

Contribution of APEDA products in Indian Export

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ABSTRACT

Global food basket is served by Indian agrarian economy in an extensive way. India is the largest producer of milk, animal products, pulses, banana, mangoes, guava, vegetables etc. Indian preparations, spices, snacks, fruits and vegetables are well known for their excellent quality at global level. Being a leader in various agriculture segments, its contribution through exports is reaching more than 100 countries across the world. Even though the sector has various milestones in world agriculture exports, in the financial year 2016-17, the value of Agriculture product exports has come down. This paper attempts to analyse the share and growth of Agricultural and Processed food export from India and also to test the contribution of Tamilnadu. It is evident from the results that Agricultural and Processed Food makes a distinctive contribution to Agri and allied sector as well as to overall exports. Tamilnadu is one of the upcoming states with active export firms that significantly contribute to the export trade.

1. Introduction

Agriculture is the traditional sector that feeds the human population spread across boundaries. The world nations are interdependent on each other for agricultural products, due to geographical disparities. Growing interdependence and wide spread market demand for the sector, in the long run has accounted for 9 per cent increase in world agriculture export during 2017-18. The developing economies exports grow by 12 per cent and accounts for 43 per cent of world merchandise trade (volume). Global food basket is served by Indian agrarian economy in an extensive way. Indian preparations, spices, snacks, fruits and vegetables are well known for their excellent quality across the globe. India is the largest producer of milk, animal products, pulses, banana, mangoes, guava, vegetables etc. Being a leader in various agriculture segments, its contribution through exports is reaching more than 100 countries across the world. Even though the sector has various milestones in world agriculture exports, in the financial year 2016-17, the value of Agri- product exports has come down which might be due to lower global commodity prices, inactive demand in foreign countries, Goods and Service Tax implementation etc.

2. Agriculture Exports

Export strategy is one of the appropriate decisions to effectively manage and utilise the optimum production output of a firm. Export business is a proficient mechanism in international marketing strategy which utilises the firms' capacity to its fullest extent. Export of developing nation has shown a considerable growth due to trade liberalisation. However, the self- interest of the producers is demotivated by various barriers, which emerge as an obstacle to trade especially for developing nations. Promotion of systematic development-centric trade for liberalisation is essential for agriculture sector.

Among the major items of Indian export basket, Agricultural and Processed Food industry is reporting high incidence of Non-Tariff Barriers which ultimately increase production cost and make prices less competitive (Bijit Bora et.al. 2002)¹. Between 1995 and 2009, 289 cases pertaining to meat, vegetables and fruits are reported as specific trade concerns by World Trade Organisation (WTO), under food safety and risk assessment. The safety and quality on food, Standards and technical regulations for Agricultural products are sprouting continuously in international trade (Spencer Henson and John Humphrey, 2009)². According to Trade Standards Report 2015, the Indian food products are under high risk index in European Union and United States nations' imports³. At the same time, APEDA reports that the Agricultural export from India has shrunk by more than 21 per cent during April – December 2015. The fall in trade was due to Tariff and Non-Tariff Barrier, wherein NTBs on safety and health standard related issues are the key barriers for the Indian products (Arpita Mukarjee, 2016)⁴. Moreover, for primary Agricultural products, rules of origin are quite familiar whereas it is difficult for Agricultural and Processed Food products. Therefore, the time series data for 25 years from 1993-94 to 2017-18 are analysed to understand the share and growth of Agricultural and Processed Food exports of India and Tamilnadu.

2.1 APEDA and its Products

Agricultural and Processed food Export Development Authority (APEDA) was established by Government of India during 1985. The authority is mandated with the responsibility of promotion and development of certain scheduled products as directed by APEDA. The APEDA products export shares nearly 53 per cent during 2013-14 in total agriculture export from India⁵. Being an autonomous body, the authority engages in the concentration of markets along with the implied duties to upgrade and enhance the quality of products. There are more than 500 varieties of products listed under APEDA, whereas it

is grouped under broad six categories viz., Floriculture and Seeds, Fresh Fruits and Vegetables, Processed Foods and Vegetables, Animal foods, Cereals and Other Processed foods.

2.2 Share and Growth of Agriculture and Processed food Export

The global economic scenario and trade indicators report that growth opportunities of Indian exports are weak and uneven across various regions. The impact of Brexit, rising protectionism in US have kept exports subdued during 2016-17. These global issues affect the major sectors in export business of the country. Indian export basket is dominated by

petroleum products, precious stones and metal, drugs, Ready-Made Garment and cotton as principal commodities followed by plantation crops. The Agriculture and allied products exports come as the third major group. However, the reports reveal that Agriculture and Processed food sector is one of the sectors that is struggling to sustain in the global market. In this context, the share and growth of Agricultural and Processed Food exports of India and Tamilnadu are studied. The share of Agricultural and Processed Food on total India's export and Total Agri and allied products export for 25 years from 1993-94 to 2017-18 is shown in Table 1.

Table 1
Share of Agricultural and Processed Food Exports on Total India's Exports and Agri Exports
(in INR Billion)

Year	India's Total Export	Agri and allied Export	Total APF Export	% Share of APF to Total Export	% Share of APF Export to Agri. Export	APF Export from Tamilnadu*	% Share of Tamilnadu to Total APF Export
1993-94	685.04	126.33	28.17	4.11	22.30		
1994-95	813.65	132.69	29.35	3.61	22.12		
1995-96	1048.36	203.44	78.88	7.52	38.77		
1996-97	1171.07	243.63	76.73	6.55	31.50		
1997-98	1287.90	246.26	72.13	5.60	29.29		
1998-99	1393.77	253.87	96.21	6.90	37.90		
1999-00	1593.93	243.01	72.94	4.58	30.02		
2000-01	1950.29	272.88	91.29	4.68	33.46		
2001-02	1989.11	281.44	100.86	5.07	35.84		
2002-03	2426.68	324.73	135.98	5.60	41.88		
2003-04	2769.69	346.16	141.27	5.10	40.81		
2004-05	3439.35	380.78	169.39	4.93	44.49		
2005-06	4048.85	452.20	186.79	4.61	41.31	0.4812	0.26
2006-07	4872.59	573.92	211.56	4.34	36.86	0.77664	0.37
2007-08	5416.72	742.09	295.81	5.46	39.86	37.0674	12.53
2008-09	7173.57	806.49	354.74	4.95	43.99	37.4721	10.56
2009-10	7126.35	841.36	353.50	4.96	42.02	38.519	10.90
2010-11	9541.43	1102.96	424.37	4.45	38.48	42.1467	9.93
2011-12	11980.45	1795.83	834.85	6.97	46.49	67.2947	8.06
2012-13	13035.00	2227.42	1182.54	9.07	53.09	80.449	6.80
2013-14	15217.63	2575.59	1369.20	9.00	53.16	82.7996	6.05
2014-15	15503.63	1950.02	1313.33	8.47	67.35	80.2391	6.11
2015-16	15167.40	1743.74	1060.02	6.99	60.79	79.2974	7.48
2016-17	16420.71	1895.95	1088.67	6.65	57.42	72.6687	6.67
2017-18	17141.61	2119.59	1188.19	6.93	56.06	69.8302	8.03
MEAN	6526.93	875.29	438.28			53.00	
SD	5838.72	793.16	471.29			29.23	
CV (%)	89.45	90.61	4.30			55.16	
CAGR (%)	13.75	11.94	16.14			22.03	

Source: Computed from RBI Statistics and APEDA Directory Data

*Note: 1. APF- Agricultural and Processed Food

2. Tamilnadu APF Export Data are available only from 2005-06 onwards

The above table reveals that in absolute terms, the total exports of India have increased from Rs 685.04 billion in 1993-94 to Rs 17,141.6 billion in 2017-18 with a Compounded Annual Growth Rate (CAGR) of 13.75 percent, whereas, Agri and allied products exports have also seen 17-fold increase i.e. from Rs 126.33 billion in 1993-94 to Rs 2119.59 in 2017-18 with a CAGR of 11.94 per cent. Similarly, with respect of Agricultural and Processed Food exports of India, there is a phenomenal growth from Rs 28.17 billion in 1993-94 to all time high of Rs 1369.20 billion in 2013-14 but it has declined to Rs 1188.19 billion in 2017-18, with a CAGR of 16.14 percent.

The percentage share of Agricultural and Processed Food exports in India's total Exports has increased from 4.11 per cent in 1993-94 to 9.07 per cent in 2012-13 but slipped to 6.93 per cent in the latest period; however, its share in India's Agri and allied products export has registered an impressive two-fold growth from 22.30 per cent (in 1993-94) to 56.06 per cent. (in 2017-18). This shows that Agricultural and Processed Food exports are making a distinctive contribution to the Agriculture and allied products exports as well as to India's overall exports. The Share of Tamilnadu to total India's Agricultural and Processed Food export is found encouraging as it has

increased from 0.26 percent in 2005-06 to 8.03 per cent in 2017-18. It is a reflection of growing acceptability of Agricultural and Processed Food products of Tamilnadu in global market and the support of the state government.

2.3 Product-wise Export Performance of Agricultural and Processed Food of India – by Quantity and Value

The agricultural sector is witnessing a shift from traditional farm level methods to processed food industry. Due to development in technology and urbanisation, the consumption pattern and food habits also changed from time to time. Processed food industry attracts the markets not only in Asia, but also all over the world due to the spread of Indians and Indian preparations globally. In order to understand the performance precisely, the product-wise mean exports for the period of 25 years are analysed in terms of quantity and value. Therefore, the categorised the APEDA products viz Floriculture and Seeds, Fresh Fruits and Vegetables, Processed Foods and Vegetables, Animal foods, Cereals and Other Processed foods were taken for the analysis and the results is shown in Table 2

Table 2
Product-wise Export Performance and Share of Agricultural and Processed Food of India

Products	Quantity (Metric Tonnes (MT))		Value (INR Lakhs)	
	Mean	% share	Mean	% share
Cereals	8072872	60.43	1872005	42.98
Animal Products	1625679	12.17	974073	22.36
Fresh Fruits and Vegetables	1661715	12.44	335734	7.71
Processed Foods and Vegetables	621454	4.65	261404	6.00
Floriculture and Seeds	33894	0.25	45948	1.05
Other Processed Foods	1343427	10.06	866753	19.90
Total Agricultural and Processed Food Exports	1,33,59,041	100	43,55,916	100

Source: Computed Data

Among the six product groups, three products namely cereals, fresh fruits and vegetables and animal products accounted for 85 percent of total Agricultural and Processed Food exports by quantity and 73.05 per cent in terms of value. Among them, cereals were the major item of Agricultural and Processed Food exports by quantity as this product group was ranked first with average annual exports of 80.72 lakhs MT sharing 60.43 per cent of total export. In terms of value also, cereals recorded the first position with the largest average annual export of Rs 18.72 lakhs with 42.98 per cent of total Agricultural and Processed Food export of the country which is shown clearly in Figure 1.

Next to cereals, by quantity, fresh fruits and vegetables accounted for 16.61 lakhs MT annually followed by animal products that have been exported on an average 16.25 MT annually with the share of 12.17 per cent. In terms of value next to cereals, animal products accounted for 22.36 per cent whereas fresh fruits and vegetables recorded only 7.71 per cent share in total Agricultural and Processed Food exports. However, the revenue from the fresh fruits and vegetables is

only one third of the revenue earned from animal products indicating that fresh fruits and vegetables is a low-priced item.

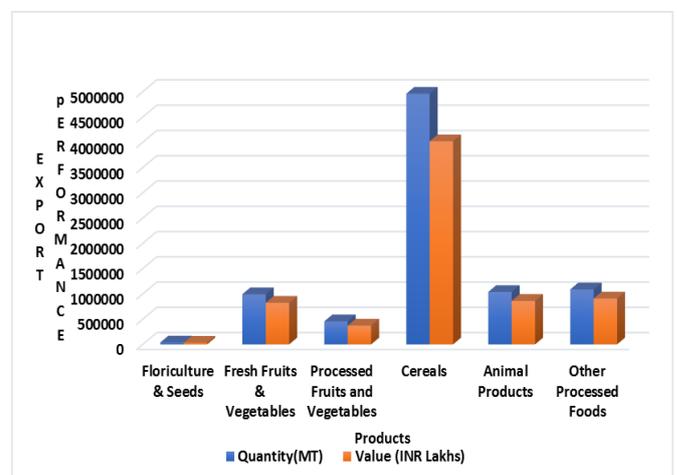


Fig 1 Product-wise Export Performance of Agricultural and Processed food Export of India

2.4 Product -wise Export Performance of Agricultural and Processed Food Export of Tamilnadu – by Quantity and Value

The Table 3 shows the product-wise mean score and share of the Agricultural and Processed Food exports

Table 3
Product-wise Export performance and Share of Agricultural and Processed Food of Tamilnadu

Products	Quantity (Metric Tonnes)		Value (INR Lakhs)	
	Mean	% share	Mean	% share
Cereals	757361.75	38.76	1592760.69	23.12
Animal Products	542135.40	27.75	1050910.64	15.25
Processed Foods and Vegetables	270309.00	13.83	1562110.51	22.67
Fresh Fruits & Vegetables	138718.20	7.10	487273.91	7.07
Floriculture & Seeds	12652.63	0.65	230831.08	3.35
Other Processed Foods	232654.14	11.91	1966529.91	28.54
Total	1953831.14	100	6890416.74	100

Source: Computed Data

As could be seen from the table that, on an average, 19.53 lakhs MT of Agricultural and Processed Food products valued at Rs 68.90 lakhs are exported per annum from Tamilnadu. Out of these, cereals are ranked first with a mean share of 38.76 per cent and 23.12 per cent in terms of quantity and value respectively.

Next to cereals, by quantity, animal products accounted for 27.75 per cent share whereas, by value, processed food and vegetables registered for 22.67 per cent share as total Agricultural and Processed Food exports. It reveals that processed foods and vegetables of Tamilnadu fetch high price than animal products due to better realisation in global markets. Therefore, the producers of fresh fruits and vegetables may shift from exporting their products in fresh form to processed form as it will not only increase the revenue but also facilitate in meeting the quality norms of importing countries⁶.

3. Results and Discussion

The growth of Agricultural and Processed Food exports is assessed by the CAGR for a period of 25 years from 1993-94 to 2017-18. The share of the Agricultural and Processed Food export on total India's export accounts for 6.93 per cent with a CAGR of 16.14 per cent. However, share of Agricultural and Processed Food in India's Agri and allied sectors shows an impressive two-fold growth from 22.30 per cent in 1993-94 to 56.06 per cent in 2017-18. This proves that Agricultural and Processed Food makes a distinctive contribution to Agri and allied sector as well as to overall India's exports. With respect to Tamilnadu, the Agricultural and Processed Food exports registered a CAGR of 46.65 per cent and contributes 8.03 per cent (in 2017-18) to total Agricultural and Processed Food export of India. This shows that Tamilnadu is one of the upcoming states with active Agricultural and Processed food export firms.

indicating that the Cereals exports were holding the major share in out of six products followed by Animal products and processed foods in terms of quantity and processed foods and the by animal products in terms of value.

Out of six product divisions grouped by APEDA, cereals contribute the major share in the India's Agricultural and Processed food export basket (60.23 per cent) followed by Fresh Fruits and Vegetables (12.44 per cent) and Animal products (12.17 per cent) in terms of quantity. In terms of value too, cereals hold the major share (42.98 per cent) followed by Animal products (22.36 per cent) and other processed foods (19.90 per cent). Similarly, the share of products with respect to Tamilnadu is also proving a high potentiality for cereals, animal products and processed food products exports. In order to promote these sectors, authorities shall develop wide cold storage infrastructure in food parks/ common centres that facilitate micro and small firms to prolong the shelf life and preserve the nutritional value of the products produced to meet quality specific global market. Moreover, introduction of Good Agricultural Practice (GAP) in production alike developed nations, may grab the attention of quality centric markets. Establishing universally accepted quality approval body or agency owned by Government of India with a brand, would also promote Indian exporters to reach diversified markets.

4. Conclusion

The world agriculture business is itself facing uncertain situation and the Indian Agricultural and Processed Food sector is not an exception. Food security and standard have become a crucial issue imposed by developed countries on exporters of other nations in market access⁶. Keeping this apart, the sector is exceedingly depending on external factors such as monsoons, resources, energy, policies, prices and demand⁷. These are the challenges not only for India but also for every nation⁸. To augment the global trade, the farmers' outlook has to be transformed from domestic focused farming to export oriented farming. Thus, the Indian government has to indeed encourage the Agricultural and Processed Food trade.

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