

Standing Committee Report Summary

Export of Agricultural and Marine Products, Plantation Crops, Turmeric, and Coir

- The Standing Committee on Commerce (Chair: Mr. V. Vijayasai Reddy) submitted its report on ‘Export of Agricultural and Marine Products, Plantation Crops, Turmeric and Coir’ on September 18, 2020. The Committee noted the decline in exports of agricultural, marine, and plantation products over the last few years. It also observed that while the COVID-19 pandemic has disrupted exports, it can provide India with an opportunity to emerge as a new trade centre post-COVID. Key observations and recommendations of the Committee include:
- **Research:** The Committee stressed the need to strengthen research facilities, and increase the funding and manpower for research across all products. Research should focus on increasing competitiveness of exports and improving value addition.

Agricultural and dairy products

- **Compliance with international standards:** The Committee noted the low share of exports of agricultural products when compared to total production (less than 2%). It recommended that the government ensure compliance with international standards in cultivation and production of agricultural products. Further, noting the imposition of non-tariff barriers by the European Union on dairy products, the Committee recommended that the government ensure products comply with standards of importing countries.
- **Private sector participation:** To provide capital infusion to Farmer Producer Organisations (FPOs), the Committee recommended encouraging capital investments by the private sector in FPOs.
- **Fruits and vegetables:** The Committee highlighted the export potential of fruits and vegetables and recommended renegotiating agreements with certain neighbouring, and African countries to reduce high rates of customs and duties.
- **Cereals:** The Committee held that cereals that undergo primary processing, adding health and nutrition value, must be treated as processed foods. These products should be eligible for export incentives available to processed foods. Further, the government should undertake proactive efforts to explore new markets such as Egypt, Malaysia, and Indonesia, for export of rice.

Marine products (shrimp, tuna)

- The Committee directed the government to undertake steps to: (i) regulate the use of antibiotics in marine farming, (ii) establish laboratories near processing centres for marine products to test for antibiotics, and (iii) strengthen export-related infrastructure.

Plantation crops (tea, coffee, rubber)

- **Crop insurance scheme:** The Committee recommended that the government should devise a crop insurance scheme for all plantation crops.
- **Tax treatment of income from sale of coffee:** As per rules under the Income-tax Act, 1961, income derived from the sale of coffee grown and cured will be computed as business income, and 25% of this income is taxable. The Committee observed that post-harvest processing (such as curing) of coffee, will fetch a better price for coffee growers. It recommended that the rule treating income derived from processing coffee as business income be abolished.
- **Use of penalty:** To improve the cost competitiveness of tea exports, the Committee recommended that the existing policy of random checking of containers should be revisited. Instead, a penalty may be levied on defective cargo after goods reach the export destination.

Spices

- **Development Wing for chilli:** The Committee noted that chilli forms 43% of exports of spices by volume. It recommended that a Development Wing within the Spice Board be created to further develop exports of chilli. The Development Wing would provide a forum for chilli farmers to engage with international buyers.
- **Promotion of turmeric:** The Committee observed that the area cultivating turmeric has declined, reducing the exportable surplus. It was recommended that the mandate of the Spices Board be expanded to monitor the production and development of turmeric in addition to its export promotion function.

Tobacco

- **FDI:** The Committee recommended that the government undertake a study to analyse allowing foreign direct investment (FDI) in the tobacco sector. Currently, 100% FDI under the automatic route is allowed in plantation crops such as coffee and tea.
- **Market Stabilization Fund:** The government should create a Market Stabilization Fund to provide price support to tobacco farmers when the price of tobacco falls below the cost of cultivation. It may be funded by imposing a 1% levy on the sale of cigarettes.
- **Inclusion in export incentive schemes:** The Committee recommended the extension of export incentives under the Remission of Duties and Taxes on Exported Products scheme to tobacco. The scheme reimburses taxes/duties/levies imposed at the central, state and local level (which are not refunded under any other scheme).

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