

Gearing up for agro-trade

A minimum export price has been set for onions, sugar has been decontrolled and grain exports announced. But more needs to be done

YOGINDER K
ALAGH

THE government of India has been taking a number of useful, although belated, steps to move over agricultural commodities to trading regimes. Export of onions has been allowed, subject to a minimum export price (MEP), sugar has been decontrolled, grain exports of superior varieties have been announced, cotton is again on the export list. So far so good. But having started, there should be the energy to score the final goal, and going back should be eliminated.

For example, why subject onion exports to an MEP? Why not have a variable export tax? What's the difference? A flat tax does not need a babu to supervise and certify it. It has just to be paid at the customs corner or wherever they do these things. It can now be done electronically, for our direct tax boys are good at that, and there is no reason why the indirect tax people should not be. Why don't we eliminate any interference we encounter? It takes four months or less depending on the quality, for a new onion crop to come in. So, today, we have to give the onion grower a signal to grow or the vegetable inflation four months from now will be worse than the 15% it is now.

We need to walk that fine ground between incentives to the grower and keeping inflation in check. A committee I chaired called for variable tariffs to protect the efficient farmer from the atrocities of a highly rigged commodities market which is all that the WTO is about. A government insulated from knowledge accepted the need for efficiency and competitiveness but could not stomach a rule-based tariff system because it takes away arbitrary powers. An export tax is, of course, just a negative tariff.

What is the advantage of rule-based systems? They are quick. So you don't have fellows crying from last December, "Sahib the export quota is finished and I missed my turn. Please put in a word for me." They are non-arbitrary. No possibilities of slush. Okay, a cup of



chai to expedite the tax challan, and a dabba of mithai at diwali at the saheb's home, but nothing more than that. Gifts of small value as government rules say. They reduce, in fact, eliminate uncertainty.

In the case of sugar, it is not enough to decontrol, subject to appropriate tariffs, raw and finished sugar should be allowed to be traded, should be the rule. Ditto for cotton and edible oils. Onions we saw as also the same for many cross-border trade items, including fruits, vegetables, chicken and fish. Vijay Paul Sharma at the IIMA shows that we are competitive in real terms (DRCs) in milk. Now that is another trading agenda but again countervailing subsidies and transparent rules. It's all been spelt out and action is awaited.

There is a long term, but I am hesitant to say that, for at this stage, the be-

ginning on a wide front is needed. In the long term we need to build up storages, transport, supply and value chains with an emphasis on quality, freshness and sharing of gains by the farmer and the house wife. This is what I have fondly called the rural-urban continuum and am so worked up about it that I wrote a book on it on the future of Indian agriculture. The stakes are very very high. The demands for all these is rising by 10-15% every year as the income elasticities are between one and a half and two and we are growing over 7% a year.

The future belongs to those who will take opportunity by the horns and turn it to their advantage. As one of India's greatest music directors said, Jai Ho.

The author is a former Union minister