

3RD ANNUAL MEETING

ReCAMA



2 ZERO
HUNGER



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



PRESENTATION ON

Case Studies of Selected Member Countries of the ReCAMA

on

Trade and Investment Policies on Mechanisation of Agriculture

By

Lasantha Wickremesooriya

TEAM MEMBERS

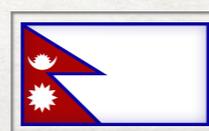
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Madhusudan Singh Basnyat- Nepal



FINANCING

**PUBLIC-PRIVATE-
PARTNERSHIP
PROGRAMMES**

Objectives

**INITIATIVES FOR
ENABLING
ENVIRONMENTS**

**TRADE POLICIES &
PRACTICES**

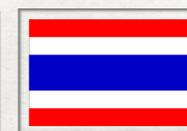
**INVESTMENT
POLICIES**

MECHANISATION

AGRICULTURAL MECHANIZATION

- **China**

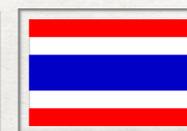
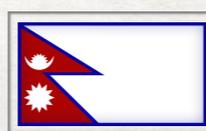
- Accelerated development in Mechanisation of Agriculture in the last two decades
- Primarily driven by National Policy on Agriculture, supplemented by strict regulatory framework to ensure implementation of policies
- The regulatory framework provides direction, targets, the main tasks, and the responsibilities of the local government & relevant departments
- Mechanisation has been promoted with subsidies provided to farmers by the National Government
- By 2014, a cumulative investment of USD17.65 billion was made
- Additional supporting policies established are:
 - machinery purchase subsidies, tax reduction, preferential credit, job subsidies, agricultural machinery insurance, and related infrastructure



AGRICULTURAL MECHANIZATION

- **India**

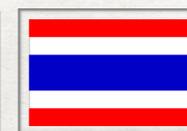
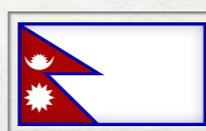
- The overall level of Farm Mechanization in India is about 40-45%
- India's Agriculture mechanization policy is drawn as a Sub-Mission on its National XII Plan. Accordingly;
 - Increasing the reach of farm mechanization to small and marginal farmers
 - Promoting 'Custom Hiring Centres' to offset scale economies/ cost of ownership
 - Creating hubs for hi-tech & high value farm equipment;
 - Creating awareness among stakeholders through demonstration and capacity building activities; and
 - Ensuring performance testing and certification at designated testing centers located all over the country.



AGRICULTURAL MECHANIZATION

- **Nepal**

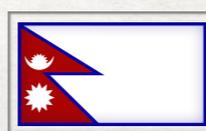
- Nepal Government has in place an Agriculture Development Strategy (ADS) for next 20 years, an extension of the 1995 20 year plan
- It is a Net importer of Agriculture machinery
- Nepal has sector wise policies for properly implementing related plans and programs. In agriculture, there are more than 20 different policy formulations and includes the Agricultural Mechanization Promotion Policy, 2071 (2014)
- Information dissemination/awareness creation, demand stimulation, concessionary financial arrangements, capacity building and revise regulation and taxes to support mechanization etc



AGRICULTURAL MECHANIZATION

- **Sri Lanka**

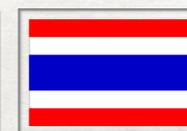
- No specific policy on Ag Mechanisation; Sri Lanka is a net importer.
- Tillage, planting, protection and harvesting are mechanized. Tillage (95%), & harvesting (80%) is mechanized; Other segments are being aggressively promoted
- Main sources of supplies are from China, India, Thailand, Japan, Vietnam & Pakistan
- Mechanization is promoted via Private sector engagement ; Government has no direct involvement other than through the Department of Agriculture



AGRICULTURAL MECHANIZATION

- **Thailand**

- Has a substantial manufacturing base as well as an importer
- The 20 Years Strategic Plan 2017-2036 aims to introduce modern and innovation driven entrepreneurial farmers
- The Government is planning to integrate the small farms into large farmlands to achieve scale economies
- An ambitious plan is being developed to modernize agriculture under the 20 years strategy
- Mechanisation is in excess of 50%



Thailand 4.0 policy



traditional
farming to smart
farming

producing
premium quality
foods and
ingredients using
advanced
technology



knowledges of
technologies
and innovation
through
universities'
networks

private sector
investment,
financial
supports, and
government
funds for
infrastructures

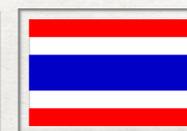


INVESTMENT ENVIRONMENT & POLICY

INVESTMENT ENVIRONMENT AND POLICY

- **China**

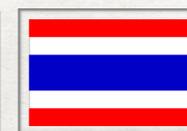
- "Going Global", "Bringing-In" policy
 - i.e. Government support is extended for manufacturing for export as well as investing overseas to reach foreign markets
- Foreign investments too are encouraged across the value chain of agri mechanisation; numerous incentives are offered for high tech transfers
- Major investments are carried out by the state on agricultural demonstration parks, large storage facilities and on Research & Development.



INVESTMENT ENVIRONMENT AND POLICY

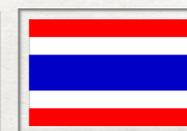
- **India**

- Managed by the Board of Investment of Sri Lanka
- FDI encouraged in a majority sectors and include Agriculture, except primary crops such as Tea, Coconut etc.
- Land cannot be owned but leasing permitted
- Opportunities exist for semi-manufacture of machinery for domestic consumption



INVESTMENT ENVIRONMENT AND POLICY

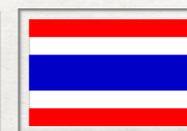
- Nepal
 - Investment Board Nepal (IBN), established in 2011 is responsible for foreign investment promotion
 - Investment opportunities are available for a wide portfolio of industries with attractive incentives
 - There are some specific incentives offered to the Agriculture industry too
 - Manufacturing is encouraged



INVESTMENT ENVIRONMENT AND POLICY

- **Sri Lanka**

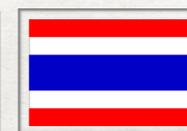
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INVESTMENT ENVIRONMENT AND POLICY

- **Thailand**

- Thailand 4.0 for Smart Farmers, Smart Enterprises and Smart Offices have provisions of agricultural investment strategies and supporting policies.
- The BOI of Thailand is responsible for foreign investment approvals
- Numerous tax holidays and incentives are offered



TRADING ENVIRONMENT & POLICY

TRADING ENVIRONMENT & POLICY

- **China**
 - With the entrance to WTO, China has liberalized trade
 - Tax levels are relatively high for imported machinery, in view of its large manufacturing industry
 - Fiscal support, tax incentives & financial support is granted for farm machinery manufacturers; direct subsidies are available to farmers purchasing these products

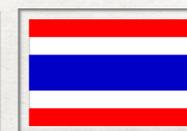
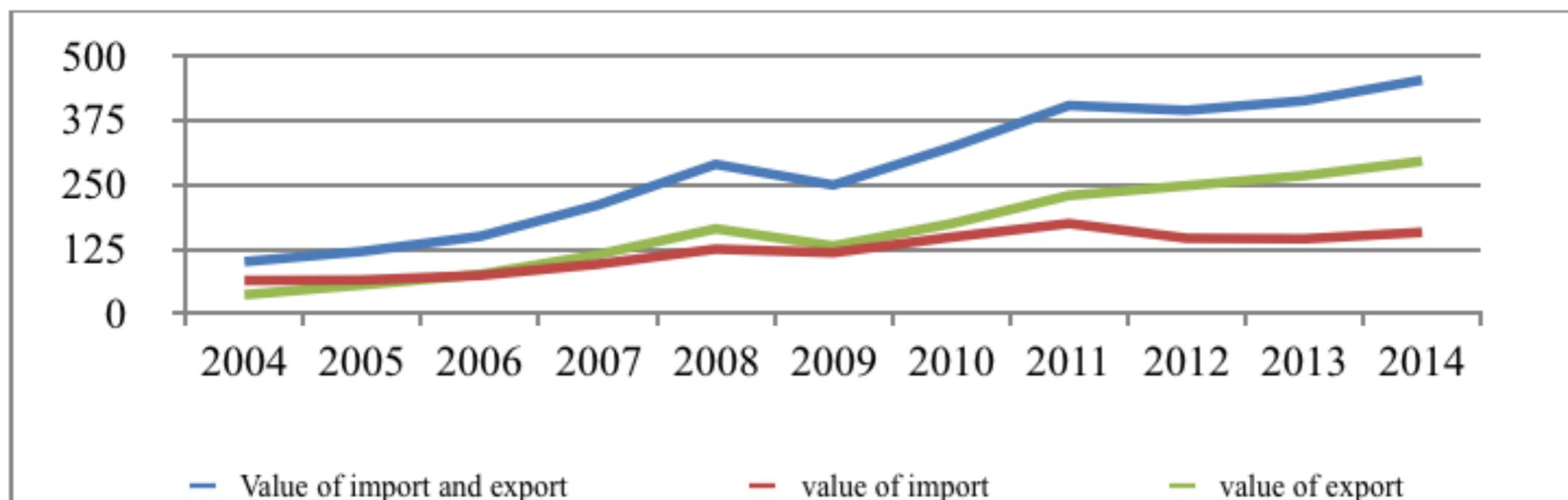
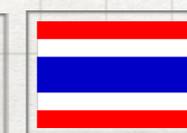
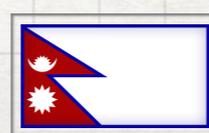


Chart 3.8 Value of Import and Export of Agricultural Machinery from 2004 to 2014



Hundred million US dollars

Sources: General Administration of Customs of China



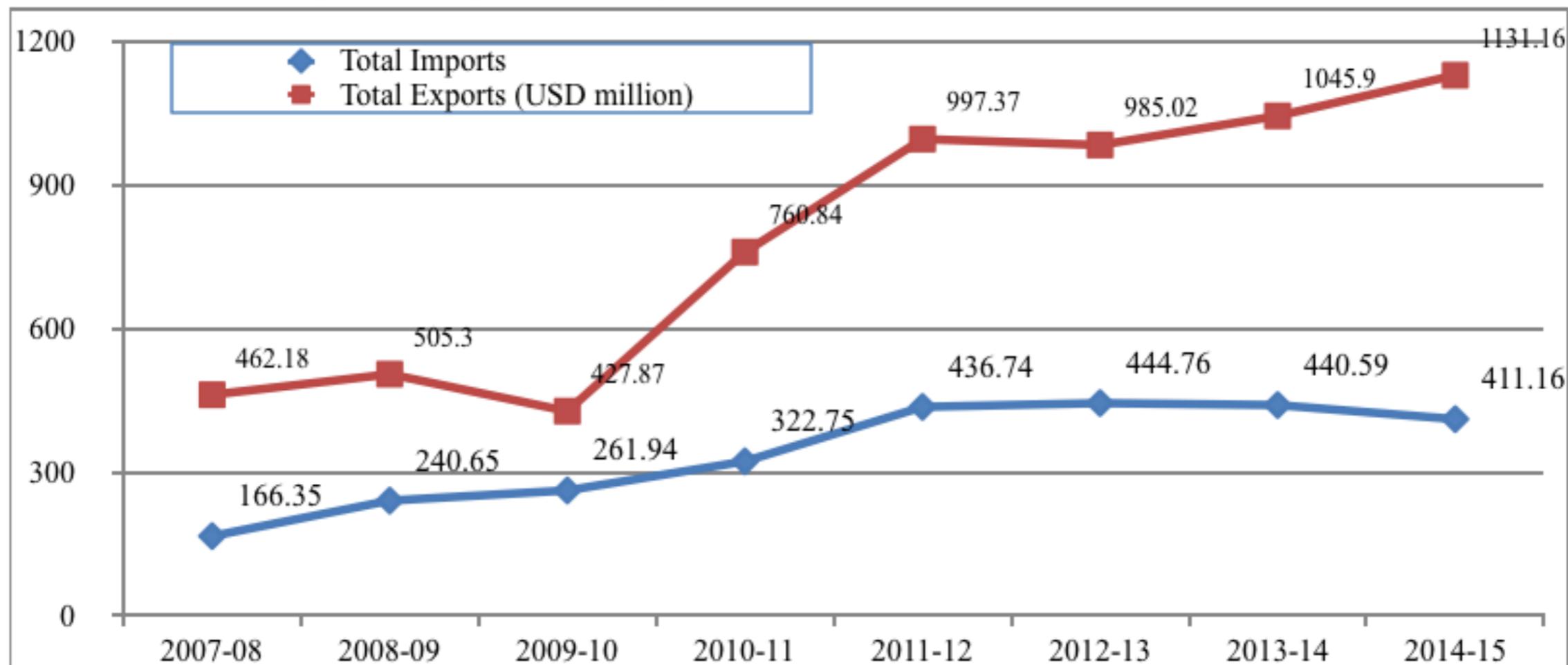
TRADING ENVIRONMENT & POLICY

- **India**

- Has signed several Bilateral trade agreements with her neighboring countries for general trade.
- There are no restrictions in regard to trade (Import & Export), but being a manufacturing country there are some levies:
 - Whole goods are subject to customs duty and exercise duty (nominal)
 - Spare parts & components are subject to full levies of duties
- India is also a major exporter of farm machinery & implements



Chart 3.2.1: Export-Import of Agricultural Machinery (US\$ million)



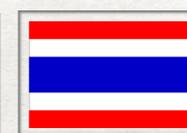
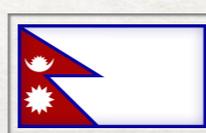
Source: Kale (2015)



TRADING ENVIRONMENT & POLICY

- **Nepal**

- The Nepal Trade Integration Strategy (NTIS) 2010 is based on an export led growth strategy
- Trade is liberal and the country has signed several Bilateral agreements with neighboring countries
- In some cases, government intervenes in input and output markets like chemical fertilizer, fuel, gas; thus lacks open competitiveness in those markets.
- The market for other agricultural inputs including machines, seed, breed, pesticide, other than chemical fertilizer are based on free market policy



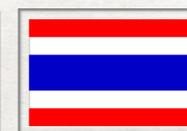
TRADING ENVIRONMENT & POLICY

- **Sri Lanka**
 - Trade liberalized since 1977
 - There is no intervention of the Government in input and output markets
 - Farm machinery are exempted from Customs duty, except for spare parts. Implements are levied a marginal duty
 - Comprehensive bilateral trade agreements with India & Pakistan facilitate preferential duty for several agri machineries
 - FTA with China is being negotiated and will be signed in 2018
 - Member of APTA



TRADING ENVIRONMENT & POLICY

- **Thailand**
 - A liberal trade policy is followed
 - No restriction on the flow of goods
 - During 2011-2015, the export value of agricultural machines was USD 661 million per year and the import value was USD 1,544 million per year
 - Has a substantial manufacturing base for spare parts too

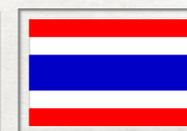
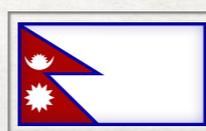


INFRASTRUCTURE & FINANCIAL DEVELOPMENT

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- **China**

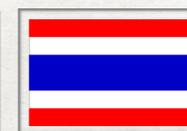
- **By legislation, Promotion of Agricultural Mechanization, related agricultural infrastructure construction is the responsibility of the local government**
- **Dedicated funds have been made available for agriculture development as a whole, including mechanisation**
- **The finance infrastructure is well developed and are structured to reach the most rural areas of the country, mainly supported from the centre**



INFRASTRUCTURE & FINANCIAL DEVELOPMENT

- **India**

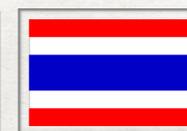
- Finance is made available through Micro financing and commercial banking channels. There are minimum/threshold level stipulations to commercial banks mandated by the Reserve Bank of India to be given out to farmers y way of loans.
- Both, private sector Commercial and Non-Commercial Banks are active in the market; Cooperative banks offer the most amount of credit portfolio for agriculture (51.5%)
- Mahindra and Mahindra Tractors Ltd.has initiated a Customs Hiring programme very successfully under the name "TRRINGO"



INFRASTRUCTURE & FINANCIAL DEVELOPMENT

- **Nepal**

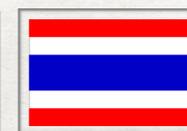
- Overall infrastructure is being developed with a federal system of governance on the cards
- Access to formal financial sector support in rural areas is very limited
- Microfinance and Leasing firms have stepped into filling the gap



INFRASTRUCTURE & FINANCIAL DEVELOPMENT

- **Sri Lanka**

- Infrastructure well developed; road, electricity & water
- Financial infrastructure one of the best developed in the region; Penetrates deep into rural areas
- System includes commercial banks and Non-banking sector
- However the cost of financing remains expensive



INFRASTRUCTURE & FINANCIAL DEVELOPMENT

- **Thailand**
 - Infrastructure is well developed
 - State-owned financial organizations such as Bank for Agriculture and Agricultural Co-operatives (BAAC) are mainly responsible for financial support
 - Distribution of the financial infrastructure in the rural areas are limited; Hence informal sector plays an important role



FINDINGS, CONCLUSIONS & RECOMMENDATIONS

- China, India & Thailand have strong and developing manufacturing bases
- China in particular are moving up in technologically driven sustainable mechanisation
- All five countries of this study are driving mechanisation, albeit in different ways, but similar objectives, i.e to increase national food production
- Success of China comes from its stringent execution of policies through its structured & disciplined state organisation; the rest have developed their own national strategic plans to achieve the same objective



FINDINGS, CONCLUSIONS & RECOMMENDATIONS

- The trading environment is generally conducive for agriculture mechanization, with zero or low duty rates prevail.
- In all of the five countries, mechanization is driven by the private sector, supplemented by national efforts & policies
- Both, China & India offers subsidies to its farmers who invests in mechanization
- The Sri Lankan Government has recently provided subsidised facilities for selected new technology



FINDINGS, CONCLUSIONS & RECOMMENDATIONS

- Except in the case of Nepal, the Financial sector is well developed in the the other four countries.
- China, India & Thailand, all have a dedicated Agriculture Development Bank which is a boon to manufacturers and farmers
- A common theme emerging that we observe is the initiation of public-private-partnership programmes in all five countries
- The respective governments are collaborating with private sector organizations, to transform traditional, subsistence farming to modern agro- businesses



FINDINGS, CONCLUSIONS & RECOMMENDATIONS

- Way forward ...
 - Each country should proceed with its own indigenous strategy to boost sustainable mechanization of agriculture taking into account;
 - different levels of economic development
 - individual national capacities



FINDINGS, CONCLUSIONS & RECOMMENDATIONS

- ReCAMA members should therefore:
 - facilitate and enhance access to learning, training and exchange of information across broad spectrum of stakeholders Promote the harmonization and mutual recognition of regional standards for testing of agricultural machinery
 - facilitate, trade and investment in appropriate agricultural machinery suitable for the agro-ecological and socio-economic conditions in the target countries
 - Support efforts for developing a database on sustainable agricultural mechanization





We may have all come on different
ships, but we're in the same boat
now.

Martin Luther King, Jr.

Thank You!

