

Finance Commission Report on Agricultural Exports

August 1, 2020

The **High Level Group (HLEG) on Agricultural Exports set up by the Fifteenth Finance Commission to recommend measurable performance incentives for States to encourage agricultural exports and to promote crops to enable high import substitution**, has submitted its report to the Commission.

Report on Agricultural Exports

The HLEG has made its recommendations, major among which are :

- Focus on 22 crop value chains – demand driven approach.
- Solve Value Chain Clusters (VCC) holistically with focus on value addition.
- Create a State led export plan with participation from stakeholders.
- Private Sector should play an anchor role.
- Centre should be an enabler.
- Robust institutional mechanism to fund and support implementation.

The Group in its report has recommended a **State-led Export Plan** – a business plan for a crop value chain cluster, that will lay out the opportunity, initiatives and investment required to meet the desired value chain export aspiration. These plans will be action-oriented, time-bound and outcome-focused. The Group has also said that **for the success of the State led Export Plan, the following factors needed to be considered :**

- Plans should be collaboratively prepared with private sector players and commodity boards.
- Leveraging of state plan guide and value chain deep dives.

- Private sector should play an anchor role in driving outcomes and execution.
- Centre should enable state-led plans.
- Institutional governance should be promoted across state and centre.
- Funding through convergence of existing schemes, Finance Commission allocation and private sector investment.

The Group was of the view that the **private sector players had a pivotal role** to play in ensuring demand orientation and focus on value addition; ensuring project plans are feasible, robust, implementable and appropriately funded; providing funds for technology based on business case and for creating urgency and discipline for project implementation.

The HLEG feels that :

- India's agricultural export has the potential to grow from USD 40 billion to USD 70 billion in a few years.
- The estimated investment in agricultural export could be to the tune of USD 8-10 billion across inputs, infrastructure, processing and demand enablers.
- Additional exports are likely to create an estimated 7-10 million jobs.
- It will lead to higher farm productivity and farmer income.

The Terms of Reference of the HLEG include :

- To **assess export & import substitution opportunities** for Indian agricultural products (commodities, semi-processed, and processed) in the changing international trade scenario and suggest ways to step up exports sustainably and reduce import dependence.
- To recommend **strategies and measures to increase farm productivity**, enable higher value addition, ensure waste reduction, strengthen logistics infrastructure etc. related to Indian agriculture, to improve the sector's

global competitiveness.

- To **identify the impediments for private sector investments** along the agricultural value chain and suggest policy measures and reforms that would help attract the required investments.
- To **suggest appropriate performance-based incentives to the state governments** for the period 2021-22 to 2025-26, to accelerate reforms in the agriculture sector as well as implement other policy measures in this regard.