particulars	2014-15	2015-16	2016-17*	2017-18#	2018-19@	2019-20**
Share of GVA of Agriculture & Allied Sector in GVA of Total Economy (per cent)	18.2	17.7	18	18	17.1	17.8
Share of Crops	11.2	10.6	10.6	10.4	9.4	NA
Share of Livestock	4.4	4.6	4.8	5.1	5.1	NA
Share of Forestry & logging	1.5	1.5	1.5	1.4	1.3	NA
Share of Fishing & aquaculture	1	1.1	1.1	1.2	1.2	NA

Note: **As per the Provisional Estimates of Annual National Income 2019-20 released by CSO on 29th May 2020. @As per the First Revised Estimates of National Income, Consumption Expenditure, Saving and capital Formation for 2018-19 released on 31st January 2020. # Second Revised Estimate. * Third Revised Estimate. NA- Data not available.

Source: Economic Survey 2020-21

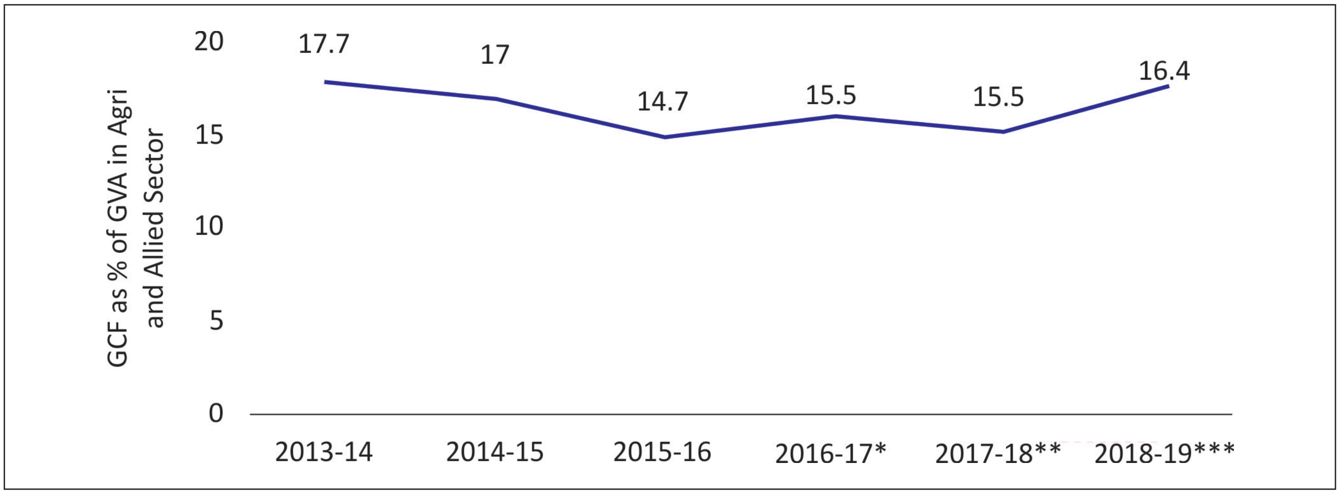
The Gross Capital Formation (GCF) in the agriculture and allied activities was estimated at 16.4% of Gross Value Added of agriculture and allied sector (2011-12 basic price), for the year 2018-19, which increased by 0.9 percentage points from the previous year value of 15.5%. GCF in the agriculture and allied sector as a proportion to GVA has been showing a fluctuating trend from 17.7 % in 2013-14 to 16.4 % in 2018-19, with a dip to 14.7 % in 2015-16.

During the period of COVID-19 pandemic in 2020-21, agriculture has been a boon. The growth of GVA in agriculture has been reported to be higher than the growth of GVA of overall economy for the year 2020-21[7] (Exhibit 1.2). While the overall economy witnessed a negative growth rate due to the pandemic driven economic lockdowns, agriculture and allied activities witnessed a positive growth estimated at 3.4% for the year 2020-21.

[6] Provisional estimates of national income released by CSO

[7] Economic survey 2021-22

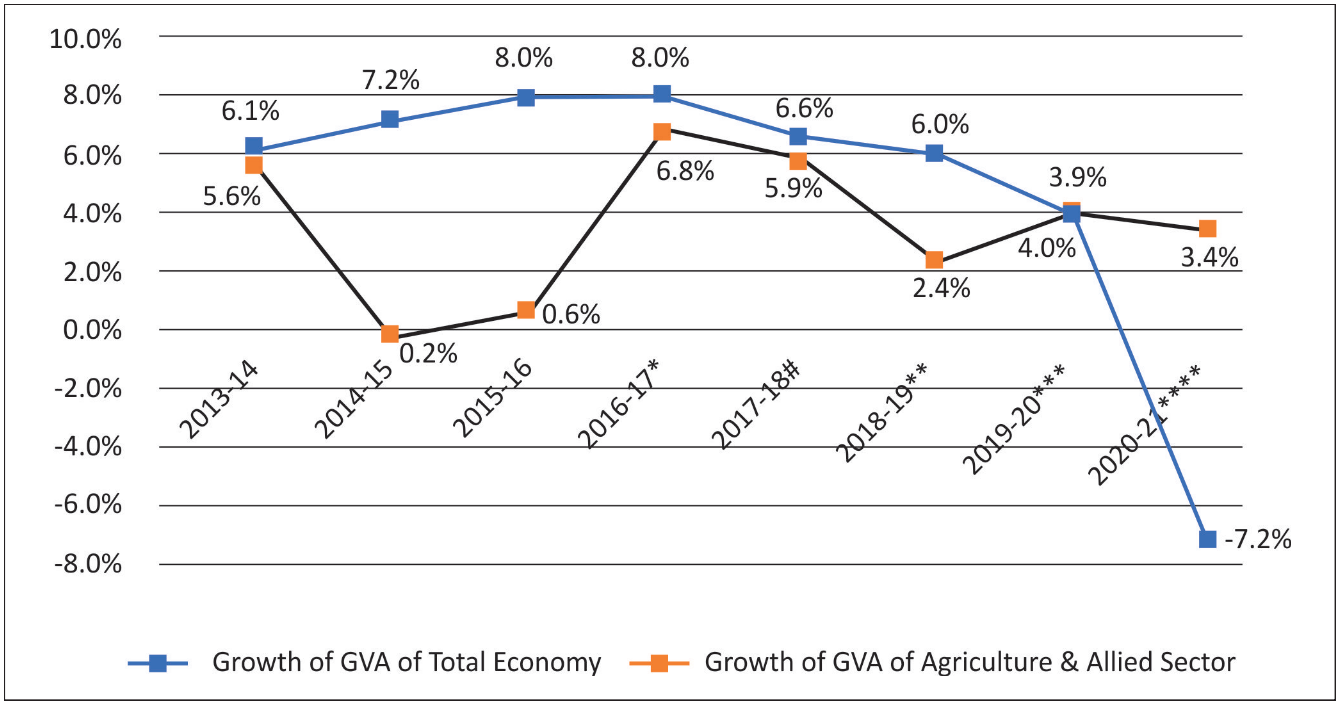
Exhibit 1.1: Gross Capital Formation of Agriculture & Allied Sector as Percentage of GVA of Agriculture & Allied Sector (at 2011-12 Basic Prices)



* Third Revised Estimate, ** Second Revised Estimate, ***As per the First Revised Estimates of National Income, Consumption Expenditure, Saving and capital Formation for 2018-19 released on 31st January 2020.

Source: Economic Survey 2020-21

Exhibit 1.2: Growth of GVA of Economy and Agriculture & Allied Sectors (at 2011-12 Constant Prices) (%)

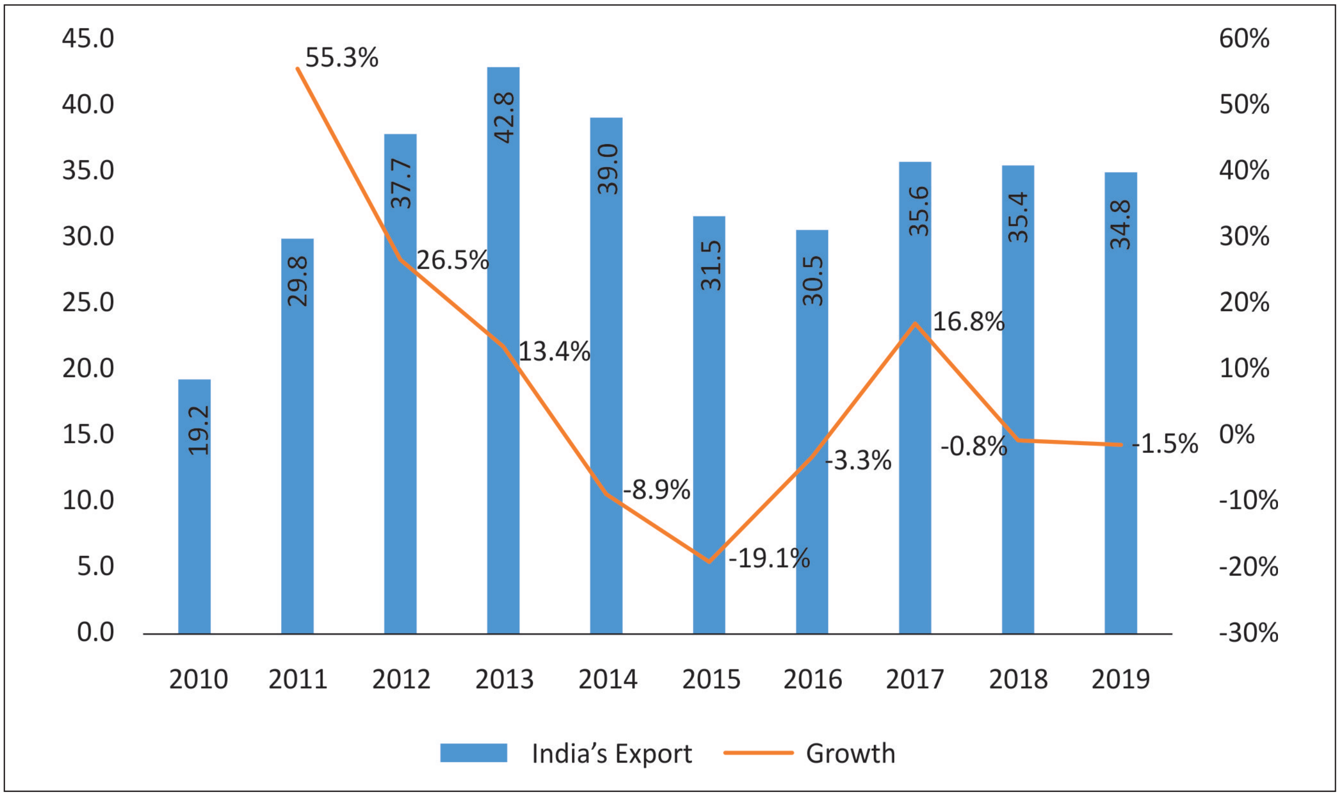


Source: Economic Survey 2020-21

Export Trends

India's export of agricultural commodities[8] was estimated at US$ 34.8 billion during 2019[9], witnessing a decrease of 1.5% from the previous year's value of US$ 35.4 billion. The export of agricultural commodities registered a CAGR of 6.8% during the period 2010 to 2019 as against a CAGR of 4.3%, registered by India's overall merchandise exports during the same period. India's highest ever till date export of agricultural commodities till date was registered during 2013, with an estimated export of US$ 42.8 billion.

Exhibit 1.3: India's Agricultural Commodities Export (in US$ billion)



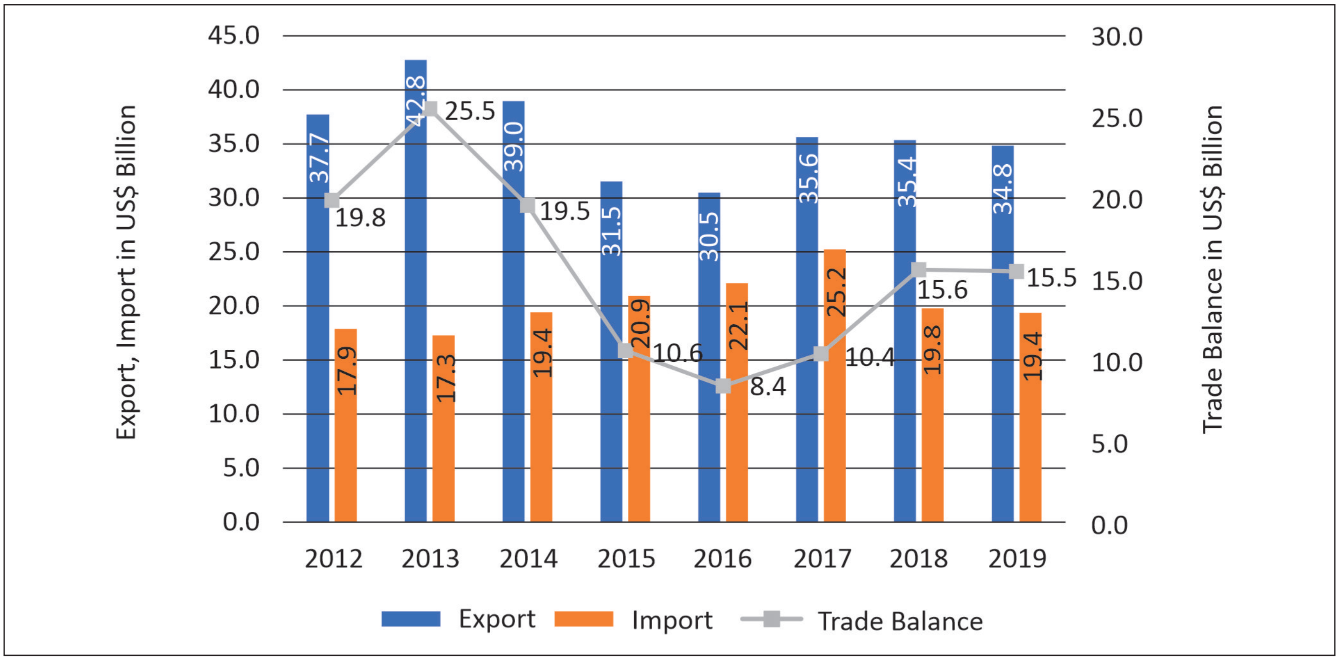
Source: ITC Trade Map, India Exim Bank Research

The import of agricultural commodities was estimated at US$ 19.4 billion during 2019, witnessing a decrease of 2.1% from the previous year's value of US$ 19.8 billion. India is a net exporter of agricultural commodities with an estimated net export of US$ 15.5 billion during 2019.

[8] HS 01 to HS 24

[9] ITC Trade Map

Exhibit 1.4: Export, Import and Trade Balance



Source: ITC Trade Map, India Exim Bank Research

Globally, export of agricultural commodities was estimated at US$ 1587.5 billion during 2019, witnessing a decline of 0.6% from the previous year. India's share in the global export of agricultural commodities was estimated at 2.2% during 2019. India's share has remained in the range of 2.2% to 2.3% during 2015 to 2019.

Table 1.4: Global Agricultural Export (in US$ billion) and India's Share

Year	World Export	India's Export	India's Share
2010	1,157.9	19.2	1.7%
2011	1,410.9	29.8	2.1%
2012	1,438.2	37.7	2.6%
2013	1,513.5	42.8	2.8%
2014	1,548.4	39.0	2.5%
2015	1,394.1	31.5	2.3%
2016	1,415.1	30.5	2.2%
2017	1,531.7	35.6	2.3%
2018	1,596.8	35.4	2.2%
2019	1,587.5	34.8	2.2%

Source: ITC Trade Map, India Exim Bank Research

Globally, India was ranked 14th among the agricultural commodities exporters during 2019. The US was the largest exporter with an estimated export of US$ 141.7 billion, a share of 8.9% during 2019. The export from the US witnessed an overtime increase (2009 to 2019), however, in terms of value the export were lesser in 2019 than in 2014 (Table 1.5). The Netherlands was the second largest exporter of agricultural commodities in the world with an estimated export of US$ 101.8 billion, and a share of 6.4% in the global export during 2019. The Netherlands remained the second largest exporter of agricultural commodities over the period (2009 to 2019). Other major exporters included Germany (5.3%), Brazil (4.9%), China (4.9%) and France (4.5%).

Table 1.5: Top Global Exporters of Agricultural Commodities

2009		2014		2019	
World	**1034.9**	**World**	**1548.4**	**World**	**1587.5**
USA	100.5	USA	154.9	USA	141.7
Netherlands	74.6	Netherlands	103.4	Netherlands	101.8
Germany	70.9	Germany	91.7	Germany	84.8
France	61.0	Brazil	80.7	Brazil	78.2
Brazil	53.7	France	76.1	China	77.0
China	38.2	China	69.4	France	71.4
Belgium	37.1	Spain	50.8	Spain	56.4
Spain	36.8	Canada	50.8	Canada	50.9
Italy	34.7	Belgium	46.2	Italy	49.9
Canada	34.1	Italy	45.4	Belgium	45.5
India*	**14.7**	**India****	**39.0**	**India*****	**34.8**

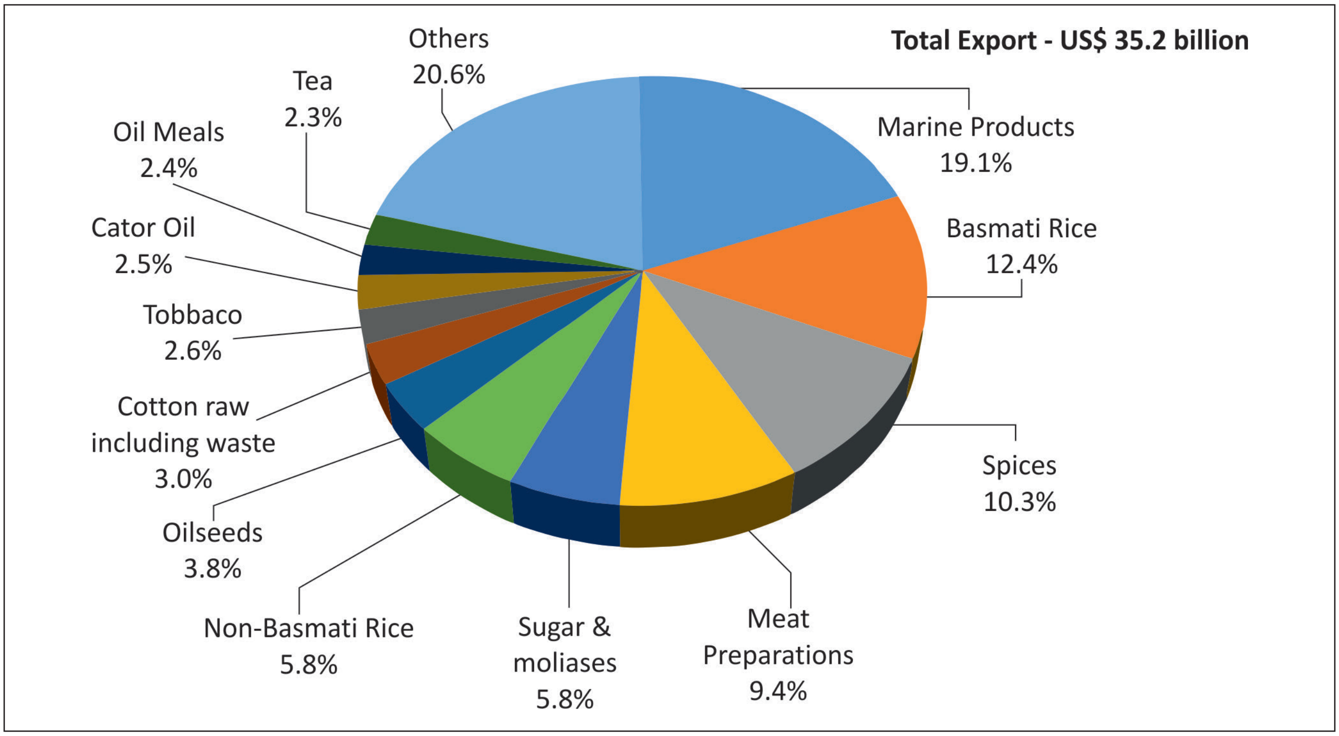
*ranked 20th in global exporters of agricultural commodities, ** ranked 11th, ***ranked 14th

Source: ITC Trade Map, India Exim Bank Research

As per data compiled by Centre for Monitoring Indian Economy (CMIE) from Director General of Commercial Intelligence & Statistics (DGCIS), Ministry of Commerce and Trade, India's export in the agriculture and allied products during 2019-20 was estimated at US$ 35.2 billion[10]. Marine products were the top item exported from India with an estimated export of US$ 6.7 billion during 2019-20, and accounting for a share of 19.1% in the total export of agriculture and allied products from the country. The export of marine products witnessed a decrease of 1.5% from the previous year's value of US$ 6.8 billion. Basmati rice was the second largest exported commodity with an estimated export of US$ 4.4 billion during 2019-20, accounting for a share of 12.4% in the agriculture and allied products export from India. Other major commodity groups exported during 2019-20 were spices (10.3%), meat preparations (9.4%), sugar and molasses (5.8%) and Non-Basmati Rice (5.8%).

[10] The difference in data is due to the difference in source as well as reporting of data by financial and calendar year

Exhibit 1.5: Major Agricultural Commodities Exported from India (2019-20)



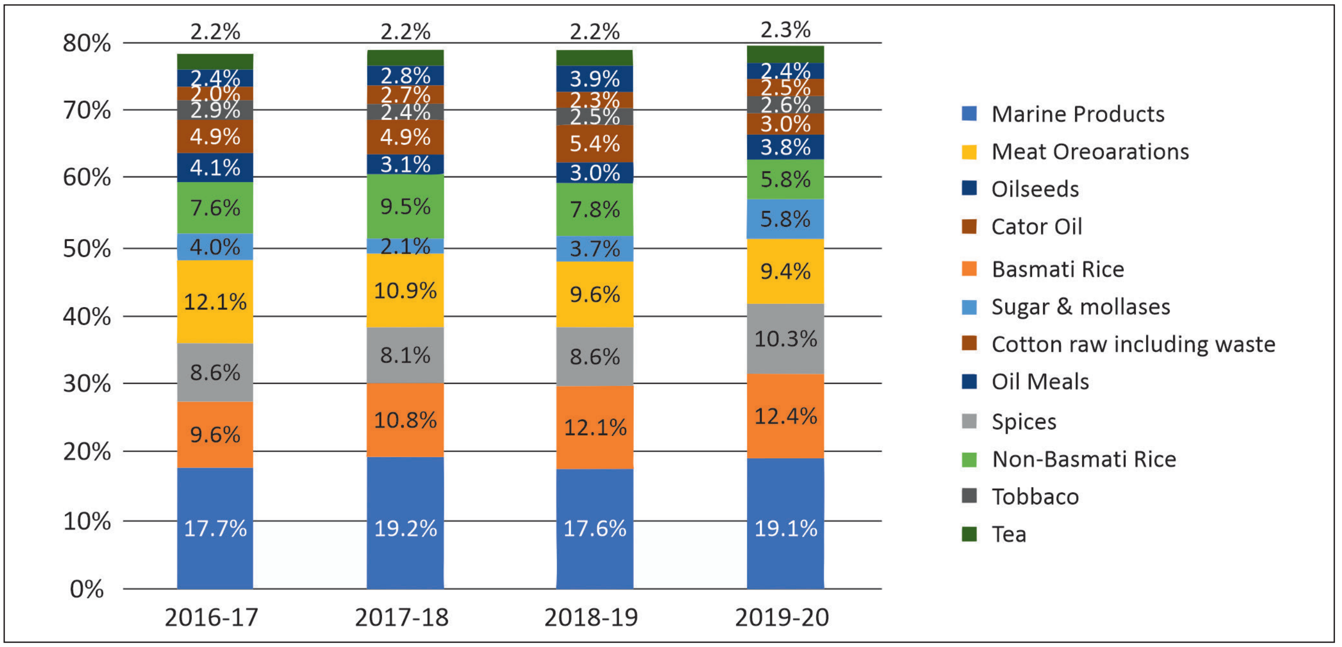
Source: CMIE Economic Outlook, India Exim Bank Research

A comparative analysis of four[11] years data for the share of top ten agricultural commodities in total value of agricultural export shows that there have been significant changes in the composition of agricultural exports (Exhibit 1.6). In terms of value, the share of marine products in total value of agricultural export has remained the highest over the period. In terms of value, its share in total agricultural export have increased from 17.7% in 2016-17 to close to 19.1% in 2019-20. The share of Basmati rice (2nd largest commodity exported in 2019-20) in total agricultural exports from India has increased overtime from 9.6% in 2016-17 to 12.4% in 2019-20, while the share of non-basmati rice by value has decreased in 2019-20 in comparison to the previous years. The share of non-basmati rice in total agricultural commodity exported from India was estimated at 5.6% during 2019-20, down from 7.6% during 2016-17.

The share of meat preparations in total agricultural commodity exported has also witnessed a decline from 12.1% in 2016-17 to 9.4% in 2019-20. The share of spices in the total agricultural export has increased from 8.6% to 10.3% during the same period.

[11] 2016-17 to 2019-20

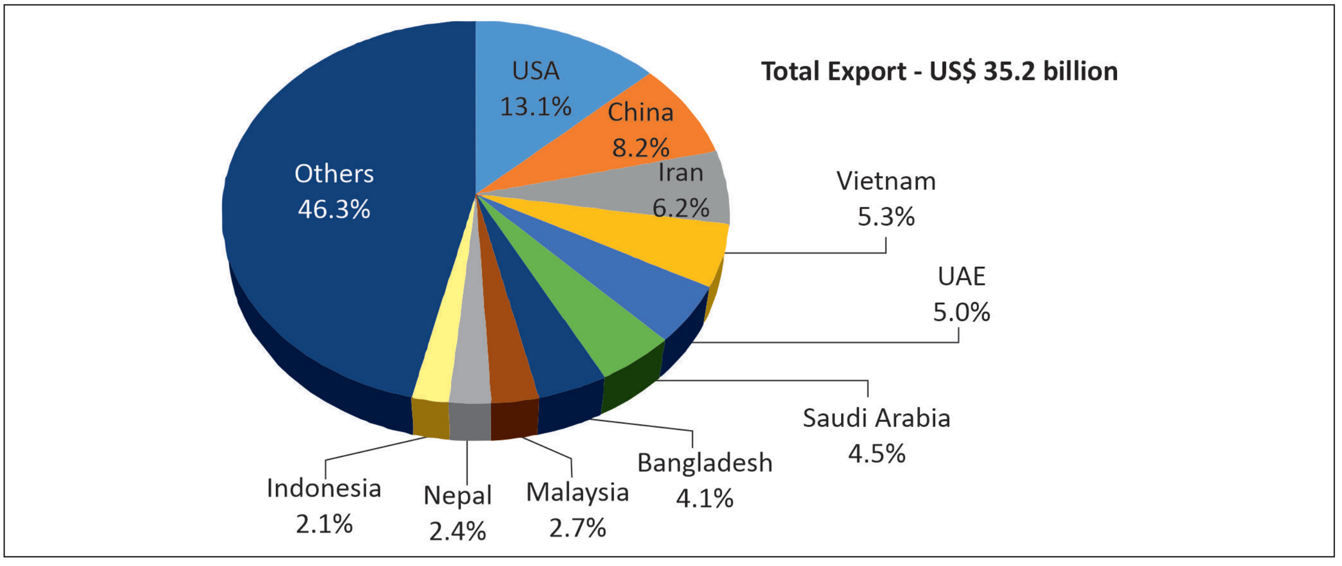
Exhibit 1.6: Share of Agricultural Commodities in Total Value of Agri Commodity Exported (%)



Source: CMIE Economic Outlook, India Exim Bank Research

For the agriculture and allied products exported from India, the USA was the largest export destination with an estimated export of US$ 4.6 billion and a share of 13.1% during 2019-20. The export to the US witnessed an increase of 3% in 2019-20 over the previous year. China was the second largest export destination for India's agricultural export with estimated export of US$ 3.7 billion and a share of 8.2% in the overall agricultural export in 2019-20. Other major export destinations in 2019-20 were Iran (6.2%), Vietnam (5.3%), the UAE (5.0%) and Saudi Arabia (4.5%).

Exhibit 1.7: Major Export Destination for Agri Export from India (2019-20)



Source: CMIE Economic Outlook, India Exim Bank Research

For marine products export, the USA was the largest export destination with an estimated export of US$ 2.5 billion (out of the total value of agricultural export of US$ 4.6 billion to the USA), during 2019-20. The USA accounted for a share of 37.7% in the export of marine products from India. Other major export destinations for exports of marine products from India included China (20.0%), Japan (6.2%), Vietnam (4.6%) and Thailand (3.1%).

Vietnam was the largest export destination for India's meat exports with an estimated export of US$ 1,068.3 million during 2019-20, accounting for a share of 32.4% in India's total meat export. Other major export destination for India's meat exports were Malaysia (11.5%), Egypt (10.1%), Indonesia (7.1%) and Iraq (5.2%).

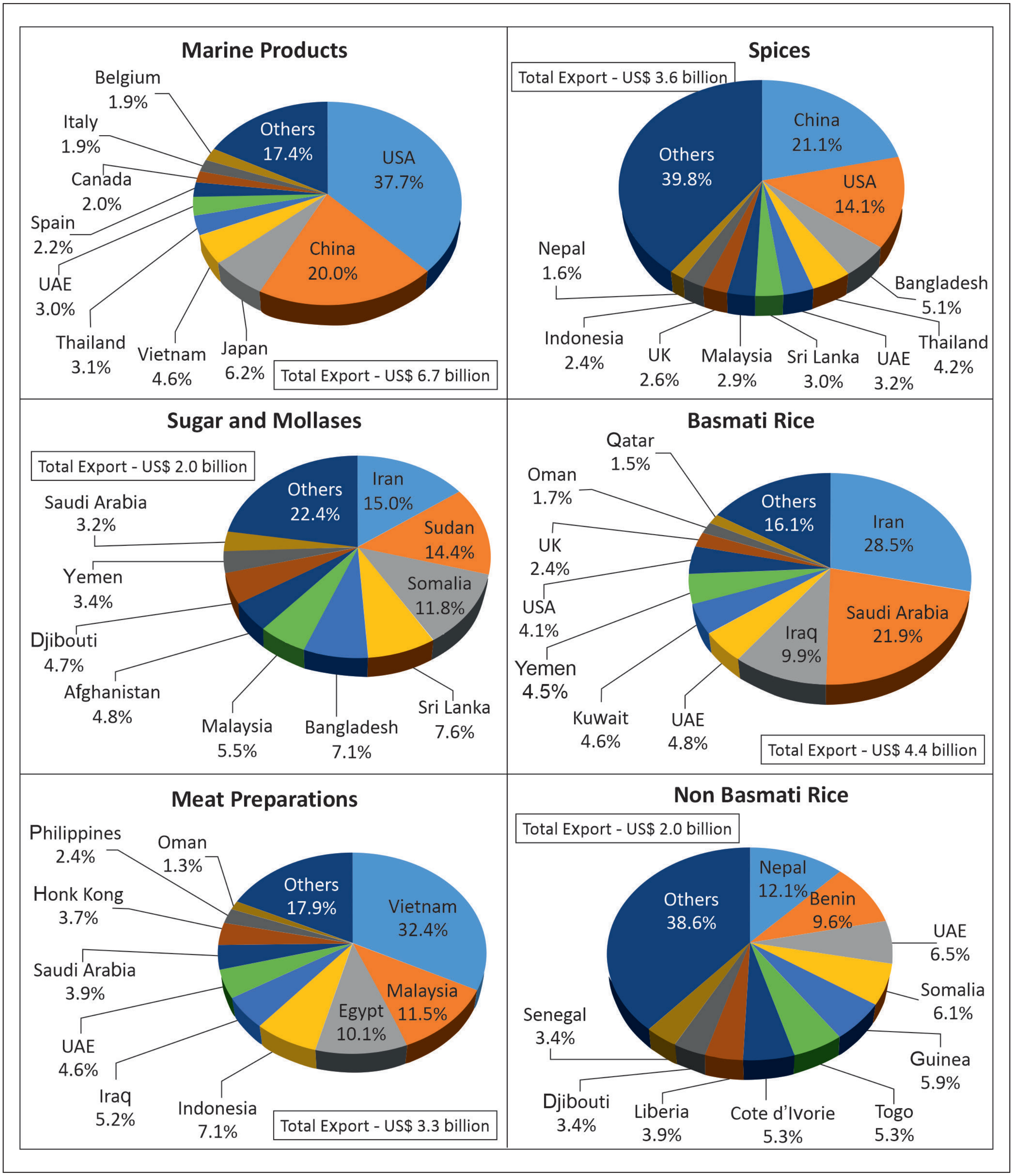
For spices export, China was the largest export destination for India with an estimated export of US$ 763.7 million. China's share in India's spices export was estimated at 21.1% during 2019-20. Other major export destinations were the USA (14.1%), Bangladesh (5.1%), Thailand (4.2%) and the UAE (3.2%).

During 2019-20, Iran was the leading export destination for India's sugar and molasses export, with an estimated export of US$ 307.5 million. Iran's share in India's sugar export was estimated at 15.0%. Other major export destinations were Sudan (14.4%), Somalia (11.8%), Sri Lanka (7.6%) and Bangladesh (7.1%).

Iran was the largest export destination for India's basmati rice export in 2019-20, with an estimated export of US$ 1,248.1 million, and a share of 28.5% in India's total Basmati rice export. Saudi Arabia was the other major export destination with an estimated share of 21.9% during 2019-20. The other major export destination were Iraq (9.9%), the UAE (4.8%) and Kuwait (4.6%).

For non-basmati rice, Nepal was the largest export destination with an estimated export of US$ 245.7 million. Nepal's share in India's non-basmati rice export was estimated at 12.1% during 2019-20. Other major export destinations for non-basmati rice export from India were Benin (9.6%), the UAE (6.5%), Somalia (6.1%) and Guinea (5.9%).

Exhibit 1.8: Major Export Destinations for Top 6 Exported Agricultural Commodities from India (2019-20)



Source: CMIE Economic Outlook, India Exim Bank Research

CHAPTER 2

Existing Support Mechanism for Promotion of Exports of Agricultural and Related Products in India

Agriculture trade policies in India have been emphasising on raising farm output for achieving self-sufficiency, reducing import dependency and ensuring food security. Concerted efforts of the policy makers, academia and the farming community have led India to evolve as an agriculturally surplus country. India is now a leading producer of many agricultural commodities, livestock, and marine products. While self-sufficiency in production and food security continues to be the prime focus of policy making in the country, lately, emphasis is also placed on expanding agricultural trade. Towards achieving this objective, several support programmes have been designed and implemented by the Government of India, which are both product and non-product specific.

Few salient programmes recently announced and implemented by the Government are discussed in this chapter.

Policy Support

Agriculture Export Policy

To promote agricultural exports, the Government has introduced a comprehensive Agriculture Export Policy (AEP) in the year 2018. The vision of this policy, as per the policy document, is to "Harness export potential of Indian agriculture, through suitable policy instruments; to make India a global power in agriculture and raise farmers' income."

The main objectives of this policy are:

- To double agricultural exports from present ~US$ 30+ Billion to ~US$ 60+ Billion by 2022 and reach US$ 100 Billion in the next few years thereafter, with a stable trade policy regime.
- To diversify India's export basket, destinations and boost high value- and value-added agricultural exports including focus on perishables.
- To promote novel, indigenous, organic, ethnic, traditional and non-traditional Agri products exports.
- To provide an institutional mechanism for pursuing market access, tackling barriers and deal with sanitary and phytosanitary issues.
- To strive to double India's share in world Agri exports by integrating with global value chain at the earliest.
- Enable farmers to get benefit of export opportunities in overseas market.

The policy recommendations in the Agriculture Export Policy (AEP) are organized in two broad categories: strategic and operational. The salient features of the agricultural export policy are highlighted below:

Strategic	Policy Measures
	Infrastructure and Logistics Support
	Holistic Approach to boost exports
	Greater involvement of State Governments in Agri Exports
Operational	Focus on Clusters
	Promoting Value added exports
	Marketing and promotion of "Brand India"
	Attract private investments into production and processing
	Establishment of Strong Quality Regimen
	Research & Development
	Miscellaneous

Source: Ministry of Commerce and Industry, Government of India

The AEP put focus on a stable and predictable policy, redirecting resources towards products that will earn higher returns in the international markets, while enabling improved responsiveness to market signals. The policy aims at providing assurance that the processed agricultural products and all kinds of organic products will not be brought under the ambit of any kind of export restriction (viz. Minimum Export Price, Export duty, Export bans, Export quota, Export capping, Export permit etc.) even though the primary agricultural product or non-organic agricultural product is brought under some kind of export restrictions.

It is often pointed out that expenses towards logistics handling in India is about 14% to 15% of the cost of exports. Benchmarked against 8% to 9% in some of the developed economies, the savings on account of improved logistics has the potential to make Indian agricultural exports significantly competitive in the global marketplace. The Agriculture Export Policy suggests measures to address the varied logistic bottlenecks through the newly formed Logistic Division in the Department of Commerce, Government of India, different Line Ministries and State Governments. The policy seeks greater involvement of various state governments by identifying a nodal state department or agency for promotion of agricultural export from the state. The policy lays emphasis on including agricultural exports in the State Export Policy of the states, besides, assessment of the State's potential in key agricultural sectors and drawing up an action plan to support the crucial infrastructure creation.

As part of the Agriculture Export Policy, unique product-district clusters have been identified for export promotion. Products/clusters are identified based on the existing production contributing to exports, exporters operations, scalability of operations, size of export market/India's share, awareness about SPS requirements, and potential for increase in export in short term.

The policy is also set to involve key organizations related to agricultural production and augment efforts towards promotion of export. For instance, the policy suggests involving Krishi Vigyan Kendras to disseminate export-oriented technologies to farmers and create awareness among farming community on export prospects.

Pradhan Mantri Kisan SAMPADA Yojana (PMKSY)

Government of India (GOI) has approved a new Central Sector Scheme – Pradhan Mantri Kisan SAMPADA Yojana (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters) with an allocation of ₹6,000 crore for the period 2016-20 coterminous with the 14th Finance Commission cycle.

PM Kisan SAMPADA Yojana (PMKSY) is a comprehensive package envisaged to create modern infrastructure with efficient supply chain management from farm gate to retail outlet. It aims to provide a big boost to the growth of food processing sector in the country thereby providing better returns to the farmers and is anticipated to have the potential towards doubling of farmers income, creating substantial employment opportunities, especially in the rural areas, reducing wastage of agricultural produce, increasing the processing level, and enhancing exportability of the processed food.

The seven components of the scheme are as follows:

- Mega Food Parks.
- Integrated Cold Chain and Value Addition Infrastructure.
- Infrastructure for Agro-Processing Clusters.
- Creation of Backward and Forward Linkages.
- Creation/Expansion of Food Processing & Preservation Capacities.
- Food Safety and Quality Assurance Infrastructure.
- Human Resources and Institutions.

The PMKSY suggests providing capital subsidy in the form of grants-in-aid ranging from 35% to 75% of the eligible project cost subject to a maximum specified limit to the investors under the various schemes for undertaking infrastructure, logistic projects and setting up of food processing units in the country.

Table 2.1: Sanctioned Projects & Completed /Operational Projects under PMKSY[12]

Name of the Scheme	No. of Projects Sanctioned	Completed/Operational Projects
Mega Food Park	37	21
Cold Chain	327	210
Agro-Processing Clusters	55	0
Unit Scheme	287	44
Backward and Forward Linkages	62	21
Operation Greens	5	0
Total	**773**	**296**

Source: Ministry of Food Processing Industries (MoFPI), Government of India

Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)

The aim of this scheme is to supplement the financial needs of the farmers in procuring various inputs to ensure proper crop health and appropriate yields, and commensurate with the anticipated farm income. Under this scheme all the small and marginal landholder farmer families across the country having a cultivable land holding upto 2 hectares are eligible for a benefit of ₹ 6000 per annum per family payable in three equal instalments of ₹ 2000, every four months. The amount is proposed to be directly credited into the bank accounts of eligible farmers. The proposed allocation for the scheme for the year 2020-21 was ₹ 54,370.15 crore.

[12] As of December 31, 2020

Rashtriya Krishi Vikas Yojana (RKVY)

Rashtriya Krishi Vikas Yojana (RKVY) was launched as a flagship scheme of the Department of Agriculture, Cooperation & Farmers Welfare (DAC & FW), Government of India in 2007-2008 to incentivize States to draw up comprehensive agriculture development plans, taking into account agro-climatic conditions, natural resources and technology for ensuring more inclusive and integrated development of agriculture and allied sectors. The Scheme has been revamped as Rashtriya Krishi Vikas Yojana – Remunerative Approaches for Agriculture and Allied Sector Rejuvenation (RKVYRAFTAAR) proposed to be implemented from 2017-18 to 2019-20 with major focus on pre and post-harvest infrastructure, besides promoting agri-entrepreneurship, innovations and value addition. The budget estimate proposed for this scheme for the year 2020-21 was ₹ 3700 crore.

Pradhan Mantri Krishi Sinchai Yojana (PMKSY)

Pradhan Mantri Krishi Sinchai Yojana (PMKSY) has been formulated with the vision of extending the coverage of irrigation and improving water use efficiency 'More crop per drop' in a focused manner with end-to-end solution on source creation, distribution, management, field application and extension activities. PMKSY has been formulated by amalgamating ongoing schemes viz. Accelerated Irrigation Benefit Programme (AIBP), Integrated Watershed Management Programme (IWMP) and the On Farm Water Management (OFWM). For the year 2020-21, an annual allotment of ₹ 4000 crore has been earmarked by the Government of India under the 'Per Drop More Crop' component. A Micro Irrigation Fund with a corpus of ₹ 5000 crore has also been created with National Bank for Agriculture and Rural Development (NABARD) during the fiscal 2020-21.

Pradhan Mantri Fasal Bima Yojana (PMFBY)

The Pradhan Mantri Fasal Bima Yojana (PMFBY) is the scheme for crop insurance. It is under implementation in various States and Union Territories since the Kharif season of 2016. Under the PMFBY, a uniform maximum premium of 2% of the sum insured is paid by the farmers for all Kharif crops and 1.5% for all Rabi crops. In case of annual commercial and horticultural crops, the maximum premium to be paid by farmers is 5%. The balance of actuarial premium is being borne by the Government of India, equally shared both by the State and the Central Government. Both the governments are mandated to provide full insured amount to the farmers against crop loss on account of natural calamities. There is no upper limit on the Government subsidy.

Kisan Credit Card (KCC) Scheme

The Kisan Credit Card scheme is designed to provide farmers with timely access to credit. The Kisan Credit Card (KCC) scheme was launched in 1998 with the aim of providing short-term formal credit to farmers. The KCC holder farmers are exempt from the high interest rates of the regular loans offered by the banks and the financial institutions. The interest rate for KCC starts as low as 2% and averages at 4%.

In order to bring in more agricultural activities under the ambit of the scheme, the Government of India has extended the KCC facility to fisheries sector in 2018-19, especially to aid the fishing community meet the working capital requirement for fisheries activities including aquaculture. The Central government has also announced interest subvention on the KCC limit (for Fisheries and animal Husbandry) upto ₹2.0 lakh during 2019-20.

Farm Acts (2020)

The Farm Acts enacted by the Government of India in 2020 includes:

- The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020
- The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020;
- Essential Commodities (Amendment) Act.

The Farmers' Produce Trade and Commerce (Promotion & Facilitation) Act 2020

The Act put in place reforms to the existing Agricultural Produce Market Committees (APMC) Act. The APMC Act is under the purview of the states and was created to regulate the market yard (mandis) or farmers' sale point. The APMC Act mandated and enforced the first point of sale for all farm produce through the APMC market yard (mandis). The mandis involved a network of a series of middlemen such as, the arthiyas, commission agents, money lenders and wholesalers or traders. In many parts of India, farmers bought their inputs through these traders and sold their final produce to them in buyback arrangements. In many cases, farmers received a value after deduction of the amount towards their interest repayment for loans taken from these non-institutional lenders on high rates of interest, however, lent to the farmers at minimal paper-work.

Reforms undertaken through the Act

The reforms endorses "One India, One Agriculture Market". As per the reforms, in addition to APMC market yard, farmers have the freedom to choose the place of sale/purchase across India even using the private electronic platforms, enabling, and promoting barrier-free, inter-state and intra-state trade of agriculture produce. If place of sale is not an APMC market yard, no taxes/commission/cess will be levied in any form to buyer or seller of agriculture produce, which are currently as high as 8.5% in APMC. The act promises to create Centralized Price Information and Market Intelligence System, allowing monitoring of the prices and taking cautious call on the use of the powers of the Essential Commodity Act. In addition, it envisages to put in place a fast dispute redressal mechanism and penalty provision to safeguard the interest of farmers.

Implications for farmers

The act would help in opening up of diverse sale channels to create competition, enabling breaking the shackles of commission agents for the farmers; discouraging cartel formations, improving price realization and improving the service standards for value chain participants. The competition and involvement of large and private retail chains is envisaged to promote standardisation in quality of agriculture produce and thereby improve the overall quality of the produce. It is also envisaged to promote multi and modern market/mandi concept for agri-produce even at smaller locations in production clusters, semi-urban and rural areas and can lead to revival of the weekly market (Haats) concept across India.

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020

Reforms undertaken in the Act

The Act provides a legal framework for contract farming to be followed prior to production, empowering farmers to directly engage with buyers for farm services and sale of future farm produce at mutually agreed price. However, it does not mandate parties to enter into a written agreement. It provides options of Two Agreement - "Trade and Commerce Agreement" wherein the farmer receives the price of the produce on its delivery as per agreed terms, and "Production Agreement" where the sponsor/third party agrees to bear the risk of output and agrees to make payment to the farmer for services rendered.

Implications for farmers

The direct linkage is envisaged to eliminate the costs associated with intermediaries leading to farmers receiving larger share of their production costs from the sales, which is as high as 80% in case of dairy and 50% in case of other agri-produce. It also envisages mitigating risks for farmers through the Production Agreements by transfer of risk to the sponsors or third party, which earlier were always borne by the farmer. It may encourage and promote cooperative farming and FPO concept.

The Essential Commodities (Amendment) Act

Reforms undertaken in the Act

The Ordinance approves insertion of a sub-section in section 3 of Essential Commodities Act, 1955 where the Government of India proposes to regulate the prices of agriculture produce only under extraordinary circumstances of war, famine, and natural calamities; to the extent of 100% rise in retail price of horticulture produce and 50% rise in non-perishable agriculture produce over the price prevailing immediately preceding 12 months or average retail price of last 5 years, whichever is lower. The Ordinance further safeguards the processors and exporters by fixing a ceiling for processing unit and export orders. However, it does not provide a framework for monitoring by the Government of India.

Implications for farmers

The reforms provide a framework for a stable policy for agri produce pricing and sales in the long term. The reform will allow trade to function based on demand and supply and the Government to intervene only in extreme circumstances. The changes are expected to increase private investment in agri-infrastructure development and improve efficiency of the value chain.

Financial Support

Production Linked Incentive Scheme for Food Processing Industry (PLISFPI)

The Government of India has recently introduced a Production Linked Incentive Scheme for Food Processing Industry (PLISFPI) with an outlay of ₹10,900 crore, to support creation of global food manufacturing champions commensurate with India's natural resource endowment and support Indian brands of food products in the international markets. The objective of the scheme is to support food manufacturing entities with stipulated minimum sales and willing to make minimum stipulated investment for expansion of processing capacity and brand building. It aims to increase employment opportunities of off-farm jobs while also ensuring remunerative prices of farm produce and higher income to farmers.

The incentive under the scheme is spread over for six years ending 2026-27. The implementation of the scheme is envisaged to facilitate expansion of processing capacity to generate processed food output worth ₹33,494 crore and create employment for nearly 2.5 lakh people by the year 2026-27.

Atma Nirbhar Bharat Abhiyan

To tide over the economic hardships caused by the COVID 19 pandemic, the Government of India launched Atma NIrbhar Bharat Abhiyan (Self Reliant India Campaign) in 2020. Various economic packages, amounting up to ₹20 lakh crore, were announced under the campaign.

In 2020, the agriculture and allied sector was the sole bright spot in the economy amid the sliding performance of other sectors, clocking a growth rate of 3.4 % at constant prices for 2020-21. In order to further strengthen and support the agricultural sector, several initiatives have been taken by the Government of India under the Atma Nirbhar Bharat Abhiyan.

Table 2.2: Major Announcements for Agriculture & Food Management under the Atma Nirbhar Bharat Abhiyan

Announcement	Objectives
₹1 lakh crores Agri Infrastructure Fund	Financing will be provided for funding agriculture infrastructure projects at farm-gate and at aggregation points for financially viable post-harvest management infrastructure.
₹10,000 crores scheme for Formalisation of Micro Food Enterprises (MFE)	Aiding 2 lakh MFEs who need technical upgradation to attain FSSAI food standards, build brands and support marketing.
₹20,000 crores for fisherman through Pradhan Mantri Matsya Sampada Yojana (PMMSY)	It aims at integrated, sustainable and inclusive development of marine and inland fisheries by developing infrastructure such as fishing harbours, cold chain, markets, etc.
National Animal Disease Control Programme	It targets Foot and Mouth Disease (FMD) and Brucellosis by ensuring 100 per cent vaccination of cattle, buffalo, sheep, goat and pig population.
Animal Husbandry Infrastructure Development Fund - ₹15,000 crores	It is to support private investment in dairy processing, enable value addition and improved cattle feed infrastructure.

Announcement	Objectives
From ‘TOP’ to TOTAL	“Operation Greens” run by Ministry of Food Processing Industries (MOFPI) to be extended from tomatoes, onion and potatoes to ALL fruit and vegetables.
Reforms in Essential Commodities Act, Agriculture Marketing and Agriculture Produce Pricing and Quality Assurance	These legislative reforms seek to remove agricultural commodities such as cereals, pulses, oilseeds etc. from the list of essential commodities and aim to reform agricultural marketing.
PM Garib Kalyan Ann Yojana	The scheme aimed at ensuring food and nutritional security to around 80 crores ration card holders who were affected due to the COVID-19 induced national lockdown.
One Nation One Ration Card Scheme	This scheme will enable migrant workers and their family members to access PDS benefits from any fair price shop in the country.

Source: Economic Survey 2020-21

Agriculture Infrastructure Fund

The Government has announced a ₹1 lakh crore Agriculture Infrastructure Fund (AIF) for creation of farm-gate infrastructure for farmers. This scheme is operational from the year 2020-21 to 2029-30. The scheme provides for medium to long term debt financing facility for investment in viable projects for post-harvest management infrastructure and community farming assets. Under the scheme, ₹1 lakh crores will be provided by banks and financial institutions as loans to Primary Agricultural Credit Societies (PACS), marketing cooperative societies, Farmer Producers Organizations (FPOs), Self-Help Group (SHG), farmers, Joint Liability Groups (JLG), multipurpose cooperative societies, agri-entrepreneurs, startups and central/ state agency or local body sponsored public private partnership project, etc.

All loans under this financing facility is stated to have interest subvention of 3 % per annum up to a limit of ₹2 crores. This subvention will be available for a maximum period of 7 years. Further, credit guarantee coverage will be available for eligible borrowers from this financing facility under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme for loans up to ₹2 crores. Nearly ₹ 2,991 crores have been ‘in principle’ sanctioned under the scheme to 3055 PACS by NABARD.

Animal Husbandry Infrastructure Development Fund (AHIDF)

As a part of the Atma Nirbhar Bharat Abhiyan stimulus package, a ₹15,000 crores Animal Husbandry Infrastructure Development Fund (AHIDF) has been set up. The AHIDF suggests incentivizing investments by individual entrepreneurs, private companies including MSME, Farmers Producer Organizations (FPOs) and Section 8 companies to establish dairy processing and value addition infrastructure, meat processing and value addition infrastructure, and animal feed plant.

The Government of India is stated to be providing 3% interest subvention to eligible beneficiaries. There will be a 2-year moratorium period for the principal loan amount and 6 years repayment period thereafter. The interest subvention would be released to banks every year by the Government based on entitlement claimed. The Government of India would also set up a Credit Guarantee fund of ₹ 750 crores to be managed by NABARD.

Micro Irrigation Fund (MIF)

With a view to provide impetus to the Micro Irrigation in the country, MIF with a corpus of ₹5,000 Crore was created with NABARD during 2018-19. During the Union Budget 2021-22 the Government of India has announced to double the initial corpus of MIF, by augmenting it by another ₹5,000 crores. The major objective of the fund is to facilitate the states in mobilizing the resources to provide top up/additional incentives to farmers for incentivising micro irrigation beyond the provisions available under Pradhan Mantri Krishi Sinchayi Yojana (PMKSY). States may also access MIF exclusively for innovative integrated projects (like high water duty crops like sugarcane/solar linked systems/micro irrigation in command area etc.) including projects in PPP mode depending on State specific requirements. The Government of India provides 3% interest subvention on loans extended to State governments under MIF.

Under the ongoing MIF fund, projects for ₹3,970.17 crore have been approved for loan under MIF to the States of Andhra Pradesh, Gujarat, Tamil Nadu, Haryana, West Bengal, Punjab and Uttarakhand, which would help bring 12.83 lakh hectare of area under Micro Irrigation. Besides, proposals from Rajasthan, West Bengal Maharashtra, Tamil Nadu, and Jammu and Kashmir are in pipeline at State levels.

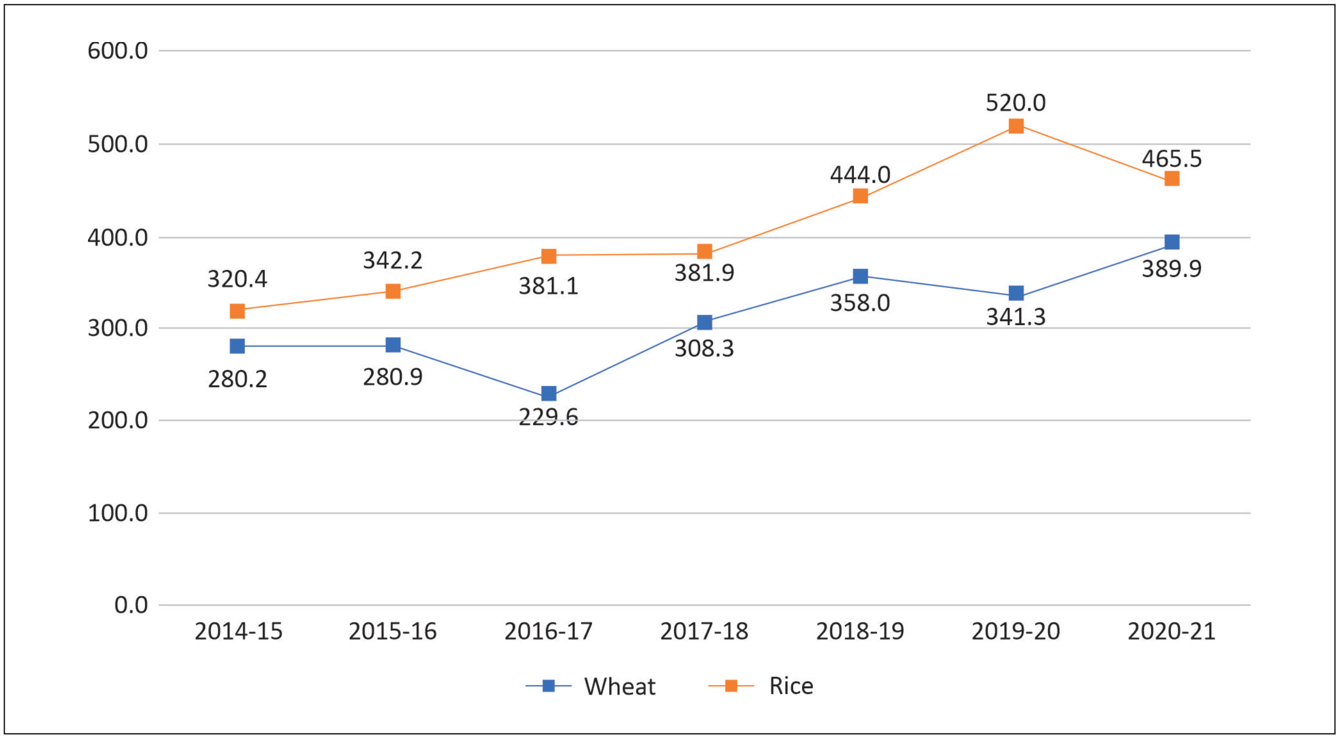
Minimum Support Price

The minimum support prices (MSPs) are a guaranteed price support from the Government of India, for the produce of the farmers for several commodities. The minimum support prices are announced by the Government of India at the beginning of the sowing season for certain crops, based on the recommendations of the Commission for Agricultural Costs and Prices (CACP). It is a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices. The Government announces MSPs for 22 mandated crops and fair and remunerative price (FRP) for sugarcane. The mandated crops include 14 kharif crops, 6 rabi crops and two other commercial crops. In the Union Budget 2018-19, the Government of India announced fixation of MSPs at a level of at least 1.5 times of the all-India weighted average Cost of Production (CoP), aiming at reasonably fair remuneration for the farmers.

The Central Government extends price support to paddy and wheat through the Food Corporation of India (FCI) and State Agencies across the country. The procurement policy is open ended. Under this policy, all wheat and paddy offered by farmers, within the stipulated period and conforming to the specifications prescribed by the Government of India, are purchased at MSP by the State Government agencies and the FCI[13].

Wheat and rice are the major commodities procured on MSP by the concerned agencies. The procurement has increased over the years. As per the data from the Ministry of Consumer Affairs, Food and Public Distribution, Government of India, 43.36 lakh wheat farmers and 102.51 lakh rice farmers were benefitted from the procurement during 2020-21.

Exhibit 2.1: Procurement of Wheat and Rice (in lakh tonnes)



Note: Data for wheat for April-March and for Rice October-September

Source: Ministry of Consumer Affairs, Food and Public Distribution, Government of India

[13] Ministry of Consumer Affairs, Food and Public Distribution, Government of India

Impact of Inconsistent Agricultural Export-Import Policies

Given the domestic price and production volatility of certain agricultural commodities, there has been a tendency to utilize trade policy as an instrument to attain short term goals of price stabilization. This breaks export supply chains and affects India's image as a reliable supplier, thereby also affecting price realization for Indian produce. With a focus on restricting transmission of volatile global prices into the prices in the domestic markets, Indian policy makers have been alternating the policy between bans and restrictions on one side and free trade on the other. The country is seen as a source of high-quality agricultural products and changes in export regime on ground of domestic price fluctuations and other reasons can have long term repercussions.

For instance, India has followed different trade policies for non-basmati and basmati rice. While there have been few and scattered episodes of restrictions on the export of the basmati rice, at least since the late 1980s, non-basmati rice trade has been subject to several restrictions like minimum export prices (MEP), export quotas, and even complete bans. The last such ban was imposed in 2008, wherein India imposed a ban on non-basmati rice exports in an attempt to secure production for domestic consumption. The ban was eventually lifted in 2011.

In a recent experience, driven by a doubling of onion retail prices between July and September 2019 after severe floods in the states of Maharashtra and Karnataka, the Government of India initially introduced an MEP for onions at US$ 850 Free on Board (FOB) per tonne, followed by an export ban on onions applied until March 15, 2020.

Overall, Indian policies governing trade mainly for crops like rice, wheat, onion, and potato has oscillated between free trade and restrictions/bans. Because of this, these commodities are frequently not available for export. The unstable policy environment makes India’s trade pattern unpredictable. On the domestic front, too, restrictive import and export policies have led to a widening gap between the CIF (cost, insurance, and freight) and FOB prices, resulting in the burden of adjustment falling on government (FCI) storage machinery . The ban on international exports and missing private markets has also led to huge costs and losses for the Government— economic loss due to excessive purchase of grains and physical loss due to damage to the procured grains because of inadequate storage.

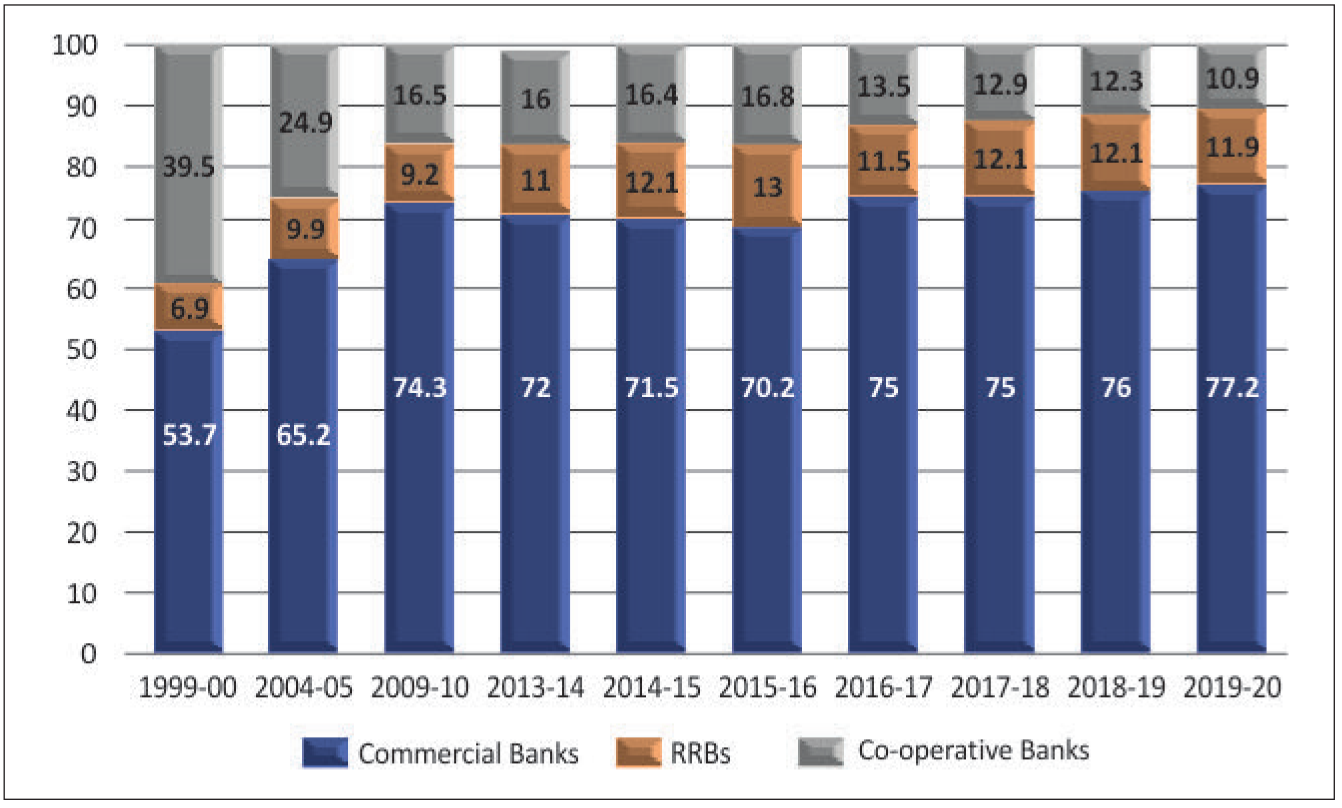
Keeping in view the challenges faced by inconsistent policy, the Government of India has introduced The Essential Commodities (Amendment) Act, in which the Government proposes to regulate the prices of agriculture produce only under extraordinary circumstances of war, famine, and natural calamities. The act provides a framework for a stable policy for pricing and sales of agri produce in the long term and it will also allow trade to function based on demand and supply, and the Government would intervene only in extreme circumstances.

Credit Availability to the Agriculture and Allied Sector

Institutional credit flow to agriculture has been steadily rising due to various initiatives taken by the Government of India, RBI, NABARD and financial institutions. During 2019-20, banks have disbursed ₹13.68 lakh crore to agriculture and allied sectors, about 8.8% more than the previous year. Commercial banks account for about three fourth of the total institutional credit flow to agriculture during 2019-20. The share of commercial banks in total agriculture credit flow increased from 53.7% in 1999-2000 to 77.2% in 2019-20, while the share of Cooperative Banks declined from 39.5% to 10.9% during the same period. RRBs also have expanded their share of institutional credit flow to agriculture sector over two decades.

The share of long-term credit has almost doubled in last seven years, from 22% in 2012-13 to 40.3% in 2019-20. Short-term credit has increased by a CAGR of 9.79% during the past ten years while the long-term credit increased at 22.6% during the same period.

Exhibit 2.2: Agency-Wise Share of Agriculture Credit (%)



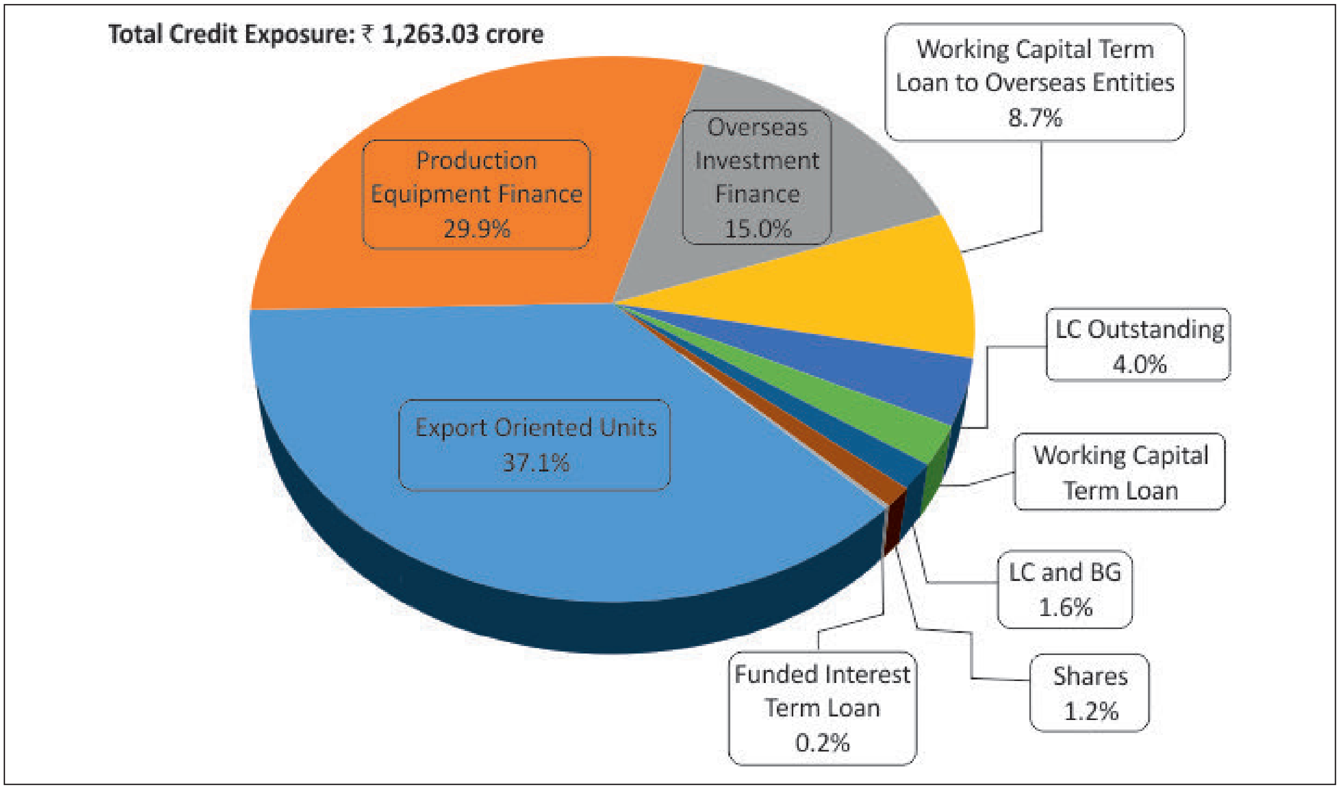
Source: NABARD

Role of India Exim Bank

India Exim Bank has been providing support to various industries to enhance their export potential. The Bank through its bi-monthly newsletter AGRI Export Advantage, which is published in 12 languages (10 regional languages, Hindi and English), covers various industries, areas and developments in the agriculture and allied sector, disseminating relevant information for the various stakeholders associated with the sector. The Bank through its flagship online platform Exim Mitra, provides exporters including those from the agriculture sector, with relevant information on requirements for exporting to various global markets.

India Exim Bank's total credit exposure to the agriculture and food processing sector was estimated at ₹1,263.03 crore[14] (US$ 173.4 million[15]), 1.8% of the overall credit exposure to all the industries. The Bank has been largely supporting the Indian agro and food processing companies by providing term loans for export-oriented units, working capital requirements, overseas investments, capital goods requirement, and pre-shipment credit for enhancing exports.

Exhibit 2.3: Programme-Wise Share of India Exim Bank's Exposure in Agro & Food Processing Industry



Source: India Exim Bank Data

[14] As on March 31, 2021

[15] Calculated by taking average exchange rate US$ to INR as of March 2021

CHAPTER 3

Agricultural Trade Promotion Policies of Select Developing Countries

International trade changed rapidly across the world after the establishment of World Trade Organization and subsequent liberalisation of trade barriers. Enhancing exports is one of the most important priority of the Governments across countries, as it plays a prominent role in realizing the development agenda of developing countries. And thus, intensification of trade demands a strong policy framework catering to country specific needs, and the interest of the exporters as well the demands of the importers. Keeping this in mind, countries around the world have developed various export promotion policies, where some have common characteristics, while the other are tailor-made and are unique to countries based upon their innate characteristics and needs.

Agriculture is the economic mainstay among many developing economies. Majority of the population continues to be involved in agriculture while the economy gradually shifts to manufacturing and services sectors. Typically, as a country develops, people move from the traditional sector to modern industrial sector. This relieves the burden on land for just consumption to production for the market. In the due process, once the goal of self-sufficiency is attained, the country eventually moves towards exploring new markets beyond its domestic territory. This helps in earning a positive balance of payment for the country. But this requires a strong policy as well as financial support of the Government along with different agencies, especially in the early stages. It is growth in this sector that stimulates growth in the related subsectors, besides providing employment to the masses. Based on our prevailing understanding, the comparative advantage of a country or region facilitates economic integration in world trade. The importance of trade promotion policies is crucial for enhancing domestic production and for obtaining a comparative advantage in the global market.

The issues faced in the agriculture sector are different and are influenced by multiple factors vis. disadvantageous geographical location, poor accessibility to export markets, macroeconomic turbulences in foreign markets, the volatile nature of consumer markets, trade conflicts with key export markets, trade restrictions, and the urgency of establishing harmonized and internationally recognized food safety standards.

Thus, trade promotion policies of agriculture products can significantly differ in terms of goals, applied measures, institutional framework and mobilized resources. The scope of this chapter is to analyse and identify the best agriculture promotional practices and policies being implemented in different countries, some of which could be implemented in India to boost production and exports of agriculture products.

I. Analysis of Select Countries in Asia

1. BANGLADESH

Among agricultural products, Bangladesh majorly exports jute, non-alcoholic beverages, vegetable oil, cotton waste, potatoes, tobacco, palm oil and fatty acids, pastry, bread, sesame seed, cereals, rice, sugar confectionery and rubber. Some support mechanisms in place in Bangladesh to promote agriculture production and exports are briefly discussed below.

Financial Support

In order to increase the exports from Bangladesh, the Government of Bangladesh provides 20% cash subsidy on exports of certain agriculture products and agro-processed goods. The Government also provides cash subsidy on exports of frozen shrimp at 7-10% (depending upon ice content in shipment). The cash subsidy on other frozen fish exports is 2 – 5%.[16]

In April 2020, the Government decided to increase the corpus of Export Development Fund, which is administered by the Central Bank of Bangladesh, from US$ 3.5 billion to US$ 5 billion and rate of interest is also delinked from libor and charged at a fixed 2% per annum. The Government has also announced a Refinance Scheme of Bangladesh Taka (BDT) 5000 crore for pre-shipment export finance. The interest rates on eligible loans would be 6% and banks would get the funds from Central Bank at 3%. Banks would be allowed to apply for funds under the scheme against the confirmed export orders or export letters of credit.[17]

[16] bangladeshcustoms.gov.bd

[17] ADB Report titled 'Summary of Social and Economic Responses by the Government of Bangladesh for Covid-19'

Policy Support

In order to comply with the international standards of Maximum Residual Limit (MRL), Traceability, Hazardous Analysis & Critical Central Points (HACCP), the Government of Bangladesh has made 'Contract Growing' mandatory for exporters of agriculture products[18]. To boost export of agriculture products, the Government has relaxed the import of agriculture implements and chemical fertilizers by enhancing the usance period from 180 days to 360 days[19].

2. CHINA

Among agriculture products, China is a major exporter of rice, food preparations, garlic, feed and meal, food wastes, frozen vegetables, apple, soybeans, cabbage onions, tomatoes, glucose and dextrose, oil, carrots and turnips and non-alcoholic beverages. Some support mechanisms provided by China to boost its agriculture sector are briefly discussed below.

Financial Support[20,21]

Domestic agricultural programmes include several policy instruments that provide both direct and indirect support to farmers. The main policy measures include, direct payments, insurance programmes, input subsidies, internal price support, and conservation subsidies. China's transition from taxing agriculture to granting subsidies marks an important change.

China also uses several types of input subsidy schemes to target support. Its main subsidy programme, the 'Comprehensive Subsidy on Agricultural Inputs', was established in 2006[22] to compensate grain producers for increases in input prices such as fertilizers, pesticides, plastic films, and diesel. The subsidy payments do not depend on consumption of inputs but are made based on taxable arable land. Therefore, the programme is considered to function as a direct payment rather than an input subsidy.

An additional subsidy programme called the 'New Variety Extension Payment' Scheme was introduced to improve the quality of seeds and livestock. The programme covers a range of important crops and livestock that include wheat, maize, rice, soybean, rapeseed, cotton, potatoes, peanuts (trial basis), barley, pugs, dairy cows, beef cattle, and sheep.

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[18] Directive Issued by the Plant Quarantine Wing under the Department of Agriculture Extension of the Agriculture Ministry on November 13, 2018
[19] Circular letter No. 18 issued by Foreign Exchange Policy Department of Bangladesh Bank on April 26, 2020
[20] FAO Agriculture and Trade Policy Background Note on People's Republic of China
[21] WTO
[22] Paper titled 'China's Support programmes for Selected Industries: Agriculture' by Trade Lawyers Advisory Group

Fertilizer producers are provided support through price control programmes that give preferential prices for electricity, natural gas, and transport, and exemptions from VAT. A nationwide programme to subsidize agricultural machinery is used and the amount has increased steadily from ¥ 2 billion in 2007 to ¥ 15.5 billion in 2010. Agricultural insurance schemes are relatively new measures to provide support to farmers. In 2007, a pilot insurance scheme was launched in response to the high risk of drought and flooding in China and the low insurance coverage for farmers. Insurance premiums are subsidized by central and local governments with households paying about 20%-30% of the balance.

Policy Support[23]

China's agricultural production and export have undergone significant structural changes during the recent decades. Market reforms started in China in 1978 allowing subsequent changes, China's trade pattern in agricultural commodities follows its comparative advantage: it tends to import land-intensive commodities (soybeans, cotton, barley, rubber, and oils made from soybeans and palm kernels), and it exports labour-intensive commodities (fish, fruits, vegetables, and processed agricultural goods).

Since China's accession to the WTO on December 11, 2001, China has been tasked with reforming national agricultural and trade policy to meet its commitments under WTO rules, while also achieving its own national objectives to build a prosperous agricultural sector. From the onset of accession, China implemented a range of reforms on imports and exports that included: import tariff reductions, partially removing licensing requirements on imports and exports, abolish and convert quotas to tariff rate quotas (TRQs), removing some price controls, and moving toward liberalizing the marketing system. Other agricultural policy instruments were also eliminated, such as the agricultural tax mechanism that included major fiscal transfers from farmers and local levies to support industry.

Under China's Green for Grain programme, cultivated land in over-cultivated environmentally sensitive areas is converted to pasture or forests. The programme is a measure taken to reverse ecological degradation. The Chinese Government is investing significant resources into boosting Chinese innovative capacity in biotechnology and genomic sequencing. China appears to be particularly competitive with respect to new gene-editing technology such as CRISPR- Cas9 (CRISPR), a new tool for genetic editing that dramatically lowers the cost of genetic modification. The competence of Chinese firms in new genetic tools such as CRISPR and their ability to quickly sequence genomes may help them become more competitive in agricultural research as CRISPR technology is applied to developing new crop strains.

In recent years, China has further strengthened its trade by entering into a number of unilateral, bilateral and regional trade agreements. In November 2020, China became a member of Regional Comprehensive

[23] FAO Agriculture and Trade Policy Background Note on People's Republic of China

Economic Partnership (RCEP), one of the largest regional trade agreement with 14 Asia-Pacific countries. Earlier in 2010, the China-ASEAN Free Trade Agreement (CAFTA) came into effect, representing a major free trade body in the region. China is also a member of the preferential trade agreement between developing countries in the Asia-Pacific called the Asia-Pacific Trade Agreement (APTA). Over the last few years, China has signed bilateral Free Trade Agreements (FTA) with a number of countries, such as, New Zealand (2008), Singapore (2008), Peru (2009), and Costa Rica (2010), Iceland (2013), Switzerland (2013) and Australia (2015).

Furthermore, China's rapid economic development raises questions about their level of domestic agricultural support. As China reaches out to existing and new external markets to build new trade alliances for their growing production of agricultural products, there will be increasing pressure to reduce domestic market distorting supports in their agricultural sector.

3. INDONESIA

Indonesia majorly exported palm oil, palm kernel cake, fatty acids, rubber, prepared fat, molasses, coconut, wheat, food preparations, coffee, coconut oil, areca nuts and canned pineapples. Some support mechanisms provided in Indonesia, for promotion of the agriculture sector are briefly discussed below.

Financial Support[24]

Market price support are provided through range of domestic and trade policy arrangement, along with budgetary transfers for variable inputs, mainly in the form of subsidies to fertiliser, seeds, credit, and grants for equipment. Fertiliser subsidies remains a significant component of budgetary outlays provided to the sector. With savings generated by reforms in the country's fuel subsidy arrangements being channelled into this policy area, funding for these subsidies have increased. The budgetary allocation for fertilizer and seed subsidy has also increased significantly over the years. Other key focus area is infrastructure development, funding for which have also increased.

Policy Support[25]

Ministry of Agriculture aims to boost rice exports through productive investments in the medium to long term once all trade restrictions have been removed. The country also introduced the Strategic Plan 2020-24 aimed at improving food security, agricultural competitiveness, value-added processing and exports. The Government has assigned the task of rice procurement system at the field, to a state-owned enterprise Bulog, the National Logistics Agency, this will help in solving the logistical issues

[24] OECD: Agriculture Policy Monitoring and Evaluation 2020
[25] Update to foreign Crop Subsidy Database 2014-2020 by Darren Hudsen

in the procurement process. In 2006 and 2012, the Indonesian Government imposed anti-dumping import duties on wheat to safeguard domestic producers. Indonesia has maintained its export tax arrangements related to palm oil and cocoa, but since 2015, the Government has also collected an export levy for crude palm oil to the amount of US$ 50/tonne. Under ASEAN, Indonesia has reduced tariff for all the products including in its original commitment (7,206 tariff lines) to 5% or less of at least 65% ASEAN origin. Rice and sugar remain on the sensitive list, exempted from tariff reduction. The Indonesia-Australia Comprehensive Economic partnership Agreement is pending for final review but has reached the conclusion of the trade negotiation which will provide preferential access for a number of Australian agriculture product, including feed grains and sugar. It will reduce tariff and provide additional cooperative mechanism for addressing non-tariff barriers and import licensing.

4. MALAYSIA

Malaysia majorly exported palm oil, palm kernel cake, fatty acids, palm kernel oil, non-alcoholic beverages, rubber, meat meal, food preparations, flour, malt extract, compound feed, coconut oil, cocoa, sugar and soybean oil. Support mechanisms extended for promotion of agricultural products in Malaysia are briefly discussed below.

Financial Support[26]

According to WTO Trade Policy Review of Malaysia 2018, Malaysia provided support in the form of statutory income tax exemption to exporters based on the value of increased exports. Rice production is subsidized through support prices, input subsidies, and consumer subsidies. Although the Ministry of Agriculture does focus on other sectors, almost all new meaningful agriculture investment is destined to the palm oil plantation sector. Import duty exemption for raw material, components, and machinery and equipment is provided to companies involved in manufacturing, agriculture and listed services activities. Companies engaged in the production of fresh and dried fruits, fresh and dried flowers, ornamental plants, ornamental fish benefitted from a tax exemption on their statutory income equivalent to 10% of the value of increased exports. The Government owned Agro Bank, which was corporatized in 2008, continues to provide financial services to agriculture while expanding its operations beyond farming to cover upstream and downstream activities including processing, storage, marketing, and services.

[26] WTO: Trade Policy Review, 2018

Policy Support[27]

Malaysia maintains a relatively liberal agricultural trade regime. Many commodities carry zero or low applied tariffs. Malaysia applied low tariffs or non-tariff barrier on agricultural imports, while applying tariff rate quota to allow domestic industry to sustain and develop. Malaysia has a relatively strong agricultural research capability, especially in the oil palm sector, and the extension system is effective. The Government facilitates export promotion activities through its agencies and agriculture consulates in traditional and potential markets. Many programmes are being carried out through international trade fairs, trade missions, specialized marketing missions and business matching programmes.

Agriculture Export Promotion Programme in Malaysia

Facilities offered by EXIM Malaysia for Agriculture[28]:

Direct Financing

Cross Border Financing: The facility provides financial support to Malaysian investors/contractors undertaking project overseas. The bank provides financing based on commercial basis e.g. lending terms based on market rate.

Trade Finance: The facility offers Pre and Post-Shipment Financing at commercial basis.

Risk cover/Credit Insurance

Exim Malaysia offer export credit insurance as a product applicable to industries. However, the bank provides risk cover/credit Insurance based on commercial basis.

5. MYANMAR

Myanmar is a majorly exports rice, dry beans, maize, bananas, sugar, watermelons, rubber, sesame seeds, chickpeas, areca nuts, distilled alcoholic beverages, ginger, peppermint and onion. Financial support mechanisms in Myanmar to promote agriculture production and exports are briefly presented.

[27] WTO: Trade Policy Review, 2018

[28] WTO (Committee on Agriculture) Report titled 'Export Subsidies, Export Credits, Export Credit Guarantees or Insurance Programmes, International Food Aid And Agricultural Exporting State Trading Enterprises'

Financial Support[29]

Government of Myanmar is providing working capital loans to local Myanmar companies in various sectors including agriculture and marine products with a subsidized rate of interest of 5.5% (reduced from 8.50% due to COVID-19) for promoting exports of agriculture and marine products. Further, the Government of Myanmar is providing long term loans for various sectors including agriculture and marine products by taking long term loans at very low rate of interest, viz., 0.1% from JICA and 0.01% from Korea Exim Bank etc. Since the interest rate levied by India Exim Bank is 1.75%, which is much higher among its peers, less interest is shown by Myanmar in signing new LOCs with India.

6. PHILIPPINES

Philippines majorly exports bananas, coconut oil, copra cake, pineapples, coconuts, rubber, sugar, food preparations, wheat, mangoes, tobacco, fatty acids and palm oil. Some support mechanisms in place in Philippines to promote agriculture production and exports are briefly discussed below.

Financial Support[30]

Budgetary support to agriculture producers, are both provided at individual as well as at sectoral level. The main focus of the budgetary support to producers was provided through subsidising the use of variable inputs, including seed and fertiliser subsidies. However, investment subsidies have increased over the years. Such supports have increased in 2019, due to additional payments made to rice producers in the form of seed and investment subsidies. Market price support is the dominant form of support to the Philippines producers. Rice producers are the main beneficiaries of the price support policies. In addition to rice, substantial level of support are provided to sugarcane, pig meat, and poultry, in particular through high import tariffs. The high level of price support comes with the implicit taxation of the primary consumers including the food processing industry. Financing extension services is yet another and increasingly important element of the Government support for the sector. Expenditure in infrastructure development and its maintenance, especially irrigation system and extension programmes have also increased. The overall cost of support to the Philippine agricultural sector was at 2.9% of GDP in 2017-19, one of the highest across countries.

[29] World Bank Paper titled ‘Myanmar: Project to Boost Agricultural Productivity, Support Farmers in Wake of COVID-19’, 2020

[30] OECD: Agriculture Policy Monitoring and Evaluation 2020

Policy Support[31]

Philippines goal of self-sufficiency in rice has driven a range of policy measure supporting rice producers, as opposed to the regional trend towards the diversification into higher value commodities. Tariff protection remains Philippines main trade policy. As of March 2019, quantitative restrictions on rice imports have been replaced with tariffs. Trade liberalisation has primarily occurred within regional trade agreement, particularly the ASEAN Free Trade Area. A single tariff rate of 35% is applied on imports from ASEAN countries. For imports from non-ASEAN countries, a tariff rate quota (TRQ) is established[32]. Applied MFN in-quota and out-of-quota tariffs for rice are set at 40% and 180%, respectively. The export restrictions for rice were eliminated. In order to protect the industry from extreme or sudden price fluctuations, a special rice safeguard duty can be imposed.

Agriculture Export Promotion Programme in Philippines

Agricultural Guarantee Fund Pool [33]

The annual guarantee fee ranges from 0.25–3.85% of the loan amount depending on the commodities, duration of the loans, insurance coverage, and borrowers. The guarantee provides coverage up to 85% of the loan amount. The target sector is agriculture food production (crop, fishery, poultry, and livestock) by farmers and fisherfolk. The guarantee covers defaults caused by natural disasters and diseases. At the same time, the Agricultural Guarantee Fund Pool (AGFP) encourages borrowers to use the national crop insurance scheme by applying lower guarantee fees to the loans covered by the insurance. The claim process is clearly explained and allows the Partner Financial Institutions (PFIs) to receive 50% of the claims at the time of the submission, but it also requires the PFIs to continue to recover loans on behalf of the AGFP. The AGFP is funded through the government budget as well as fines from noncompliant financial institutions under the mandatory lending quotas

7. THAILAND

Thailand majorly exports rice, sugar, cassava, rubber, non-alcoholic beverages, food preparation, canned chicken meat, pet food, fruits, molasses, feed and meal, among agricultural products. Financial and policy support mechanisms in place in Thailand are briefly discussed below.

[31] OECD: Agriculture Policy Monitoring and Evaluation 2020
[32] APEDA Circular no. 2018-19-000017 dated March 29, 2019
[33] World Bank Group Report titled 'How to Address Unique Risks in Agriculture Credit Guarantee Schemes Lessons Learned from Credit Guarantees for Agriculture'

Financial Support[34]

The instruments of input policy include the investment in variety innovation, investment in irrigation, land reserve and input subsidies. Innovation of new varieties is one of important instruments to increase rice yield; therefore, it has been attached great importance. In Thailand, the agricultural input markets are mostly free from government intervention although the Government had previously distributed chemical fertilizer to the farmers at subsidized transportation costs.

During 1970s, under its farm support programme the Government purchased rice at guarantee prices higher than market levels. During 1981-2000, the Bank for Agriculture and Agricultural Cooperatives (BAAC) operated a rice pledging programme to provide a loan at low interest rate and the pledged price was usually 80%-95% of the market price. In 2001, rice miller instead of BAAC representing the Government buy pledged rice from farmers, causing the pledge price up to 120% to 130% of the market price, thus transformed the pledging programme into a price support scheme.

Like many other developing countries, Thailand provides some export incentives of the type of the Agreement on Subsidies and Countervailing Measures. For example, export-oriented investment projects receive tax concessions and some other benefits. In another scheme, tax rebates are granted on a selective basis to export-oriented industries. Export financing is yet another scheme aimed at export promotion. These measures are implemented by the Export Import Bank of Thailand. The Bank also operates a Packing Credit Scheme, which is the main export refinancing facility for supplying export credit through commercial banks. Given the surge in Thai exports as a whole in recent years and the limited funds at the disposal of these agencies, the rate of assistance is considered to be declining and to be scarcely significant.

Policy Support[35]

Thailand did not declare any export subsidies on agricultural products in its WTO Schedule and thus cannot provide such subsidies in the future. This is consistent with Thailand's position as a member of the Cairns Group, which leads the call for prohibiting all forms of export subsidy. As a developing country, however, it is still eligible to provide subsidies to lower internal transport and marketing costs and external freight costs.

Agriculture mechanisation is one part of the overall agriculture development policies. Government supports the agriculture sector to conduct research projects on crop variety development, water

[34] Update to foreign Crop Subsidy Database 2014-2020 by Darren Hudsen

[35] FAO

resource improvement and management including machinery technologies development. For the development of agriculture mechanisation, the basic policy was set up at the national level in the 6th National Economic and Social Development Plan. In that policy, agriculture production costs which have to be decreased in order to compete in the international markets.

Besides the basic National Policy, the policies and strategies relating to agriculture mechanization development are declared by the Government. In the immediate policy, the Government focused on research and development, local manufacture, agriculture credit and extension of agriculture machineries. The major emphasis for short term policy includes operation efficiency development, standardization of product quality and training. While the long-term policies include market distribution, pricing of farm machinery and equipment, management of farm utilization, management of farm machinery utilization, custom hired services, machinery maintenance and repair, land development and irrigation and long-term institutional development.

8. VIETNAM

Vietnam majorly exports rice, cassava, coffee, rubber, cashew nuts, bananas, pepper, food preparation, mangoes, mangosteens, guavas, food wastes, non-alcoholic beverages, tea and maize. Some support mechanisms in place in Vietnam to promote agriculture production and exports are briefly discussed below.

Financial Support[36]

The main form of support for Vietnamese producers is domestic price support, with border protection being the main tool used. Domestic price support varies across different commodities. Farm gate rice prices are supported by a subsidy to rice purchasing enterprises for the temporary storage of rice during harvest and establishment of target prices that vary between regions and crop season, with the objective of providing farmers with a profit of 30% above production cost. The government of Vietnam has subsidisation programme for inputs such as seeds and fertilizers. At provincial level, seeds are provided to farmers at subsidised rates. Fertilizer manufacturers and importers have access to low interest credit. Support for general services for agriculture is dominated by budgetary allocation to develop and maintain infrastructure, in particular irrigation. Approximately half of the cultivated lands in Vietnam is irrigated and farmers only pay a subsidised fee for using water for irrigation. The irrigation fee is set by each province under the guidance of the Ministry of Water Resources. On an average, farmers pay nearly half of the irrigation maintenance and operation costs. The high-tech agriculture practices are promoted through incentive and supporting policies.

[36] OECD: Agriculture Policy Monitoring and Evaluation 2020

Other programmes that provide support based on input use include programmes that provide plant genetic and animal breeding material to farmers at subsidised rates. At the national level, these are often provided as part of the package for farmers recovering from natural disasters or disease outbreaks. The Government has directed the state-owned commercial banks to allocate at least Vietnamese Dong (VND) 100 trillion (US$ 4.4 billion) to a lending programme for high-tech, clean agriculture that offers loans at an interest rates 0.5% to 1.5% lower than market interest rates. The National Trade Promotion Programme provides support for enterprises and co-operatives to participate in domestic and international trade fairs. Under this programme, the State supports 50% of the cost of a stand (canopy in the trade fair) for enterprises that register for this programme, to a maximum of VND 10 million/enterprise.

Policy Support[37]

In 1986, Vietnam boarded on a gradualist approach to market reform and steadily pursued trade agreements under a strategy of export-led growth. The country has since emerged as one of Asia's dynamic economies and a growing market for agri-food trade. The agriculture sector in Vietnam has undergone significant structural changes in recent decades, reflecting a shift away from staple foods to other commercial and perennial crops such as coffee and rubber.

Since 2009, a number of policy packages have been introduced to provide farmers with subsidised credit to purchase inputs and assets for agricultural production such as fertilisers, pesticides, machinery and equipment. In 2015, the approved genetically modified corn varieties were planted, making Vietnam the 29th country in the world to commercialise the biotech crop. Until 2016, the Government maintained a large degree of control over rice exports. Exports certificates were provided to the rice exporters certifying their eligibility to export rice. In order to be eligible, the exporter must have at least one rice storage warehouse with the minimum capacity of 5000 tons and one processing facility with a minimum of 10 tons/hour processing capacity. Minimum export prices are determined by the Vietnam Food Association for broken rice. In June 2017, Vietnam introduced a rice export development strategy for 2017-2020, with a vision to 2030, which aims to develop new markets, reorganise production and focus on improving quality.

In 2018, Vietnam signed Comprehensive and Progressive Trans-Pacific Partnership Agreement with ten other countries including Australia, Canada, Chile, Japan, Malaysia among others. This agreement will eliminate 98% of the tariffs throughout the trans-pacific marketplace. This will help in increasing FDI in the country, more so in the agriculture and food processing sector.

[37] Update to foreign Crop Subsidy Database 2014-2020 by Darren Hudsen

II. Analysis of Select Countries in Africa

1. CÔTE D'IVOIRE

Cote d'Ivoire majorly exports cocoa, rubber, cashew nuts, bananas, palm oil, cotton seed, cocoa, cotton lint, wheat, coffee, chocolate products, macaroni, wheat, coconuts, mangoes, mangosteens, guavas, palm kernel cake, plantains and pineapples. Support mechanisms in place in Côte d'Ivoire to promote agriculture production and exports are briefly discussed below.

Financial Support [38]

Côte d'Ivoire has taken various measures to attract investors to be the part of the cashew processing programmes. These initiatives include tax exemption for purchase of equipment and spare parts, tax credits, subsidy on exports of locally produced kernel, subsidy on unpeeled kernels to enable industrialists already established in India and Vietnam to develop first processing in Côte d'Ivoire and finish the processing on their existing sites. In 2016, the Government offered a bonus payment of CFA 400 (€ 0.60) for every kg of processed cashew exports, a measure which will be offered for the next five growing seasons, with the possibility of a two-year extension. In the recent past, India has been one of the largest importer of cashew from Côte d'Ivoire, but since last couple of years, export sales are moving towards Vietnam.

2. EGYPT

Among agricultural products, Egypt majorly exports oranges, potatoes, wheat, beet pulp, onions, molasses, fruits, sugar, grapes, food preparation, vegetables, soybean oil, tangerine, mandarins, clementines and satsumas, macaroni, forage products, tomatoes, beans and lemon. Some financial support measures to support agriculture sector in Egypt are briefly discussed below.

Financial Support[39]

The export subsidy programme is sponsored by the Ministry of Trade, Industry and SMEs. The programme is a mandate of the Export Development Fund (EDF) to create an incentive for domestic companies to push for more exports. The EDF requires the support of specialized Export Councils, which are responsible for developing Egypt's exports in each sector. The subsidy ranges from 1-10% of the total value of exports. Egypt has entered into Preferential Trade Agreements with USA and EU.

[38] Oxford Business Group article titled 'Côte d'Ivoire bolsters cashew nut value chain'.

[39] Export Subsidy Programme by N Gage Consulting S.A.E 2015

3. ETHIOPIA

Ethiopia is a major exporter of coffee, sesame seed, beans, soybeans, groundnuts, molasses, potatoes, chick peas, oilseeds, goat meat, onions, tomatoes, coffee and spices. Some policy support measures to support agriculture sector in Ethiopia are briefly discussed hereunder.

Policy Support[40]

The Government of Ethiopia (GOE) aims to boost exports and trade through US$ 1 billion of annual investment in agro processing industrial parks to make Ethiopia a top manufacturing hub on the continent. Industrial parks broadly are the key focus of Ethiopia's economic development strategy.

Through the Ministry of Trade and Industry and the Industrial Parks Development Corporation, 17 agro-industrial growth corridors are planned for development, with coverage in all nine regional states. In its current first phase, four Integrated Agro-Industrial Parks (IAIP) are under construction, which when completed will provide support services to companies, opportunities for skills development, and attraction for foreign investment. The total estimated cost of the four pilot agro-industrial parks is US$ 181.2 million. The GOE intends for the four IAIPs to result in US$ 1.5 billion in investment, 400 business opportunities, and 400,000 jobs. The four industrial parks are situated in strategic locations throughout Ethiopia and were selected based on the area's agricultural potential, infrastructure facilities (water, electricity, etc.), and regional market potential. The IAIPs are envisioned to provide a one-stop shop to provide various services to facilitate trade logistics, access to land, customs clearance, and other business services. At present, the four IAIPs are at various stages of planning and development, located in Humera (Tigray), Bure (Amhara), Yirgalem (SNNP) and Bulbula (Oromia). Generous government investment incentives, preferential access to the United States under the African Growth and Opportunity Act (AGOA), low cost of electricity and labour, and abundant natural resources have resulted in increased foreign direct investment into the parks. In 2018/19, the industrial parks generated US$ 140.6 million in export earnings.

The IAIPs will include companies that export value-added agricultural products as well as those producing products for domestic consumption. Major agriculture processing potential includes cattle fattening and processing, chicken production and processing, livestock feed manufacturing, wheat-based food production (e.g. pasta, biscuits), sesame processing (e.g. tahini), soybean crushing (e.g. soybean oil and feed), sugar production and processing, juice and dairy manufacturing, as well as garments and leather goods.

[40] Ethiopia Commercial Guide, International Trade Administration, Department of Commerce, USA

In 2019, the Ethiopian Ministry of Finance implemented a policy change authorizing duty-free import of agricultural and irrigation equipment. This new directive aims to increase agricultural productivity for both small holder farmers and commercial farmers as they will have improved access to new agricultural farming capital goods. As a part of economic reform programme, transfer of the sugar factories to private ownership is underway. At present, the 13 state owned sugar factories are undergoing technical, price, social and environmental impact assessment studies. The plan is to privatize six out of the 13 sugar plants to local or international private investors.

In May 2019, the Ministry of Finance released a new proclamation which allows duty free import of feed production inputs. This new directive will boost both production of feed as well as dairy and poultry production.

4. KENYA

Kenya majorly exports tea, wheat, palm oil, avocados, sorghum, coffee, pineapples, food preparations, vegetables, sugar confectionery, beer of barley, barley, margarine, food wastes, beans, mangoes, mangosteens, guavas, beans, carrots and turnips. Some policy support mechanisms in place in Kenya are briefly discussed below.

Policy Support[41]

Although Kenya perennially faces supply deficits in most of its food sectors, the country continues to use instruments under the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) agreements to limit food imports. Both agreements provide for high non-member tariffs on sensitive commodities including meat, dairy poultry, maize, rice, wheat, and beans. Elements of subsidy still exist especially in the seed and fertilizer systems. Over 60% of tea in Kenya is grown by smallholders, who almost exclusively belong to the Kenya Tea Development Agency (KTDA)[42]. The KTDA is an agent for Kenyan tea smallholders, and it was created upon privatization of the Kenya Tea Development Authority in June 2000. The Integrated National Export Development and Promotion Strategy (NEDPS) released in July 2018 is a detailed document which provides strategies for export promotion of each agricultural commodity of interest for Kenya. Kenya is a major competitor for tea exports for India.

The exemplary performance of the tea industry is attributed to the well-structured production system comprising two complementary parallel value-chains, one smallholder value chain and the other, estate value chain. The tea auction in Mombasa, which occupies the strategic convergent end-segment of

[41] Integrated National Export Development and Promotion Strategy, Ministry of Industry, Trade and Cooperatives, Republic of Kenya

[42] Contribution of tea production and exports to food security, rural development and smallholder welfare in selected producing countries, Market and Policy Analyses of Raw Materials, Horticulture and Tropical (RAMHOT) Products Team, FAO, Rome,2015

the two value-chains is where both the two parallel value chains market their tea to the international market through brokerage firms at the auction. Kenyan tea that is marketed fresh directly from various factories is known for its high quality, so it attracts good prices at the auction.

So far, the constraints in agri-exports are already being addressed through programmed interventions under the NEDPS, ranging from value chain strengthening, to ensuring adequate and consistent export quality products supply in response to export market opportunities and preferences. Emphasis is made on promoting production of target agricultural produce and enhancing value addition, using identified and proven export market opportunities as stimulants or incentives. Robust export financing as well as a supportive business enabling environment to enhance competitiveness of Kenya's agricultural exports is proposed as part of this NEDPS. NEDPS has proposed specific interventions across all the focal agro-industries and sub-sectors.

5. MOROCCO

Morocco's major agri-export items include tomatoes, sugar, tangerines, mandarins, watermelons, oranges, beans, chillies and peppers, olives, potatoes, molasses, melons, food preparation, pumpkins, onions and shallots, virgin olive oil, blueberries and non-alcoholic beverages. Some support mechanisms in place in Morocco to promote agriculture production and exports are briefly discussed below.

Financial Support[43]

Morocco's Order No. 3284-17, published May 3, 2018, expanded the scope and duration of agricultural export subsidies for fruits, nuts, and vegetables, products thereof, spices, aromatic and medical plants, poultry meat and meat products, and dairy products. Eligible products have historically accounted for 75% of Morocco's agricultural exports.

Additionally, the country has established the Agency for Agricultural Development, responsible for promoting agricultural investment; the National Food Safety Authority, tasked with implementing and overseeing quality control; and the National Agency for the Development of Oasis and Arganier Areas, charged with promoting the development of oasis and arganier ecosystems. And to fund all these efforts, Morocco has acquired significant agricultural investments in the form of grants and loans from organizations including the World Bank, the African Development Bank, the EU, the French Development Agency, Hassan II Fund, USAID, and the FAO, among other international organizations.

[43] USDA Foreign Agricultural Service

Policy Support[44, 45]

Agriculture is an important sector contributing around 15% of GDP and 38% of employment. For many decades, Morocco's agricultural strategy focused on promoting self-sufficiency in key crops, including cereals, and on the exportation of select crops. Throughout the 1960s and 1970s, that support meant significant market interventions and price support mechanisms for the country's farmers; but by the 1980s, the Moroccan economy including its agricultural sector became increasingly liberalized and market-oriented. As a result, interventions were reduced in frequency and scope, although subsidies do remain in place for some agricultural inputs like certified seeds. In 2008, Morocco launched Plan Maroc Vert, to improve economic value added of agriculture inputs, increasing mechanisation, agro industrial processing and reducing vulnerability to climate change. The Plan Maroc Vert is an ambitious and wide-reaching strategy designed to jumpstart Morocco's ailing agriculture sector and better prepare it for future uncertainties. Since 2010, the value of export of agrifood products has almost doubled in 2020.

6. RWANDA

Rwanda majorly exports rice, wheat, maize, sugar, tea, palm oil, coffee, beans, macaroni, non-alcoholic beverages, sunflower oil and molasses. Some policy support measures in Rwanda to promote the agriculture sector are briefly discussed below.

Policy Support[46]

Agriculture is a priority sector in Rwanda's Vision 2050 national development strategy. The Government aims to replace subsistence farming with fully monetized and technology-intensive commercial agriculture and agro-processing by 2050. The increase in flight routes in and out of Rwanda via RwandaAir and other carriers to Europe and Asia has facilitated an increase in exports of fresh agriculture products from Rwanda. Rwanda's agricultural advantages include its high altitude and a climate that allows for year-round cultivation.

[44] FAO

[45] Article titled 'Plan Maroc Vert – Spotlight on Morocco's Agriculture Policy' by Gro Intelligence

[46] Vision 2050, Ministry of Finance and Economic Planning, Republic of Rwanda

Agriculture Export Promotion Programme in Rwanda

USAID Development Credit Authority (DCA)[47]

The guarantee was used to cover loans for working capital and capital investment needs in the coffee sector. The annual guarantee fee is 1% (charged by DCA).The guarantee provides coverage up to 40% of the loan amount. The PFI considered the DCA guarantee as a way to reduce the credit risk while complying with the government request to increase loans to the coffee sector. All the borrowers came from the USAID projects, which provided technical assistance support to the coffee sector. The PFI continued to provide working capital loans to a limited number of borrowers without guarantees after the end of the DCA scheme.

7. SOUTH AFRICA

Among agriculture products, South Africa is a major exporter of oranges, maize, sugar, apples, wine, lemon, grapes, tangerines, mandarins, clementines and non-alcoholic beverages, grapefruit, food wastes, food preparation, pears, alfalfa meal and pellets, potatoes, wheat and beer of barley. Some support mechanisms in South Africa to promote the agriculture sector are briefly presented below.

Financial Support[48]

Major policy instruments used are input subsidies, mainly in the form of a diesel tax rebate; programmes supporting new farmers benefiting from land reforms; and general services provided to the sector, mainly research, extension and inspection services.

Policy Support[49]

While the major policy changes with respect to agriculture were dominated by an expensive land reforms policy, the Government has also implemented major changes in the agricultural economy. In the post-apartheid period (mid-1990s), substantial reforms reduced state intervention in agricultural markets, which led to a stronger market orientation of the commercial farming sector. In South Africa, sugar cane growers are paid according to the quality of the sugar cane they produce and deliver to the mill. In order to maximize their earning, they try to produce the highest quality sugar cane.

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[47] World Bank Group Report titled 'How to Address Unique Risks in Agriculture Credit Guarantee Schemes Lessons Learned from Credit Guarantees for Agriculture'

[48] Agricultural Policy Monitoring and Evaluation 2020, South Africa, OECD

[49] Agricultural Policy Monitoring and Evaluation 2020, South Africa, OECD

Under the current system, there are no domestic market support interventions and no export subsidies applied. The country opted for import tariffs as a means to control imports and enters into preferential trade agreements with neighbouring countries under the Southern Africa Custom Union and outside the region.

The National Land Care Programme (NLP) is a community-based and government-supported approach promoting sustainable management and use of natural agricultural resources. South Africa is also a beneficiary of the US African Growth and Opportunity Act (AGOA), which is a non-reciprocal trade preference programme that grants eligible Sub-Saharan Africa countries duty-free quota-free (DFQF) access to the United States for selected export products. AGOA has a positive impact on some of South Africa's agricultural sub-sectors like the exports of wine, macadamia nuts and oranges. This is applicable till 2025. Import protection for agricultural and food products is based on specific and ad valorem tariffs. The average applied MFN tariff for agricultural products was 8.7% in 2018, well below the average bound tariff on agricultural products of 39%. Tariff rate quotas (TRQs) exist for a range of agricultural products under the WTO minimum market access commitments.

8. TANZANIA

Tanzania majorly exports maize, cashew nuts, sunflower cake, bran, sesame seed, chick peas, beans, coffee, cassava, tobacco, cottonseed, vegetables, wheat, sorghum, groundnuts, fibre crops, non-alcoholic beverages, tea, rice and cotton. Policy support mechanisms in Tanzania to promote agriculture are briefly discussed below.

Policy Support[50]

To promote investments in the agri-sector, investors can establish manufacturing operations in the Special Economic Zones (SEZ) using either the SEZ User License or SEZ Export User License and enjoy the incentives provided. In addition, the existence of an abundant supply of cotton provides significant opportunities for investment in the textile industry, which can leverage duty free access to the U.S. market under the African Growth and Opportunity Act (AGOA). Export markets for processed agricultural goods include the East African Community, the EU (duty-free access), the Gulf States, and Asia. The Government under Big Results Now initiative have developed 275 collective warehouse-based marketing schemes targeted at linking maize farmers to the market and enhanced 78 smallholder rice irrigation and marketing schemes through professional management.

[50] Tanzania Commercial Guide, International Trade Administration, Department of Commerce, USA

The private sector led Agricultural Sector Development Programme Phase II initiative and the establishment of the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) have been endorsed by the Government of Tanzania. The Government through SAGCOT has allocated 63,000 hectares under the Mkulazi Project. The land will be used for cultivation and processing of sugarcane and rice. This project is an important step in achieving the Government's objectives for the agricultural sector. These strategies are being linked to the Agricultural Sector Development Programme through Tanzania's Comprehensive African Agriculture Development Programme (CAADP) country investment plan. The United States has pledged to improve global food security through Feed the Future, a broad-based agricultural development strategy with the goals of reducing poverty, improving nutrition, and building resilience through comprehensive country-led plans.

Agriculture Export Promotion Programme in Tanzania

***Private Agricultural Sector Support*[51]**

Private Agricultural Sector Support (PASS) was established in 2000 in order to stimulate growth and investment in commercial agriculture through access to finance. The guarantee provides coverage of 60% (80% for women) of the loan amount. The target sector is Agriculture and agribusiness in non-tobacco agriculture commodities. PASS provides technical assistance support to farmers and farmer organisations as well as guarantees when they borrow from the PFIs. PASS provides business plan development services to the potential borrowers and charges a service fee of 2% of the expected loan amount. Cash used to be deposited to PFIs' accounts to ensure that funds are actually available for guarantees. The guarantee portfolio seems to be well diversified across business activities (production, processing and trading, etc.), commodities, and regions. The organisation was initially a part of a Denmark-funded project, but became a trust under Tanzanian law in 2007. It is managed by the Board of Trustees, composed of development/finance specialists, agronomists, accountants, etc.

III. Analysis of Select Countries in Latin America

1. BRAZIL

Brazil is one of the largest producer, consumer and exporter of rice globally. Among other agri-products, Brazil is a major exporter of soybeans, maize, sugar, chicken meat, coffee, cotton, cattle meat, wheat, tobacco and melons. Some support mechanisms in place in Brazil to promote agriculture production and exports are briefly discussed below.

[51] World Bank Group Report titled 'How to Address Unique Risks in Agriculture Credit Guarantee Schemes Lessons Learned from Credit Guarantees for Agriculture'

Financial Support[52]

Input payments, in particular concessional credit and, to lesser extent, crop insurance constitutes the major support to the producers. Agricultural credit is the major policy instrument for both commercial, medium and small-scale family farms and are designed and implemented through co-operation between the Ministry of the Economy, the Ministry of Agriculture and the Central Bank. Concessional credit is available for farm marketing, working capital and fixed capital investment. Much of the rural credit is earmarked under the National Rural Credit System and provided at preferential interest rates with differentiated conditions for small farmers and medium size farmers compared to commercial ones. Since 2008, all support based on input use is conditional to environmental criteria and on farming practices. Support to general services, mainly on research, development and innovation, represents a major share of the budgetary support, but has fallen since 2000-02 as a percentage of agricultural gross value added. As a percentage of GDP, the total support estimate has also declined from 0.7% in 2000-02 to 0.3% in 2017-19. Risk Premium for Private Option (PROP) is a subsidy programme granted in the form of public auction for the consumer to acquire at a future date, a determined product directly from the producer and/or cooperative at a prefixed price, utilizing a private contract for the option to sell.

Policy Support[53]

The main sources of funding for preferential rural credit are 60% of 'Rural Saving' deposits, 'Constitutional Funds' and loans from the National Bank for Economic and Social Development; and 'Compulsory Resources' or lending quotas, equivalent to 30% of sight deposits (a bank deposit that can be withdrawn immediately without notice or penalty) in commercial banks. Additional sources of preferential rural credit are the Coffee Fund and the Agribusiness Credit Notes called LCAs, which are fixed income securities backed by credit transactions linked to agribusiness, out of which 35% are compulsorily allocated to rural credit. As of October 2020, Brazil has announced it will suspend the import tariffs on corn, soybeans, soy meal and soy oil from countries outside the Mercosur trade bloc. The contract options is a futures option available to producers and cooperatives available through the Government to shield producers from the risk of price decreases.

[52] FAO: Synthesis Report titled 'Agrifood marketing and export promotion policies' in 2019
[53] OECD: Agriculture Policy Monitoring and Evaluation 2020

Agriculture Export Promotion Programme in Brazil

Proex Financiamento[54], Brazil's Export Financing Program, provides direct financing to exporters. Brazilian PROEX is divided into two categories:

PROEX Direct Financing

Government provides direct financing for exporters (supplier's credit) and buyers (buyer's credit) of Brazilian services and goods. PROEX covers several sectors, including machinery and equipment. Repayment period is up to ten years. The programme applies international market interest rates with respect to the funding currency and its maturity.

PROEX Interest Rate Support

The interest rate support aims to reduce the export finance interest rate charged by financial institutions in order to support Brazilian exports of goods and services. Export credit is granted by financial institutions and government (PROEX) assumes part of the financial burden, allowing interest rates to be compatible with those practiced in international markets.

Brazilian Export Financing Programme (PROEX) relies on National Treasury resources and has specific allocation in the federal budget, in order to provide official support to Brazilian exports in two modalities - direct financing and interest rate support. The operational procedures are undertaken exclusively by Banco do Brasil S.A.

2. CHILE

Chile is known for its production and exports of exotic fruits globally. Chile majorly exports wine, apples, grapes, cherries, oats, tomatoes, plums, kiwi fruit, pig meat, avocados, tangerine, mandarins, clementines, satsumas, pears, chicken meat, cranberries, oranges, peaches and nectarines, lemons, walnuts and raisins. Some support mechanisms in Chile to promote its agriculture sector are briefly discussed below.

Financial Support[55]

In Chile, support to agriculture is provided through direct payments targeting small scale farmers, through subsidies such as access to credit at preferential interest rates; input subsidy, subsidies for fixed capital formation, in particular for improving degraded soils; and on on-farm services like producer association programmes for small-scale and indigenous farmers.

[54] WTO (Committee on Agriculture) Report titled 'Export Subsidies, Export Credits, Export Credit Guarantees or Insurance Programmes, International Food Aid And Agricultural Exporting State Trading Enterprises'

[55] FAO: Synthesis Report titled 'Agrifood Marketing and Export Promotion Policies' in 2019

Policy Support[56]

An open trade regime has helped Chile to emerge as a globally important producer of agricultural and food products such as fruits, vegetables, dairy products, poultry, pig meat and wine. Chile's level of support to farmers is one of the lowest amongst OECD countries. About half of total expenditures to the sector are investments in infrastructure especially on the expansion and improvements of the irrigation systems, while other investments target the restructuring of and access to land, agricultural research and development, sanitary and phyto-sanitary services and inspection services. The Government is supporting the organic industry through Ministry of Agriculture, research is being undertaken, and regulation implemented, in order to improve organic standards. The Swiss Ministry of Agriculture is working in collaboration with the Chilean Government to transfer technical support and expertise for an improved organic sector in Chile.

3. COLOMBIA

Colombia majorly exports bananas, coffee, palm oil, sugar, plantains, soybean oil, malt, avocados, maize, food preparation, lemons, non-alcoholic beverages, margarine and fruits. Some support mechanisms in place in Colombia to promote agriculture production and exports are briefly discussed below.

Financial Support[57]

Colombia's level of support to producers expressed as a share of gross farm revenues averaged 11.5% over the period 2017-19. Market price support (MPS) is the main component of the producer support estimate, accounting for 90% over the period 2017-19. Price support is driven by the use of border measures for several agricultural products including rice, maize, milk, sugar, poultry, and pig meat. Budgetary transfers to farmers were mostly through payments based on variable input use, notably seeds and fertilisers. Support for general services focuses on agricultural research and knowledge transfer; infrastructure, particularly in irrigation; and farm restructuring. Although, budgetary allocations to general services to the sector as a whole have been relatively small.

Policy Support[58]

The total government expenditure in agriculture have reduced in the between 2018 and 2019. With the limited funding, 22 new programmes were directed towards general services, mostly on the land restructuring and extension services in the sector. With the aim for commercialisation, new policy on

[56] OECD: Agriculture Policy Monitoring and Evaluation 2020
[57] OECD: Agriculture Policy Monitoring and Evaluation 2020
[58] OECD: Agriculture Policy Monitoring and Evaluation 2020

contract farming was introduced in 2019. The programme aims to establish long-term linkages between the small-scale producer and markets, through various policy instrument that promote inclusive business schemes between companies and smallholders. Major policy instruments include alliance between the agriculture and the industry sector, a comprehensive technical assistance to farmers particularly entrepreneurial and marketing training, sector specific market strategies, creation of produce fairs for farmers and processors for better linking supply and demand among others.

Agriculture Export Promotion Programme in Colombia

Exchange Coverage Programme[59]

It is a risk cover for the Agricultural Sector and was implemented in 2010 by the Ministry of Agriculture and Rural Development, the idea being to encourage export-oriented producers to acquire exchange rate coverage in order to reduce uncertainty and mitigate the impact of the volatility of the dollar. The Government is essentially seeking to protect the formal employment generated by this activity as well as the stability of that employment by enhancing the sector's productivity and competitiveness.

The beneficiaries of the Programme are the agricultural, livestock and aquaculture export subsectors as defined by the World Trade Organisation (WTO) plus fisheries, excluding the coffee subsector. Also included are the agro-industrial sectors that use products from the agricultural, livestock or aquaculture sectors as raw materials.

Fondo Agropecuario de Garantias (FAG)[60]

The guarantees cover the loans from partner financial institutions (PFIs) funded through FINAGRO (Financing Fund for the Agricultural Sector), a second-tier public agriculture development bank, which requires on-lending to small farmers at below-market interest rates. The coverage of the guarantee varies between 50-100% depending on the size of the producers. The annual guarantee fee ranges from 1.5% to 5.9% depending on the loan size and duration. FAG plays a dominant and important role in financing smallholder farmers in the country. FAG guarantees are often compensated by other guarantees, which reduces the exposure of BAC (Banco Agrario de Colombia - Agricultural Bank of Colombia).

[59] WTO (Committee on Agriculture) Report titled 'Export Subsidies, Export Credits, Export Credit Guarantees or Insurance Programmes, International Food Aid And Agricultural Exporting State Trading Enterprises'

[60] World Bank Group Report titled 'How to Address Unique Risks in Agriculture Credit Guarantee Schemes Lessons Learned from Credit Guarantees for Agriculture'

4. MEXICO

Among agriculture products, Mexico is a major exporter of beer of barley, tomatoes, avocados, chillies and peppers, sugar cucumbers, watermelons, lemons, wheat, non-alcoholic beverages, maize, bananas, pumpkins and gourds, mangoes, mangosteens, guavas and onions. Support mechanisms in place in Mexico to promote agriculture production and exports are briefly discussed below.

Financial Support [61]

Since 1994, the Direct Farm Support Programme (PROCAMPO) has been the largest production support programme of the Government, transferring direct payments/subsidies to farmers for each cultivated hectare, and replacing the previous system of price guarantee schemes for grains and oilseeds. In 2014, the programme was widely reformed and renamed *PROAGRO Productivo* (Productive PROAGRO) in order to reduce distortions and improve its effectiveness. Under the new programme, growers are eligible to receive subsidies based on actual production (and not just for land size, as it was previously), and the maximum subsidy amount per grower cannot exceed Mex$ 100 000 (approximately US$ 7,750) per crop cycle.

Since 2003, the *Incentivo Complementario al Ingreso Objetivo programme* (Target Income Programme) has guaranteed a minimum income to small and medium scale grain and oilseed farmers, paying them the difference between a predetermined income (called the 'target income') and the market price recognized by the Agricultural Marketing Support and Services Agency (ASERCA). If the market prices of grains and oilseeds suffer a decline, adjustments are made to ensure their profitability. The entity, which is part of Secretariat of Agriculture and Rural Development (SAGARPA), is a decentralized administrative unit responsible for supporting the development of agricultural commercialization. ASERCA was created in 1991 in order to better reflect Mexico's agricultural trade liberation process. The Government no longer purchased grains and oilseeds, but a 'marketing payment' was given to small and medium producers. Marketing support was initially limited to states with a history of production surpluses, but in 2003 the coverage was extended to producers with surplus production, therefore nationally, and to all grains and oilseeds. In addition to the Target Income Programme, ASERCA manages other producers' support measures, such as the 'Direct Producer Support Programme for Surplus Marketing for Productive Reconversion, Integration of Agrifood Chains and Attention to Critical Factors', which provides price hedging and technical assistance for market integration and risk management.

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[61] FAO

Policy Support[62]

The guidance of the Pacto por México and other sectoral plans, the Government has embarked on a series of reforms to promote greater productivity and improve resource allocation by reducing the most distortive interventions; however, market price support and output-based payments still account for a large amount of the support given to producers. Agricultural insurance in Mexico is among the most developed in Latin America and the Caribbean, with one of the highest rates of penetration in the region. Given the drastic impacts of natural disasters on agriculture in the country, and the fact that vulnerable small farmers were excluded in most cases from commercial agriculture, in 2003 the Government launched the Component for the Attention of Natural Disasters (CADENA) Programme, providing a minimum level of compensation to small farmers after major catastrophic events. Its main component is the Catastrophe Agricultural Insurance (SAC) Programme for farmers, livestock producers, aquaculture farmers and fisherfolk. Under the CADENA-SAC Programme, the state is the insured, and premiums are financed by federal and state governments. Subsidies cover about 75–90% of the premium costs, with higher subsidies in areas that are more marginalized. The country has also expanded its broad network through FTAs.

Agriculture Export Promotion Programme in Mexico

Guaranteed prices is a policy that was in place in Mexico from 1965 through 1998. Under this scheme, a state-trading agency (known as CONASUPO) bought at a government-set guaranteed price. The purpose of the guaranteed prices scheme was to ensure that all domestic production was bought at government-set prices, which were substantially higher than world prices, so as to allow local growers to cover their production costs as well as earn profit.

As part of the economic reforms, the Mexican economy underwent reforms from the late 1980s to the late 1990s, the guaranteed prices scheme was replaced by direct payments to agricultural producers.

There are two main programmes[63,64] involving such payments:

The first one, known originally as PROCAMPO, subsequently as **PROAGRO** and now as Producción Para el Bienestar **(Production for Wellbeing program)** is notified by Mexico to the World Trade Organisation as a 'green box' subsidy thus ensuring WTO compatibilty, because payments are made

[62] FAO Paper titled 'Innovative Policy Instruments and Evaluation in Rural and Agricultural Development In Latin America And The Caribbean' by Benjamin Davis

[63] USDA FSA Report Titled 'Mexico Announces New "Production for Wellbeing" Support Program' dated July 2019

[64] Regulating for Globalisation Article titled 'Mexico's New Agricultural Policy Is Mexico's Old Agricultural Policy' dated February 2019

on a per hectare basis, irrespective of production volumes. Production for Wellbeing programme is one of the main programmes of the agriculture and rural development sector. In 2019, 9.0 billion pesos which is approximately US$ 474 million of the federal budget have been allocated to the program. This programme provides direct support to small and medium grain producers with farms up to 20 hectares that are appropriately registered in the directory of the Production for Wellbeing program. The program's overall objective is to increase domestic grain production, and thereby increase Mexico's food self-sufficiency. Specifically, the new programme is intended to provide liquidity and improve access to services and investment in small and medium growers' farms. The notice states that the Responsible Unit (RU) overseeing the operation of the programme will allocate 2% of the programme budget for administration of the program. As per the notice, the Responsible Unit will be General Directorate of Operation and Exploitation of Lists (DGOEP), or another unit designated by SADER (Secretariat of Agriculture and Rural Development).

The second one, known originally as Target Income and Marketing Support ('Apoyo al Ingreso Objetivo y a la Comercialización'), subsequently as Marketing Incentives ('Incentivos a la Comercialización') and now as Socially-Oriented and Sustainable Agro-Markets ("Agromercados Sociales y Sustentables"), involves payments, per marketed ton, equivalent to the difference between a target price and the market price. The payments under the programme are not production-neutral since the sum received is a function of the tons produced and marketed.

5. PERU

Peru known globally for its exotic fruits, is a major exporter of grapes, avocados, onions, coffee, bananas, mangoes, mangosteens and guavas, tangerines, mandarins, clementines, satsumas, asparagus, blueberries, sugar, palm oil, wheat, milk, cocoa, quinoa and non-alcoholic beverages. Some support mechanisms in place in Peru to promote agriculture production and exports are briefly discussed below.

Financial Support[65]

In 2020, Peru has subsidies in place for commercial agriculture insurance issued by the Agriculture Ministry that creates a subsidy paying 50% of the premium for commercial coverage, from the fund that the Economy and Finance Ministry approved in 2019. The new subsidy is the result of successful collaboration between the private and public sectors. Demand for commercial coverage is likely to increase significantly in the coming years and attract more local and foreign insurers to sell the product.

[65] World Bank Paper titled 'Gaining Momentum in Peruvian Agriculture: Opportunities to Increase Productivity and Enhance Competitiveness' published on June 23, 2017

The subsidy will cover all types of crops as well as livestock. Farmers can also form cooperatives and buy the coverage directly from insurers. It will reduce farmers' credit risk and allow financial institutions to offer them loans at lower interest rates, while also protecting the funds that the state channels to the agriculture sector.

The Government of Peru has passed numerous laws and fiscal regulations designed to make Peru's agricultural sector competitive in global markets. It established a series of tax incentives favourable to the agricultural sector, including reductions in income tax (agricultural income is taxed at a rate of 15%, one-half of the rate applied to other sectors), exemptions from Value Added Tax (VAT), and a VAT drawback mechanism (applied only to exports) relating to input costs and customs duties. In addition, investments related to irrigation benefit from additional tax exemptions. Technical assistance and extension support is often linked to investments in infrastructure and machinery.

Many of the initiatives designed to support productive investments in the agriculture sector in Peru have used competitive grant funding mechanisms, under which public funds are used to leverage matching investments from private beneficiaries. The investments are embedded in business plans and supported with grants, with co-financing provided by producer organizations and in some cases also local governments.

The co-financing approach has been widely used not only by Ministry of Agricultural Development and Irrigation (MINAGRI), but also by other government agencies. For example, the Programme to Support Productive Competition (PROCOMPITE) allows regional and local governments to allocate up to 10% of their resources to support initiatives that use competitive funds to raise productivity and improve competitiveness. PROCOMPITE, which is managed by the Ministry of Economy and Finance working in collaboration with regional and local governments, has seen a large proportion of investments focus on agri-food value chains. Similarly, the Fondo de Cooperacion para el Desarrollo Social (FECODES) managed by the Ministry of Social Protection (MIDIS) uses a competitive funding mechanism to strengthen market integration by poor and extremely poor rural populations, with a clear focus on agriculture investments. Competitive funds managed by the Ministry of Production (PRODUCE) include the Support to Clusters Programme and Start-up Peru, both of which support producer organizations engaged in the production and marketing of agricultural products such as cocoa and coffee. Variations on the competitive funds approach are also used by the Instituto Nacional de Innovacion Agraria (INIA) to support investments in agricultural innovation.

Policy Support[66]

Peru's fruit and vegetable export industry benefits from a combination of factors that have supported its rapid growth. The Government of Peru created a business and investment-friendly environment with its 1991 Foreign Investment Promotion Law, which legalized unrestricted private foreign land ownership and investment and outlawed discrimination between foreign and domestic investors. Peru's export industry benefits from a business climate that welcomes foreign investors and encourages trade. Free trade agreements with all major trading partners, such as the United States, the EU, and China, provide a huge stimulus to the export industry.

This favourable business environment and relaxed land ownership rights have supported capable producers and agricultural entrepreneurs who have adopted state-of-the-art technology and organizational standards. Large-scale exporters are fully aware of international market expectations. Many of them have founded or joined associations that can effectively promote their commodity, as the associations have a keen understanding of their respective industries, as well as world market conditions.

The Government has maintained some protection for four products classified as 'sensitive' (rice, maize, sugar, and whole milk powder), using a price band mechanism that operates within the Andean community. Under the price band mechanism, tariffs may include an ad valorem component and another, specific component, which can result in an increase or a reduction in the ad valorem rate. The specific component is calculated based on the level of the international price relative to a band composed of floor and ceiling prices determined based on historical prices prevailing in international reference markets. When the international price falls below the floor, a tariff surcharge is imposed, and when it rises above the ceiling, a tariff reduction is applied. If the international price lies within the band, the corresponding Most Favored Nation (MFN) ad valorem tariff applies, with no surcharges or reductions.

National Agrarian Health Service (SENASA) has played a key role in consolidating market opportunities for the Peruvian agro-export sector by facilitating access through the compliance of sanitary and phytosanitary requirements. SENASA also plays a leading role in ensuring the reliability of the framework for organic production. SENASA currently certifies shipments to 174 countries, and it supports private efforts to introduce Peruvian products into new markets by performing pest risk analysis, developing and implementing protocols for quarantine treatments, etc.

[66] USDA Report titled 'Peru: An Emerging Exporter of Fruits and Vegetables' by Birgit Meade, Katherine Baldwin & Linda Calvin

Agriculture Export Promotion Programme in Peru

Export Credit Insurance Scheme for Small and Medium Sized Enterprises (SEPYMEX)[67]

This scheme was created to promote the growth of exporting SMEs through credit facilitation mechanisms, in the form of programmes providing credit guarantee and insurance coverage as security for pre and post shipment loans extended to SMEs by Peruvian financing companies.

Business Guarantee Fund [68]

The Business Guarantee Fund (FOGEM) was created to maintain the normal flow of credit in the Peruvian financial system for micro, small and medium-sized enterprises involved in export chains for non-traditional products. It guarantees credit granted by financial system entities to micro and small enterprises engaged in production, services and trade, and to medium-sized production and/or services enterprises in non-traditional export chains. Specifically, it guarantees the purchase of fixed assets, working capital, foreign trade (pre and post shipment) operations, and advance payments on invoices.

IV Analysis of Select Countries in Middle East & Central Asia

1. ISRAEL

Israel majorly exports carrots and turnips, potatoes, dates, tangerines, mandarins clementines and satsumas, grapefruits, chillies and peppers, food preparation, avocadoes, chicken meat, wine and cotton, among agriculture products. Some support mechanisms in place in Israel to promote its agriculture sector are briefly discussed below.

Financial Support[69]

Agriculture commodities continues to be supported through guaranteed price and production quotas. Average cost of production is taken as the basis for the determination of guaranteed prices for certain commodities. Minimum prices are also guaranteed for wheat, based on the Chicago market price, adjusted for quality and transportation costs. Investments are supported by capital grants. Subsidised

[67] WTO (Committee on Agriculture) Report titled 'Export Subsidies, Export Credits, Export Credit Guarantees or Insurance Programmes, International Food Aid And Agricultural Exporting State Trading Enterprises'
[68] WTO (Committee on Agriculture) Report titled 'Export Subsidies, Export Credits, Export Credit Guarantees or Insurance Programmes, International Food Aid And Agricultural Exporting State Trading Enterprises'
[69] Ministry of Agriculture, Israel

insurance schemes are provided by the Insurance Fund for Natural Risks in Agriculture. The share of the support in the total insurance premium is 80% in the case of the multi-risk insurance schemes and 35% in the case of the insurance schemes against natural hazards. Since 2010, revenue insurance is provided for rain-fed crops for protection against the revenue loss cause due to fall in prices, low yield or both. Income tax exemptions are provided to farmers who participate in the investment support scheme. Credit fund was created in 2015, to help establish and expand small farms that specialise in crop production. In order to provide small farmers with insufficient collateral for the loans, the Government also act as loan guarantor for these loans with 85% guarantee.

Policy Support[70]

Over the past decades, Israel has implemented a number of reforms relating to subsidies, central planning of agricultural industries, and the allocation of production quotas, price controls and import protection. Most of Israel's preferential trade agreements also include tariff quota commitments for agricultural products, often with reduced out-of-quota tariffs. On the whole, Israel implements 258 preferential TRQs for agricultural goods.

Budgetary allocations for research and development have increased and it accounts for a significant share in the agriculture related budget. This along with the effective transmission in innovation to the farm level through public extensive service has helped Israel to become world leader in agriculture technology, particularly farmers in arid and desert conditions. Israel trade agreement with other countries are the basis and incentive for increasing exports. Countries and blocs with which Israel has bilateral trade agreements are United States, the European Union, EFTA (Switzerland, Norway, Iceland and Liechtenstein), Canada, Mexico, Jordan, the Mercosur bloc (Argentina, Brazil, Uruguay and Paraguay), Turkey, Colombia and Egypt. Israel had accepted the amendment to the TRIPS Agreement, ratified the Trade Facilitation Agreement and submitted a notification of its Category A commitments, and notified that it would no longer give export subsidies for agricultural products after January 1, 2023.

2. KAZAKHSTAN

Kazakhstan majorly exports wheat, barley, sunflower seed, linseed, potatoes, lentils, rapeseed cake, non-alcoholic beverages, onion, melons, maize, peas, cotton and rapeseed oil. Some support mechanisms in place in Kazakhstan to promote agriculture production and exports are briefly discussed below.

[70] OECD: Agriculture Policy Monitoring and Evaluation 2020

Financial Support [71]

Substantial concessions include special tax regime to agricultural enterprise and individual farms. Corporate and family farms enjoy a 70% discount on all the business taxes applied in the country. Since 2016, a 100% subsidisation of VAT is provided to primary processors and procurement organisations on agricultural products procured from individual farms. According to the new regulation of agricultural insurance scheme, insurance is now made voluntary, from being mandatory earlier. The new subsidy will cover insurance premiums instead of indemnity. Concessional credit along with investment subsidy represents the principle form of subsidy. Loans are provided at concessional rates by number of agencies under the umbrella state owned agency Kazagro Holding. Interest rates on agricultural loans and leasing contracts are subsidised and concessional loans are provided both for short term and investment loans. Primary producers also benefit from concessional leasing of machinery. Along with agricultural producers, food processors benefit from concessional credit and leasing of machinery and equipment from credit agencies of KazAgro Holding.

Subsidies on fertilisers, seeds, and plant protection chemicals continues. Small and medium-sized businesses with insufficient collateral could receive a guarantee for up to 30% of the loan for development projects in agricultural priority areas. In 2019, a new seed subsidisation mechanism was introduced, which covers 100% of farmers' expenses for purchasing quality seeds. In return, the farmers are required to return 30% of the subsidies to the Seed Development Fund, which finances the acquisition and modernisation of machinery and equipment for certified seed producers at preferential interest rates.

Policy Support[72]

Kazakhstan applies a range of domestic as well as border price intervention instruments. Border measures are in large part implemented within the Customs Union of the Eurasian Economic Union and include tariff rate quotas and non-tariff measures. At the same time, the process to rationalise production subsidies and eliminating product-specific subsidies is continuing. Released funds from the process are to be redistributed to priority areas such as the purchase of breeding stock, as well as subsidies only for import-dependent items like milk, poultry and sugar beets. Since the private financial organisations expressed low interest in guaranteeing loans for farmers, government has created Fund for Financial Support of Agriculture (FFCA) with the aim of shift away from subsidising credit to a credit guarantee system. Based on the FFCA, a system of compensation for guaranteeing loans from the state budget is to be created. In order to provide transparency of farmers' access to finance, their applications for subsidies are made publicly available. An electronic platform is planned to monitor fields based on remote sensing data to empower the insurance agents to develop insurance products.

[71] OECD: Agriculture Policy Monitoring and Evaluation 2020

[72] FAO paper titled 'Agricultural Trade Policies in the Post-Soviet Countries 2014/15: A Summary'.

3. OMAN

Oman majorly exports palm oil, wheat, ice waters, food preparation, pastry, sunflower oil, tomatoes, maize, dates, vegetable oil, milk, cereal preparation, chicken meat, feed, food wastes, fat and eggs. Policy support mechanisms in Oman to promote agriculture sector are briefly discussed below.

Financial Support[73]

In order to attract more investments in the agriculture sector, concerned parties in the government provide many incentives. Oman Development Bank gives loans of about 100% of the capital paid in case the project exists in Muscat governorate (except Quriyat). In case the project established outside Muscat governorate or Quriyat about 130% of the capital paid is given. And in case the companies contributed 40% of its stocks in IPO, it is given a maximum loan upto 3 million. The Ministry also provides financial and artificial loans for supplying modern irrigation systems in gardens.

Policy Support[74]

Projects related to agricultural production are exempted from income tax. The exemption lasts for five years from the production date and can be renewed where it does not exceed five more years. Projects are exempted from custom fees of imports and may be exempted from custom fees of primary substances, not available in the local markets, needed for production for five years.

4. SAUDI ARABIA

Saudi Arabia main agri export items include sugar, fruit juice, milk, dates, orange juice, yoghurt, pastry, feed, food preparation, soybean oil, macaroni, oil, cheese and chicken meat. Financial support extended to the agriculture sector in Saudi Arabia is briefly presented below.

Financial Support[75]

Saudi Arabia has been providing more agricultural loans to farmers. The Saudi Agricultural Development Fund (ADF) is a government credit institution specialized in funding agricultural activities across the Kingdom of Saudi Arabia to help develop the agricultural sector and improve its production efficiency using scientific methods and modern technologies. It has approved more than Saudi Riyal (SR) 337 million (US$ 90 million) in financial loans, facilities and credit guarantees to support the agricultural sector.

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[73] Agriculture and Fisheries Industry, Omanuna (The Official Oman eGovernmnet Portal)
[74] Agriculture and Fisheries Industry, Omanuna (The Official Oman eGovernmnet Portal)
[75] Ministry of Environment, Water and Agriculture website, KSA

5. TURKEY

Turkey is a major exporter of the following agriculture products viz. wheat, macaroni, tangerines, mandarins, clementines and satsumas, maize, sunflower oil, tomatoes, soybeans cake, chicken meat, lemons, ice waters, pastry, food preparations, cereals, food wastes, non-alcoholic beverages, lentils, eggs, raisins, cereal preparation and apples. Some support mechanisms in place in Turkey to promote agriculture production and exports are briefly discussed below.

Financial Support[76]

The Government provides a myriad of input subsidies and also provides direct income/price support and insurance programmes. The Turkish Government is attempting to raise the quality of wheat by offering subsidies to farmers based on their usage of domestically-produced certified wheat seed. Producer support payments based on area are provided under several different rationales. Farmers can also receive area payments for producing organic farming, using certified seeds, fodder crops or certified saplings, using good agricultural practices, and for the rehabilitation of olive groves. In order to become eligible to receive the subsidy, producers need to be registered in the Farmer Registration System. Each farmer registered under the National Farmer Registration System receives a ‘diesel payment’ and a ‘fertiliser payment’ separately based on current area of production. Export subsidies are granted in the form of reductions of the exporters’ debts to public corporations (for example, for taxes and energy costs). Various incentives provided includes general investment incentives like Customs duty exemption, VAT exemption; regional investment incentives like customs duty exemption, land allocation, interest rate support, income tax withholding support, etc.; project based investment incentives like interest rate support upto 10 years, energy support upto 50% of energy expenditures upto 5 years, purchasing guarantee, etc. Interest rate concessions and concessional loans are provided by the Ziraat Bank (TCZB) and Agricultural Credit Co-operatives (ACC) to farmers and agricultural enterprises with varying interest rate concessions based upon the type of agricultural operation. In order to expand the scope of support to agricultural insurance, more products and types of risks have been included. In 2018, coverage had initially been extended to production losses of barley, rye, oats and triticale and covering risks related to drought, frost, hot winds, heat waves, excess moisture and excessive precipitation. It was further extended in 2019 to chickpeas, red lentils and green lentils. Agricultural exports in the last five years hit US$ 107.32 billion, boosted by the extensive incentives and facilities provided for the sector.

[76] Ministry of Agriculture and Forestry, Republic of Turkey

Policy Support[77]

Agricultural policy has moved from market price support and input payments to income support payments. National Agricultural Project was announced in 2016, under which Turkey started a new subsidy programme for agriculture products. The project was meant to diversify Turkey's agricultural production, increase productivity, and reduce the planted area of water-intensive crops in drought prone areas, will subsidize 19 crops, determined as strategic crops by the Government. Turkey is divided into 941 agricultural basins based on climate and soil to subsidize specific crops for each zone. The Government will only support crops if they are on subsidized crop list for their specific agricultural basin and the Turkish Grain Board (TMO) will have active role in the new subsidy policy in order to prevent market fluctuations and set price stability. It is expected that TMO will not procure crops if they are not on the subsidized crop list for their specific agricultural basin.

Infrastructure investment, especially for irrigation is one of the top priority of the Government. The 'Action Plan for the Programme on Enhancing Efficiency of Water Use in Agriculture', introduced in 2015, prioritises modernising irrigation infrastructure, extending water saving practice for agricultural producers through training and extension programmes, reducing agricultural water pollution, revising support policies based on water scarcity and improving the governance of water policies. The plan aims to decrease the use of underground water and increase the use of water-saving irrigation technologies. Support for soil testing and analysis as a prerequisite for receiving fertiliser payments was reintroduced in 2017, and is primarily intended to aid authorised laboratories. The use of organic and organomineral fertilisers i.e. a hybrid type of fertiliser produced by blending organic and chemical raw materials is supported to reduce the use of chemical fertilisers, improve the structure of the soil, increase its productivity and water holding capacity. Farmers can also receive payments to improve animal breeds and farm production capacity.

The Turkish inward process regime allows exporters to obtain raw materials and intermediate unfinished goods that are used in production of the exported goods without paying customs duties and being subject to commercial policy measures. Under this regime, exporters get special import licenses where they export wheat products.

6. UAE[78]

UAE majorly exports rapeseed cake, sugar, non-alcoholic beverages, dates, lentils, cigarettes, rapeseed oil, food preparation, wheat, ice water, milk, meat, barley, tomatoes, rice, chocolate products, pastry

[77] World Bank Policy Research Working Paper titled 'Agricultural Policies and Trade Paths in Turkey' in October 2014
[78] Agriculture Development and Health, UAE Ministry of Climate Change and Environment

and vegetables. Some policy support mechanisms in UAE to promote the agriculture sector are briefly discussed below.

Policy Support

The Abu Dhabi Government has launched Emirati Dirham (AED) 1 billion-programme to support the establishment of agricultural technology companies in the emirate, as part of the Ghadan 21 three-year stimulus package, announced last year. The Khalifa Fund for Enterprise Development has launched a programme called 'Ziraai' to support citizens working in the agricultural sector by providing training and marketing services and giving interest-free loan of up to AED 1 million to each farmer. This programme aims to promote growth in the agricultural sector and help farmers to improve the marketability, profitability and efficiency of their farms through cutting-edge technologies such as hydroponics systems that can reduce water consumption by up to 80%.

Conclusion

Agriculture exports are highly affected by agriculture policies, trade policies, as well as their synergies and conflicts. The existing policies and the new policies being implemented must complement each other for the sector to derive maximum benefit. The export promotion strategies implemented in the countries analysed in this chapter, vary substantially even in the same geographical region.

Some have followed open free trade policy like Peru, while some countries like China are heavily supporting the domestic exporters through subsidies and price support. But one thing is clear, that the agriculture sector does need a range of supporting policies and financial support for it to contribute significantly to the economy's growth and GDP. Support mechanisms include, among others, provision for input subsidy, price support, soft infrastructure, logistics, access to finance, insurance scheme, technology, marketing, tariff structure, certification, clearances, and agreements among others. It is the combination of these policies that needs to be developed and integrated to attain better results for such a sector to contribute to a growing economy.

CHAPTER 4

Agriculture Trade Promotion Policies of Select Developed Countries

Trade promotion policies are the set of policies and practices aimed at directly or indirectly supporting trade in the country. Increasing exports performance is among the major priorities of any government. In order to boost exports from the agriculture sector, developed economies have shifted their farm subsidies away from the Amber Box, the spending on which was limited by the Agreement on Agriculture (AoA) adopted at the conclusion of the Uruguay Round negotiations and are moving towards Green Box support. Subsidies provided under Green Box are considered less market distorting, and therefore, WTO members are not constrained in their ability to provide subsidies included in these categories. Reviewing the past and present international experiences of these developed economies with the agriculture export promotion policies is hence crucial to provide other governments with some guidelines to help identify the best practices so far. This chapter highlights some of the key agriculture export promotion policies and programmes of select developed economies.

1. United States of America[79]

Export Credit Guarantee Programme (GSM-102)

The GSM-102 programme provides credit guarantees to encourage financing of commercial exports of U.S. agricultural products. By reducing financial risk to lenders, credit guarantees encourage exports to buyers in countries mainly developing countries that have sufficient financial strength to have foreign exchange available for scheduled payments.

[79] Foreign Agriculture Service, U.S. Department of Agriculture

The GSM-102 programme guarantees credit extended by the private financial sector in the United States (or, less commonly, by the U.S. exporter) to approved foreign financial institutions using dollar-denominated, irrevocable letters of credit for purchases of U.S. food and agricultural products by foreign importers. U.S. Department of Agriculture (USDA), Foreign Agricultural Service (FAS) administers the programme on behalf of the Commodity Credit Corporation (CCC), which issues the credit guarantees. GSM-102 covers credit terms of up to 18 months; maximum terms may vary by country.

The programme is available to exporters of:

- High-value, consumer-oriented, processed products such as frozen foods, fresh produce, meats, condiments, wine and beer;
- Intermediate products such as hides, flour and paper products; and
- Bulk products such as grains, oilseeds and rice.

Agricultural Trade Promotion Program

The Agricultural Trade Promotion Programme (ATP) was created in 2018 to help U.S. agricultural exporters develop new markets and mitigate the adverse effects of other countries' tariff and non-tariff barriers. The ATP provides cost-share assistance to eligible U.S. organisations for activities such as consumer advertising, public relations, point-of-sale demonstrations, participation in trade fairs and exhibits, market research, and technical assistance. The ATP is available to all sectors of U.S. agriculture, including fish and forest product producers, mainly through partnerships with non-profit national and regional organisations. Foreign Agricultural Service (FAS) administers the ATP under authorities of the Commodity Credit Corporation Charter Act. As on July 2019, US$ 300 million has been allocated to different organisations under the ATP programme, with highest allocation to American Soybean Association (11.5%), followed by US Meat Export Federation (9.2%), US Grain Council (6.9%) and Food Export USA Northeast (6.9%).

Emerging Markets Programme (EMP)

The Emerging Markets Programme (EMP) helps U.S. organisations promote exports of U.S. agricultural products to countries that have or are developing market-oriented economies and that have the potential to be viable commercial markets.

Through the EMP, FAS provides cost-share funding for technical assistance activities such as feasibility studies, market research, sectorial assessments, orientation visits, specialized training and business workshops. The EMP supports exports of generic U.S. agricultural commodities and products, meaning projects that endorse or promote branded products or specific companies are not eligible.

Export Sales Reporting Program

Timely reporting and publishing of agricultural export sales data is key to effectively functioning markets. The U.S. Department of Agriculture is required by law to publicly release summary sales data obtained from U.S. exporters of many agricultural commodities.

***Weekly Reporting*:** Each week, U.S. exporters are required to report to USDA's Foreign Agricultural Service (FAS) any transaction entered into with a buyer outside the U.S. for sale of the 22 agriculture commodities including barley, cottonseed oil, soybeans, beef, flaxseed, wheat (by class), cotton (by type), pork among others, regardless of quantity. Weekly reporting is also required for all food aid donations, regardless of the commodity or volume.

The weekly reporting period runs Friday through Thursday and exporters must report no later than 11:59 p.m. ET the following Monday. FAS publishes a weekly summary of export sales activity every Thursday at 8:30 a.m. ET, unless a change is announced. If the preceding Friday or Monday is a national holiday, the reporting deadline moves to Tuesday and the weekly summary is published Friday.

FAS compares and reconciles reported data with sources including USDA's Federal Grain Inspection Service, U.S. Census Bureau, and trade reports.

***Daily Reporting*:** In addition to the weekly reporting requirement, daily reporting is required when a single exporter enters into a transaction to sell 100,000 metric tons or more of the agriculture commodities like barley, oats, soybean oil[80], corn, soybeans, wheat, grain sorghum and soybean cake and meal to a single destination on a single day. Exporters must report by 3 p.m. ET on the business day following the transaction, and then FAS publishes the information on the subsequent business day at 9 a.m. ET. Daily sales activity is also captured in the weekly report.

Facility Guarantee Program

The Facility Guarantee Programme (FGP) provides credit guarantees for infrastructure improvements in countries where demand for U.S. agricultural products may be limited by lack of adequate facilities. The programme is designed to boost sales of U.S. agricultural products in countries where demand may be limited due to inadequate storage, processing, handling, or distribution capabilities. The programme provides credit guarantees to facilitate the financing of manufactured goods and U.S. services to improve or establish agriculture-related facilities in emerging markets.

[80] with the exception of 20,000 metric tons of soybean oil

Under the FGP, the Commodity Credit Corporation (CCC) reduces the financial risk to lenders by guaranteeing payments due from approved foreign financial institutions to U.S. sellers or financial institutions.

Foreign Market Development Program

The Foreign Market Development (FMD) Program, also known as the Cooperator Program, helps create, expand and maintain long-term export markets for U.S. agricultural products. Under the program, FAS partners with U.S. agricultural producers and processors, who are represented by non-profit commodity or trade associations called “cooperators,” to promote U.S. commodities overseas.

The FMD programme focuses on generic promotion of U.S. commodities, rather than consumer-oriented promotion of branded products. Preference is given to organisations that represent an entire industry or are nationwide in membership and scope. FMD-funded projects generally address long-term opportunities to reduce foreign import constraints or expand export growth opportunities. For example, this might include efforts to:

- Reduce infrastructural or historical market impediments,
- Improve processing capabilities,
- Modify codes and standards, or
- Identify new markets or new uses for the agricultural commodity or product.

Market Access Program

Through the Market Access Programme (MAP), FAS partners with U.S. agricultural trade associations, cooperatives, state regional trade groups and small businesses to share the costs of overseas marketing and promotional activities that help build commercial export markets for U.S. agricultural products and commodities.

MAP reaches virtually every corner of the globe, helping build markets for a wide variety U.S. farm and food products. FAS provides cost-share assistance to eligible U.S. organisations for activities such as consumer advertising, public relations, point-of-sale demonstrations, participation in trade fairs and exhibits, market research, and technical assistance. When MAP funds are used for generic marketing and promotion, participants must contribute a minimum 10% match. For promotion of branded products, a dollar-for-dollar match is required.

Quality Samples Programme (QSP)

The Quality Samples Programme (QSP) enables potential customers around the world to discover the quality and benefits of U.S. agricultural products. The programme focuses on processors and manufacturers rather than consumers. QSP projects should benefit an entire industry or commodity rather than a specific company or product. Projects should focus on developing a new market or promoting a new use for the U.S. product.

QSP participants obtain commodity samples, export them, and provide the recipient with guidance on how to use the samples. When a project is finished, USDA reimburses the participant for the costs of procuring and transporting the sample. Although all programme participants are required to provide technical assistance to the recipients of their commodity samples, the costs for this assistance are not reimbursable.

Technical Assistance for Specialty Crops

The Technical Assistance for Specialty Crops (TASC) programme funds projects that address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of U.S. specialty crops. Eligible activities include seminars and workshops, study tours, field surveys, pest and disease research, and pre-clearance programmes. Eligible crops include all cultivated plants and their products produced in the United States except wheat, feed grains, oilseeds, cotton, rice, peanuts, sugar, and tobacco. Awards are for a maximum of US$ 500 thousand per year and for projects of up to five years.

The TASC programme is intended to benefit an entire industry or commodity rather than a specific company or brand. U.S. non-profit, for-profit, and government entities are eligible to apply. Proposals may target individual countries or reasonable regional groupings of countries.

2. Japan[81,82]

The goal of **Export Expansion Action Strategy** is to increase agricultural, forestry, fishery, and food exports is to expand profits for businesses in these sectors. In order to achieve the overall export targets for these products of two trillion yen (US$ 19 billion) in 2025[83] and five trillion yen (US$ 48 billion) in 2030, the strategy has identified 27 products with export growth potential and outlined a course of action for increasing exports. The strategy designates key products and regions on which resources are focused, puts forth an action plan for supporting export-focused businesses, and takes steps to streamline the

[81] USDA FSA Report titled 'Japan Establishes Agricultural Export Expansion Strategy' dated December 2020
[82] USDA FSA Report titled 'MAFF JFY2020 Budget Focuses on Reinforcement of Agricultural Production Resources and Infrastructure' dated March 2020
[83] In 2019, Japan's total exports of agricultural and related products totaled 912 billion yen (US$ 8.8 billion)

Government of Japan's (GOJ) approach to facilitating exports. For some products and production areas, the strategy identifies existing support programmes aimed at promoting exports to meet targets. These and other associated support payments are allocated through the Ministry of Agriculture, Forestry and Fisheries' (MAFF) annual and supplementary budgets.

Export Promotion Efforts

The **Export Expansion Action Strategy 2020** builds on the 2016 agricultural export strategy. The 2016 strategy developed tailor-made export promotion approaches by product and proposed measures to strengthen their export capabilities.

Export Infrastructure Improvement: In 2016, the Agriculture, Forestry and Fisheries and Regions Vitality Creation Headquarters, designated 41 ports, markets, and factories as export hubs where infrastructure improvement activities were concentrated.

Overseas Sales Promotion[84]: In 2017, JETRO launched JFOODO to conduct overseas promotion activities. The Japan Food Product Overseas Promotion Center (JFOODO) was established on April 1, 2017 within JETRO. JFOODO devotes its resources to the branding of Japanese agricultural, forestry, fishery and food products.

Agricultural Competitiveness Strengthening Programme : was approved by the Government of Japan in November 2016, in which a new organisation specializing in branding and promotion of Japanese food products was launched and support for Japanese exporters was determined.

In December 2016, 15 organisations including the Ministry of Agriculture, Forestry and Fisheries, JETRO and Japan Agricultural Cooperatives (JA) signed a partnership agreement for strengthening the comprehensive support for the export of Japanese agricultural, forestry, fishery and food products.

Stakeholder Community Network: In 2018, MAFF launched a Global Farmers/Fishermen/Foresters/ Food Manufacturers Project (GFP) to facilitate communication between manufacturers, producers, distributors and exporters. Through the program, MAFF, JETRO, and other experts provide advice to registered GFP members. MAFF also prioritizes support payments to GFP members whose export business plans are approved.

Market Access Facilitation and Coordination: In 2019, the Agriculture, Forestry and Fisheries and Regions Vitality Creation Headquarters established a Ministerial Council to coordinate and facilitate market access and regulatory issues. The Council also reviews progress towards the annual action plan

[84] JETRO Official website (jetro.go.jp)

developed by the Agriculture, Forestry and Fisheries Products and Food Export Headquarters at regular intervals.

Export Promotion and System Improvements: The JFY 2020 annual budget allocates 1.2 billion yen (US$ 11 million) for the establishment of Agriculture, Forestry and Fisheries Products and Food Export Headquarters. In order to help food manufacturers obtain Hazard Analysis Critical Control Point (HACCP) certification, a total of 12.3 billion yen (US$ 113 million) in JFY2020 and JFY2019 was earmarked to support facility renovation and equipment purchases required for HACCP certification.

Agriculture, Forestry and Fisheries Products and Food Export Promotion Act: In April 2020, the Agriculture, Forestry and Fisheries Products and Food Export Promotion Act entered into force and created the legal basis for MAFF to establish **one-stop export support office for exporters**. Called the Agriculture, Forestry, and Fisheries Products and Food Export Headquarters and located within MAFF, the newly established office provides export procedure guidance, issues export certificates, and approves and registers facilities for exports. It also developed an annual action plan for export facility approvals and registrations and market access negotiation schedules with foreign governments. The Act also allows the Japan Finance Corporation, operated by the GOJ, to extend long-term, low interest rate loans and loan guarantees to companies whose export business plans are approved by the Agriculture, Forestry and Fisheries Products and Food Export Headquarters.

3. Canada[85]

The **Canadian Agricultural Partnership** is a US$ 3 billion five-year (2018-2023), investment by federal, provincial and territorial (FPT) governments to strengthen and grow Canada's agriculture and agri-food sector with:

- Simplified and streamlined programmes and services that are easier to access
- Improvements to programmes that helps in managing significant risks that threaten the viability of your farm and are beyond your capacity to manage
- US$ 2 billion in FPT cost-shared strategic initiatives
- US$ 1 billion for federal activities and programmes

[85] Key Departmental Initiatives, Agriculture and Agri-Food Canada, Government of Canada

Key programme under Canadian Agricultural Partnership includes:

AgriCompetitiveness Program

The AgriCompetitiveness Programme aims to help the agricultural sector to leverage, coordinate and build on existing capacity, enhance safety, adapt to changing commercial and regulatory environments, seize new opportunities, share best practices, and provide mentorship opportunities. It accomplishes these goals by supporting industry to build on existing capacity by facilitating the sharing and expansion of skills, knowledge, and best practices, and increase agricultural awareness. It will also provide for activities that allow agri-businesses to transition, adapt, and improve their profitability by nurturing the entrepreneurial capacity of new and established farmers, delivering farm safety initiatives, and cultivating individual and industry leadership.

In addition, the programme supports activities undertaken by important domestic agricultural fairs which have strong international and domestic components, as well as generic agriculture awareness activities which will help strengthen public trust about the origin of the food they eat and how it is produced. The support is available in the form of non-repayable contributions from Agriculture and Agri-Food Canada (AAFC). Eligible applicants under the programme are not-for-profit organisations that operate nationally in Canada. They may include association and indigenous groups.

Eligible applicants must also meet the following principles and criteria, such as:

- Providing a minimum of 50% of the funding towards eligible costs
- Total AAFC funding for an applicant will normally not exceed US$ 1,000,000 per year
- Total AAFC funding for a project undertaken by a national fair to carry out awareness activities during the fair will normally not exceed US$ 100,000 per year

AgriMarketing Program

The AgriMarketing Programme aims to increase and diversify exports to international markets and seize domestic market opportunities. It accomplishes these goals by supporting industry-led promotional activities that highlight Canadian products and producers and boost Canada's reputation for high quality and safe food. The support is available in the form of non-repayable contribution support from Agriculture and Agri-Food Canada.

Eligible applicants under the AgriMarketing Programme are:

- Non-profit corporations that are legal entities separate from its members and directors formed for purposes other than generating a profit to be distributed to its members, directors or officers. While, a non-profit corporation can earn a profit, the profit must be used to further the goals of the corporation rather than to pay dividends to its membership. They include:
  - Associations in Canada operating on a national industry-wide basis in the agriculture, agri-food, agri-based products sector, including fish and seafood.
  - Associations in Canada operating on a regional basis in the agriculture, agri-food, agri-based products sector, including fish and seafood, that represent significant Canadian production within that sector and can demonstrate their ability to deliver a project from a national perspective.

Canada Pavilion Programme

The Canada Pavilion Programme aims to make trade show participation easier for Canadian companies at the world's premier food and beverage events 'where the world shops'. The programme is a five-year initiative under the Canadian Agricultural Partnership.

Programme Highlights:

- Streamlined access to financial support
- Customizable turn-key booth in Canada Pavilion events
- Focus on new to market, first-time exhibitors, and innovative products
- Priority is given to small and medium size exporters

AgriAssurance Program: National Industry Association Component

National Industry Association (NIA) Component funds projects, at the national level, to help industry develop and adopt systems, standards and tools to support health and safety claims about Canadian agricultural and agri-food products.

It accomplishes these goals by supporting industry to develop, verify and integrate assurance systems to address market and regulatory requirements. Assurance systems enable the industry to make credible, meaningful and verifiable claims about its products and the manner in which they are produced. The support is available in the form of non-repayable contributions support from Agriculture and Agri-Food Canada (AAFC).

AgriAssurance Program: Small and Medium-sized Enterprise (SME) Component

Small and Medium-sized Enterprise (SME) component under AgriAssurance Programme aims to support for-profit SMEs to help implement assurance projects that address market and regulatory requirements. It aims to offer funding to help company put third-party assurance certification projects into action. By doing this, the Canadian Agricultural Partnership hopes to expand Canada's agricultural export opportunities. The support is available in the form of non-repayable contributions support from Agriculture and Agri-Food Canada (AAFC).

The company can qualify for US$ 50,000 in funding (half of which the company has to provide), if the company is an SME of any sort or an indigenous group, part of any agriculture sector, including fish and seafood, and as a legal organisation, can participate in legally binding agreements. This programme even allows funding of more than one project. However, the total funding cannot exceed more than US$ 100,000.

Product2Market[86]

It runs under provincial or territorial government of Saskatchewan(one of the province in Canada). Industry Association programme supports industry organisations to increase the domestic and international trade capacity for Saskatchewan agricultural products.

Industry Association programme provides funding for industry market development in four ways:

- **In-Market Development** supports activities to showcase Saskatchewan products and expand markets around the world.
- **Incoming Missions** increases the number and value of incoming buyer missions.
- **Trade Advocacy** opens, protects and expands market access for Saskatchewan products.
- **Capacity Building** assists industry with actionable market intelligence to enter new markets.

Import for Re-Export Program[87]

The Import for Re-export Programme (IREP) provides for Canadian companies to import supply-managed agricultural products (chicken and chicken products; turkey and turkey products; dairy products; eggs and egg products and broiler hatching eggs) for further processing and re-exportation. The IREP

[86] Canadian Agricultural Partnership, Saskatchewan Official Website (https://www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/agribusiness-farmers-and-ranchers/canadian-agricultural-partnership-cap)
[87] Trade Controls Bureau, Foreign Affairs, Trade and Development Canada Official Website (https://www.international.gc.ca/controls-controles/prod/agri/index.aspx?lang=eng)

allows the Canadian food processing sector to be competitive on the export market while supporting Canada's domestic supply management system. The Program's policies, conditions and administrative requirements are set out in specific sections on the IREP contained in the applicable Notices to Importers on Supplemental Imports for each agricultural sector.

4. United Kingdom[88]

The UK operate several schemes designed to encourage consumption of farming and agricultural produce. Some of these offer advice and financial support to UK farm producers exporting to other EU countries and beyond. Exporters can also claim refunds on export duties. Following are the main advisory and financial support services for UK exporters of agricultural produce including fruit and vegetables, animal and genetic products.

Advice for exporters of agricultural and food products

Sector-specific information about agricultural product exporting can be procured from the International Agri-Technology Centre (IATC). IATC works with UK Trade and Investment to promote UK agri-businesses through UK Trade and Investment's network of international contacts. It also helps overseas companies looking for UK agricultural products to find agri-businesses in this country.

Animal Health International Trade Centre advices and guides on Export Health Certificates. They confirm whether a certificate is required and are able to provide with a specimen certificate. These certificates are known as Intra (Community) Trade Animal Health Certificates, which are issued via the Trade Control and Expert System (TRACES) database.

Overseas market reports: UK Trade and Investment also provides free information services for agricultural exporters. For information on export to a specific country or market, the exporter can download the agricultural market reports.

Business opportunities for agricultural exporters: The IATC can also give exporters information about current business opportunities, including:

- Private sector investments
- Joint ventures, investments and cooperative partnering
- Public sector business, including tenders
- Multilateral aid

[88] International trade products and schemes, Government of United Kingdom

Exporter and importer alert service: Any business exporting from or importing to the UK is eligible to register for email alerts from UK Trade and Investment. This free service delivers multi-department messages, such as changes to current export guidance.

Certificates of free sale

Certificates of free sale are documents produced by the Rural Payments Agency (RPA) to accompany certain exports. Free of charge to exporters, they are often used for exports to Middle East countries. The documents are guarantees to the importing country that the UK product is no risk to consumer health, and also that it is sold freely within the exporter's country.

Exporters can apply to the RPA for a certificate of free sale for:

- Manufactured foods
- Soft drinks
- Health food supplements
- Food additives
- Pet foods
- Tea, cocoa and coffee
- Herbs and spices
- Animal feeding stuffs
- Alcoholic drinks
- Milk and milk products
- Sugar and sugar syrups
- Malt and flour
- Protein crops

Export Refund Rates

The Common Agricultural Policy (CAP) lets UK businesses claim back export duties paid on raw agricultural materials such as cereals, sugar, eggs, milk and butter used in processed agricultural products. These are also called 'Non-Annex I' products and include:

- Chocolate
- Confectionery
- Soft drinks

- Biscuits
- Breakfast cereals

Exporters get the refunds by applying in advance to the RPA through the Small Exporters' Reserve if the claim is for less than € 100,000 in a year, or by using the export refund certificate procedure. Refund payments are made in six installments, spread throughout the year. However, exporters and manufacturers must meet strict criteria and applications must be accompanied by a security of 35% of the value of the requested export refund certificate.

The RPA lists details of current export refund rates for:

- Beef
- Cereals
- Eggs
- Fruit and vegetables
- Milk
- Pig meat
- Processed goods
- Poultry
- Rice
- Sugar/syrup

International Trade in Live Animals and Animal Products

International trade in live animals and animal products, including genetic material, is regulated mainly by Animal Health - an executive agency of the Department for Environment, Food and Rural Affairs (Defra). The agency is responsible for maintaining the health and welfare of farmed animals in England and Wales.

***Exporting to European Union countries*:** Export health certificate is need when exporting live animals to EU countries. The exporter can apply online for an export health certificate for trade within the EU using the Trade Control and Expert System (TRACES). There are specific export regulations for individual animal species and products. Defra issues regular customer information notes (CINs) - containing news of the latest developments in international trade.

***Exporting to non-EU countries*:** Animals or animal products can be exported to third countries those outside the EU, if the destination country has agreed an export health certificate with the UK. Before exporting to non-EU countries, exporter should:

- Check whether a suitable export health certificate is available
- Contact animal health's central operations for exports department if you have any routine queries on export controls and procedures
- Contact the destination country's veterinary authorities to find out about import conditions
- Discuss the exports with your veterinarian
- Check animal movement licence requirements
- Confirm animal welfare requirements
- Check convention on international endangered species requirements
- Check marketing rules
- Check the requirements of the ferry or airline company
- Confirm HM revenue and customs procedures

Once familiar with the requirements of the destination non-EU country, exporter can apply for an export health certificate via Exports on Line (EOL) on the Defra website.

European Union Funding for Promotions

The EU funds agricultural product trade organisations to stimulate consumption both within and outside the EU. This is called the EU market information and promotions scheme.

***Trade promotions within the EU*:** The RPA can apply once a year to the European Commission for limited funding for trade promotion within the EU. These promotions must be on at least a national scale.

Products which may be eligible include:

- Fresh fruit and vegetables
- Processed fruit and vegetables
- Fibre flax
- Live plants and products of ornamental horticulture
- Olive oil and table olives
- Rapeseed oil and sunflower oil
- Milk and milk products

- Fresh, chilled or frozen meat - quality scheme accredited
- Marking of eggs for human consumption
- Honey and other apiculture products
- Wines with protected designation of origin or protected geographical indication
- Wines with indication of grape variety
- Graphic symbol for outermost regions
- Products with protected designation of origin (PDO), protected geographical indication (PGI) and traditional speciality guaranteed (TSG)
- Organic farming and products
- Poultry meat

***Trade promotions outside the EU*:** Agricultural trade organisations can apply once a year for funding to support promotional activities in certain 'third countries' and geographical areas. As with the EU version of the EU Market Information and Promotions scheme, programmes must be on a national scale or larger.

The scheme applies to the following agricultural products:

- Fresh, chilled and frozen beef, veal and pig meat and foods prepared from them
- Poultry meat
- Milk products
- Olive oil and table olives
- Wines with protected designation of origin or protected geographical indication
- Wines that identify the variety of grape used
- Spirit drinks with protected geographical indication
- Fresh and processed fruit and vegetables
- Products processed from cereals and rice
- Fibre flax
- Live plants and ornamental horticultural products
- Products with a PDO, PGI or TSG rating
- Organic farming products

5. Australia[89]

The Export Finance and Insurance Corporation (EFIC) is the only government entity that provides export finance in Australia. This is a self-funded organisation that operates in accordance with commercial principles. EFIC has no agriculture specific export financing programmes. Although, agriculture sector has taken a significant share in the following general export financing programmes.

Export Contract Loan

It is a direct financing support programme. EFIC provides a loan to an Australian exporter or company in an export-related supply chain. The loan allows the Australian company to deliver on a contract with an overseas buyer. Loans may be AUD 100,000 or more with a 12-month draw down period.

The annual average premium rates/fees is 3% to 5% p.a. with maximum repayment terms of 30 to 360 days. Agriculture products covered under the programme are grain and flour, meat and meat products, vegetable and olive oils, wine

Export Working Capital Guarantee

It is a risk cover. It provides guarantee to an exporter's bank for the exporter's payment obligations under a working capital loan facility. The Export Working Capital Guarantee can support a single export contract or multiple contracts with different buyers.

The annual average premium rates/fees is 4.5% p.a. with maximum repayment terms of under 180 days. Agriculture products covered under the programme are macadamia nuts, meat including organic beef, wool

Foreign Exchange Facility Guarantee

It is a governmental export credit support. EFIC guarantee is extended to participating foreign exchange specialists to increase the trading limit on the foreign exchange facility they offer to their exporting clients without the need for the exporter to provide additional security. Participating foreign exchange providers can increase the trading limit of up to AUD 2.5 million they offer to Australian exporters and allows for foreign exchange forward contracts duration of up to a maximum tenor of 12 months.

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[89] WTO (Committee on Agriculture) Report titled 'Export Subsidies, Export Credits, Export Credit Guarantees Or Insurance Programmes, International Food Aid And Agricultural Exporting State Trading Enterprises'

EFIC receives a pre-agreed proportion of the gross fee received by the participating commercial foreign exchange provider. While the maximum term for which a Foreign Exchange Guarantee (FXG) facility is in place is 12 months for an exporter, however, the actual repayment term for a contract on the export of an agriculture product subject to an FXG does not typically exceed 180 days. Agriculture products covered under the programme are various grains, pulses and lentils.

CHAPTER 5

Strategies to Enhance India's Agriculture Exports

India has long been recognized as the multi-product agriculture powerhouse in the world. According to FAOSTAT data, India stands as the largest producer of pulses and fibre crops, 2nd largest producer in vegetable, after China; 3rd largest producer in cereals, after China and USA, and in citrus fruits, after China and Brazil, in 2019. In disaggregated terms, India ranked 1st in the production of banana and mango; and 2nd in the production of wheat, rice, tea, potato, onion in the world, after China.

According to WTO data in 2019 (Table 5.1), India ranked at the 16th position among the countries with the highest agriculture exports, following USA (US$ 164.8 billion and share of 9.2% in the total agricultural exports), Netherlands (US$ 110 billion and share of 6.2%), Germany (US$ 93.4 billion and share of 5.2%), Brazil, China, France, Canada, Spain, Italy, Belgium, Thailand, Indonesia, Mexico, Argentina and Poland, with the meagre share of 2.1% in the global agriculture exports, which is pegged around US$ 1.8 trillion.

Certainly, India has performed much below its potential when it comes to agriculture exports. While India holds 2nd rank in the world's wheat production, it ranked only 34th in terms of its exports. Similarly, while India ranks 2nd in vegetable production globally, it ranked 14th in terms of global exports. India also ranks 3rd in global fruit production but stood at the 22nd position in its exports to the world. Despite India being a leading producer of agriculture products, exports from this sector have not fared well and India lags behind its global peers. Smaller countries like Belgium, Italy, and Netherlands have much higher value of agriculture exports than India.

Table 5.1: Top Agriculture Exporter Countries in 2019

Country	Total Agriculture Exports in 2019 (US$ billion)	Share in Global Agriculture Exports (%)
USA	164.8	9.2
Netherlands	110.0	6.2
Germany	93.4	5.2
Brazil	89.1	5.0
China	81.7	4.6
France	75.2	4.2
Canada	65.0	3.6
Spain	61.6	3.5
Italy	51.7	2.9
Belgium	50.1	2.8
Thailand	43.0	2.4
Indonesia	43.0	2.4
Mexico	39.7	2.2
Argentina	39.0	2.2
Poland	37.5	2.1
India	**37.4**	**2.1**
Australia	35.2	2.0
Russia	33.7	1.9
United Kingdom	33.1	1.9
Vietnam	29.9	1.7

Source: WTO

The outbreak of the Coronavirus, and the subsequent lockdown has underscored the resilience shown by this sector by registering a positive growth, especially when the economy severely contracted and other sectors registered a negative growth rate. The pandemic at the same time spurred the structural reforms in this sector. The Government recently passed the amendments to the Essential Commodities Act, especially removal of stock limit on cereals, pulses, oilseeds, onions and potatoes, which is expected to boost the confidence of the people to invest in creating infrastructure and storage facilities with a fair degree of certainty. The cabinet has also passed other laws allowing the farmers to directly sell the produce to the retailers, exporters, wholesalers, processors and aggregator etc. and promoted contract farming.

If India has to ensure higher value to its farmers, who constitute more than two-third of the population, then India needs to enhance its agriculture exports along with increasing productivity. According to WTO data, India's agriculture exports went up from US$ 16.4 billion (1.4% of the global agricultural exports) in 2009 to US$ 42.9 billion (2.4% share) in 2014 before moderating to about US$ 37.4 billion (2.1% share) in 2019. A positive performance of the agriculture exports would have a strong positive externality. Higher agriculture exports would mean a better price realization for farmers, promote good agricultural practices, increase focus on enhancing quality and awareness about the demand pattern of the other countries. This chapter attempts to suggest a few strategies that could be adopted in order to expand India's agricultural exports.

Some of the strategies which could be adopted for higher agriculture exports are as discussed below:

Ensuring High Quality Standards

The European Commission has brought down maximum residue limit (MRL) level for Tricyclazole, a fungicide used by farmers against a disease, by 100 folds in basmati rice to 0.01 mg per kg, leading to a ban over exports of basmati from India to EU countries. Instances like these highlights the need to improve quality of agriculture exports from India. Efforts should be made to enhance quality and shelf life of the goods exported. Awareness needs to be generated among farmers about exportable varieties, new production techniques, harvesting and post-harvest management, export market requirements with due attention on mechanized harvesting, sorting, grading, pre-cooling, waxing, packaging, for a quality product to be produced adhering to international standards. A focused approach is needed for regular dissemination of updated information and knowledge in the context of export procedures/ ISO Hazard Analysis and Critical Control Point (HACCP), and other mandatory certifications. This approach requires a coordinated and continuous efforts of parallel institutions like the State agriculture departments, commodity boards and research institutions. It is essential to replace post arrival testing with the pre-shipment inspection. These testing centres should be encouraged to obtain international accreditation from recognized authorities. The process of the certification should be made simple and streamlined. The laboratories should also be located near the production clusters to reduce logistics cost and time. Easy traceability should be practiced for certification of organic farming.

Technological Intervention and R&D

India has been largely an agricultural commodity exporter. To enhance exportability in value added products, technological interventions in agriculture is vital. This may encompass digitization of land records, geo-mapping of lands, and registration of farmers and farm producer organizations (FPOs) for effective implementation of policies; revamping of entire cold storage and reefer infrastructure with adaption of higher end technologies to enhance quality of produce, availability of processable commodities, and reduce post-harvest loss; increased mechanisation of farm, harvest management, and application of artificial intelligence in planning, monitoring, harvesting and resource allocation, have the potential to streamline response time, thereby, increase efficiency in supply chain management.

R&D in new product development is essential, however, should also include innovations in other areas of application in product and farm management, such as improving shelf life, innovations in packaging with product specific optimisation. Innovations like movable warehouses/cold storages and mobile based applications providing farm machineries on rental basis have been successfully operating but on a small scale. Hence, it may be imperative for policy makers to identify the successful models in these areas that can be scaled up across the country giving much needed fillip to export oriented agriculture.

Ensuring WTO Compatibility

Nearly all domestic support measures that are considered to distort production and trade (with some exceptions) fall into the amber box of WTO's domestic support in agriculture classification, which is defined in Article 6 of the Agreement on Agriculture. These include measures to support prices, or subsidies directly related to production quantities. These supports are subject to limits: "de minimis" minimal supports are allowed at generally 5% of agricultural production for developed countries, and 10% for developing countries. The current MSP programme of the Government is argued to have breached this admissible limit.

India's farm subsidy and export subsidy are increasingly being challenged at the WTO for violating multilateral trading rules. On May 09, 2020, the US alleged that India's MSP programmes for wheat and rice have breached India's permissible levels of trade-distorting domestic support at the WTO. It claimed India's market price support for wheat is over 60% of the value of production in each of the four years (between 2010 and 2013) for which India has notified data.

Thus, the policies relating to Minimum Support Price will also have to be made WTO compatible. India needs to shift its focus from domestic subsidies to direct income support. Under Agreement on Agriculture (WTO), the direct payment to farmers comes under the Green Box. The Green Box subsidies can be given by a government or in other words they need not be reduced. Direct support includes income guarantee and security programmes (natural disasters, state financial contributions to crop insurance, etc.); programmes aimed at adjusting structures and environmental protection programmes, regional development programmes among others. The Pradhan Mantri Kisan Sammann Nidhi initiative of the Government of India is a step towards this direction.

Tapping Market Intelligence

This would essentially refer to identifying commodity-wise importing markets for a country's exports across the global market. While scouting for potential markets, products need to be tweaked in a scientific and sustained manner to meet specific consumer tastes and requirements. Information relating to key competitors, existing tariff as well as non-tariff structures, WTO compliant export norms, prevailing quality standards and food regulations in the target market for imports of different product from other countries needs to be disseminated to the domestic exporters in a timely and regular manner. A common information platform can be built, providing comprehensive information relating to trade opportunities and business environment in the different countries. This platform will even help exporters in mutually benefitting from each other's experiences.

Enhanced Market Access

India's effort at market access and expansion of existing markets also needs to be coordinated between exporters and related government agencies. Currently, multiple agencies/ departments including Ministry of External Affairs, Agricultural and Processed Food Products Export Development Authority (APEDA), Marine Products Export Development Authority (MPEDA), Plant Quarantine, Food Safety and Standards Authority of India (FSSAI), Export Inspection Council and many others deal with issues/ queries relating to market access request of other countries, as well as pursuing India's request to other countries. Bodies like the USDA and USFDA in USA and FSVPS in Russia deal with market access requests for imports as well as exports, which places them in a better position during negotiations. Likewise, India also needs to develop a unified body to handle all sanitary and phyto-sanitary issues pertaining to the agriculture sector.

Under any bilateral trade negotiation, India needs to adopt a degree of flexibility in order to leverage its huge market of 1.3 billion people to get the best bargain for itself, thus getting better market access for its exporters as well as its products in the corresponding markets.

Development of Infrastructure

India's export enabling infrastructure, particularly port related infrastructure is inadequate. Currently, the port infrastructure issues include lack of port connectivity, poor cargo handling, high transaction costs, congestions, etc., which directly challenges the market access and competitiveness of Indian exports.

A robust infrastructure including last-mile connectivity, is one of the important pillars of a successful agriculture export policy. Availability of cold storage, warehouse and processing facilities, good roads, post-harvest infrastructure and world-class exit point infrastructure at ports have proved to be crucial in expanding exports of a country. Along with the recent reforms in the Agricultural Produce Market Committee (APMC) Act and allowing contract farming, issues relating to logistics needs to be addressed to increase exports from this sector. A systematic initiative to address issues related to logistics would not only make the exports hassle free but also allow them to be more competitive, and reduce wastage. The focus of the policies should be to attract increased investments especially in logistics sectors including cold chains, warehouses etc.

Infrastructure development should also include strengthening of backward linkages in the agriculture value chain. At present there is dearth of all-inclusive database for the Indian agriculture sector, resulting in challenges arising in planning and policy formulation, as also in effectiveness of policies. Developing a centralised database capturing details related to state-wise crops cultivated, cropping patterns, output, sown and irrigated area, health of soil, natural calamity, and crop loss would enable effective implementation of policies, resource allocation and management, thereby supporting a robust raw material base for value added agriculture. Besides, capturing information, such as farmer-wise identity, land records, loans availed, subsidy given, insurance and details of crop cultivated, and other agriculture activities would enable effective monitoring of resources.

Adopting a PPP Model

Public private partnership (PPP) could be a game changer that the agriculture sector needs. PPP can transform the sector at multiple levels, by working in strict complementarity. An important role of the government will be to create an enabling environment for private investment. This can be done through duty exemptions, increasing public expenditure, enabling FDIs, among others. Domestic policies and scheme should align with the disruptive changes that artificial intelligence, IoT, block chain bring to agriculture, a role that can be taken by the private sector in a much more coordinated and efficient manner.

Building 'Brand India'

Promotion of India's farm exports is extremely important not only for earning the much needed foreign exchange for the country but also for achieving the goal of Atmanirbhar Bharat for which self-reliant agriculture is critical. Marketing and promotion of 'Brand India' is an initiative that can propel India's exports further through penetration into new foreign markets and new products which automatically could lead to higher value realization. A product market matrix containing the list of 'products of strength' can be developed. The export strategy should focus on the export promotion of the fast evolving niche market of wellness, health conscious food etc. where India stands at comparative advantage with other countries. The focus should also be on promotion of value added, indigenous and tribal products at international platforms. Proper marketing, branding, developing uniform quality and packaging standards would generate trust for Indian products in the global market. Further, it is equally important to promote R&D activities for development of new products based on the needs of the market.

Skill Development

Development of value chain necessarily requires skill development of the work force needed for effective implementation and management of the processes and operations. Increased mechanisation, modernisation, upgradation, and adoption of technology in farm management and value chain development will need significant capacity building across the agriculture sector. Agriculture based industry in India are predominantly MSME and unorganised, characterised by low skilled output. These units are often unable to meet international standards of product development. The challenges are further aggravated by less investments in capacity building and dearth of qualified personnel at all levels in the industry. This calls for a considerable and continuous investment in skill development and capacity building with emphasis on industry and market-based requirements.

Strengthening Institutional Farm Credit Delivery

Financial support to the farmers for agriculture development falls under the green box of WTO. Hence, allows considerable space for expansion. Aggressive efforts are needed to improve institutional farm credit delivery mechanism in the country through technology driven solutions to reduce the extent of financial exclusion of agricultural activities and households. Exploring collaborations with agri-tech companies/start-ups may enable financial institutions to provide access to credit in an integrated, timely and efficient manner to the farmers. Policy makers should also explore undertaking a holistic review of the agricultural policies and their implementation, as well as evaluate the effectiveness of the current subsidy policies with regard to agriculture inputs and credit in a manner that will improve the overall viability of agriculture in a sustainable manner.

Go Green

Above all, land and water are the major natural resources on which the agriculture sector is highly dependent, and which are getting degraded at a fast pace, due to over-exploitation. Extreme situations such as flooding and droughts constantly plague India's farming community. Climate change has exacerbated this situation, making agriculture even more risky and will continue to have a greater impact in the future. Thus, environment-friendly practices should be promoted along with the efforts towards increasing the production. Incentives for promotion of organic farming, extending subsidy to the producers of green manure, bio-fertilisers and bio-pesticides, and steps for promoting large-scale production of compost by utilization of urban solid waste could be adopted.

Convergence of Different Government Schemes

Export Promotion Scheme of different Ministries and departments should be converged into a unified scheme and possibly presented at a single platform for easier access to information and easy understanding by the farmers and exporters. This could ease the process and thus, promote easy compliance where they will be able to get the maximum advantage leading to an effective use of the available incentives and support.

Conclusion

When the economy experienced a deep contraction due to the ongoing COVID-19 Pandemic, agriculture emerged as the shining spot with record growth rate. With large tract of arable land, and varied agro-climatic condition, India has the potential to become the food basket of the world. The time is thus, appropriate to reboot our agriculture exports and work collectively towards enhancing growth and welfare in the agriculture sector. This calls for concerted efforts of all the stakeholders in the agriculture sector.

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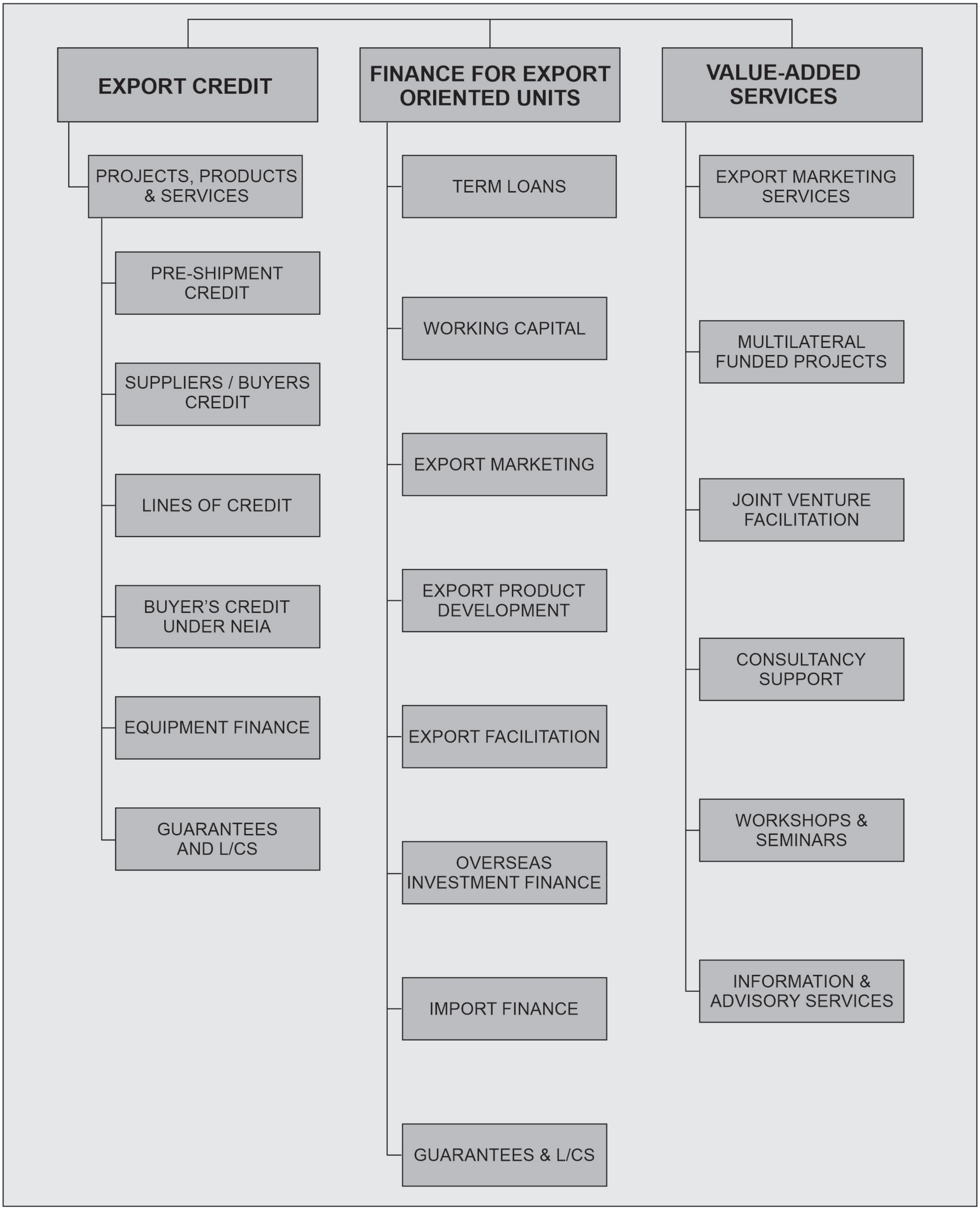

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