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New Challenges Facing Asian Agriculture under Globalisation

Volume I



Edited by

Jamalludin Sulaiman
Fatimah Mohamed Arshad
Mad Nasir Shamsudin

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Prospects of Agricultural Exports under New International Trade Regime - A Case Study of India

Rai, K.N. and B.S.Dahiya

The exports of agricultural commodities in India hold considerable potential. The export of principal agricultural commodities, including marine and animal products during the period of 1985-86 was to the tune of Rs. 1908 crore. It rose to more than Rs. 26,000 crores during 1998-99 showing about a thirteen-fold increase. The most remarkable aspects of Indian agriculture are its diversified nature, varied climatic and soil conditions, less requirements of imported components, reasonably priced labour and natural resources, well developed research and extension network, trained manpower and receptive farming community. India has an added advantage because of its proximity to the Gulf countries as they are main importers of rice, fruits, vegetables and milk products. An endeavour has been made in this paper to deal with the trends, composition and performances and opportunities for export of agricultural commodities in the country.

Methodology

Present study is based on secondary data scanned from different published sources. Detailed annual data on total agricultural exports and imports, share of various commodities to total agricultural exports and India's share in the world exports of principal agricultural commodities as well as the country's total exports and imports were taken from Economic Survey of India for the years 1970-71 to 1999-2000. Year-wise total domestic production, total export, total world import and export prices of different commodities were collected from FAO Production and Trade Year Book for various years. Data on domestic prices of agricultural commodities studied were taken from Statistical Abstract of Haryana, Fertiliser Statistics, Indian Sugar and Agricultural Situation in India. Production zones for important agricultural commodities for export were worked out through detailed discussion with different crop breeders. A simple tabular analysis was performed to draw inferences.

Results and Discussion

Trends in Agricultural Trade

The value of trade in agricultural products, both in absolute term and as a proportion of the country's total export trade in all the products, during the period of 1970-71 to 1998-99 is given in Table 15.1 which shows that during the past 29 years, there had been sizeable changes in the exports and imports of agricultural commodities. The share of agricultural

Table 15.1: Trends in Trade of Indian Agriculture: 1970-71 to 1998-99(Rs. Crores)

Item	1970-71	1975-76	1980-81	1985-86	1990-91	1995-96	1998-99
Total agricultural exports	487.00 (31.72)	1,493.63 (37.00)	2,057.00 (30.65)	3,018.00 (27.70)	6,317.00 (19.40)	21138.00 (19.87)	26200.00 (18.50)
Total agricultural imports	441.00 (27.00)	1,516.70 (28.81)	1,294.00 (10.31)	2,008.00 00 (10.21)	3,127.00 00 (2.61)	5006.26 (4.08)	10870.35 (6.17)
Net agricultural exports (1-2)	46.00	-23.07	763.00	1,010.00	5,190.00	16131.74	15329.65
Total Export Trade	1535	4036	6711	10895	32553	106353	141604
Total Import Trade	1634	5265	12549	19658	43198	122678	176099
Country's Balance of Trade as a Whole	99.00	1,229.00	-5,838.00	-	10,640.00	-16325	-34495
				8,765.00			

Note: Figures in brackets are the percentage to the total exports and imports respectively.

exports as well as imports to total national exports and imports had come down considerably, though the decline was steeper in the case of imports.

The share of agricultural exports declined from 31.72 per cent in 1970-71 to 18.50 per cent in 1998-99. Agricultural imports showing their steepest fall from 27.00 per cent in 1970-71 to 6.17 per cent in 1998-99 was a welcomed trend. The positive net agricultural exports after 1980-81 were partly on account of an increase in agricultural exports and partly due to a decline in imports. It is interesting to note that the share of agricultural exports to the country's total export which have been declining considerably up to 1990-91 stabilised thereafter with minor year-to-year fluctuations. These findings, therefore, reveal that our agricultural strategy since 1990-91 has paid good dividends.

Now, we can go to the details of various commodities that are responsible for the changes in agricultural trade over the period. The breakdown of exports of various commodities is shown in Table 15.2.

The statistics displayed in Table 15.2 indicate that the exports share of rice, fish and fish preparations along with meat and meat preparations has registered a continuously increasing trend over the period under study, while raw cotton and fruits and vegetables showed an increasing trend up to 1990-91 and thereafter, their share in total agricultural export declined. The share of the rest of the commodities in total agricultural export trade which fluctuated over the years did not show any particular trend.

India's Share in the World Exports

Table 15.3 shows that India's share in the world trade in agricultural commodities is not much encouraging. However, its share in the world trade has shown some sign of improvement after the new economic policy of 1991. The maximum increase in the shares in world exports was observed in the case of rice, cereal and cereal preparations, coffee and

Table 15.2: Contribution of Various Commodities to Agricultural Exports (Per cent) and Total Agricultural Exports (Rs. Crores), 1970-99

Commodity	1970-71	1975-76	1980-81	1985-86	1990-91	1995-96	1998-99
Rice	1.02	0.97	10.89	6.49	7.31	21.61	23.67
Raw cotton	2.87	2.63	8.02	2.25	13.39	0.96	0.85
Sugar and molasses	5.95	31.62	1.94	0.54	0.60	2.39	0.09
Fruits and vegetables	3.29	4.98	5.64	4.11	6.74	3.79	3.48
Coffee	5.13	4.46	10.40	8.78	4.00	7.11	6.50
Tea and mates	30.40	15.85	20.71	20.74	16.94	5.54	8.79
Oil cakes	11.30	5.77	6.08	4.44	9.64	11.11	7.30
Tobacco	6.78	6.59	6.85	5.63	4.16	2.11	2.97
Spices	8.00	4.75	0.54	9.21	3.70	3.76	6.17
Cashew kernels	11.70	6.44	6.81	7.46	7.08	5.85	6.16
Fish and fish preparations	6.37	8.47	10.55	13.55	15.20	15.99	16.67
Meat and meat preparations	0.62	0.69	2.72	2.45	2.22	2.97	2.90
Total agricultural Exports	487.00	1,493.63	2,057.00	3,018.00	6,317.00	2,1138.00	2,6200.00

Table 15.3: India's Share in the World Exports of Principal Commodities, 1970 - 1997 (Per cent)

Commodity	1970	1980	1985	1987	1990	1995	1997
Cereal and cereal preparations	0.1	0.5	0.2	0.2	0.6	2.7	2.1
Rice	0.6	3.7	1.4	2.0	6.4	18.6	12.6
Vegetables and fruits	1.2	1.1	0.6	0.4	0.8	1.0	0.9
Meat and meat preparations	0.1	0.4	0.3	0.2	0.2	0.4	0.4
Marine products	-	2.0	2.7	2.2	1.6	2.1	2.3
Sugar, sugar preparations and honey	1.0	0.3	0.2	0.4	0.1	0.8	1.6
Coffee and coffee substitutes	1.0	2.1	1.4	1.2	1.7	2.8	2.4
Tea and mates	33.4	27.7	13.2	14.4	22.1	14.3	11.9
Spices	20.5	4.5	8.7	10.0	7.7	9.5	11.0
Feeding stuff for animals	-	1.6	1.3	1.3	2.2	3.4	4.0
Tobacco manufacture	0.2	-	0.1	0.1	0.8	0.5	0.7
Total exports	0.6	0.4	0.5	0.5	0.5	0.6	0.6

coffee substitutes and feeding stuff for animals. All other major agricultural commodities shown in Table 15.3 could not keep pace with the growth in exports of these items in the rest of the world and their share more or less remained constant. However, India's share in total world export of tea and mates and spices received a major setback.

Table 15.4: Indian Export as a Percentage of Domestic Production and World Imports: 1971-98

Item		1971	1975	1980	1985	1990	1996	1998
Cotton	D.P	2.86	2.14	6.19	3.41	1.48	3.48	0.44
	W.I	1.01	0.62	1.72	1.10	0.48	4.21	0.62
Groundnuts	D.P	0.46	1.13	0.27	0.45	0.64	1.67	0.50
	W.I	3.29	8.59	2.48	3.11	4.61	10.82	3.39
Rice	D.P	0.02	0.02	0.69	0.16	0.04	2.06	3.93
	W.I	0.17	0.24	4.45	1.35	4.10	11.57	18.80
Potatoes	D.P	0.05	0.19	0.17	0.34	0.02	0.13	0.16
	W.I	0.07	0.32	0.30	0.81	0.03	0.33	0.50
Onions	D.P	5.88	7.34	7.23	8.99	7.63	10.49	3.36
	W.I	8.02	9.56	11.14	13.39	10.07	12.28	3.74
Oranges	D.P	0.03	0.13	-	0.37	1.18	2.41	2.36
	W.I	0.007	0.024	-	0.10	0.11	0.36	0.33
Grapes	D.P	0.004	0.0004	0.14	0.64	1.31	2.99	1.43
	W.I	0.001	0.0001	0.027	0.12	0.33	0.98	0.45
Tea	D.P	46.05	45.05	37.97	33.84	27.71	17.74	25.86
	W.I	26.95	27.40	25.52	21.96	16.08	11.62	17.61
Coffee	D.P	56.46	64.25	57.87	48.42	70.79	67.53	80.19
	W.I	1.85	1.64	2.28	2.17	1.74	3.06	3.57
Tobacco	D.P	15.30	21.54	18.29	13.15	12.67	21.87	16.31
	W.I	5.22	5.99	5.17	4.57	4.78	3.96	3.43
Jute	D.P	10.01	4.40	1.20	0.35	0.85	0.25	0.11
	W.I	12.86	8.18	3.11	2.22	3.40	1.92	0.61

Indian Exports as Percentage of Domestic Production and World Imports: 1971-98

Table 15.4 reveals a declining trend in the share of tea and jute export to the total domestic production over the years resulting in a drastic reduction in India's share in total world import. No particular trend could be established in the case of coffee, cotton, groundnut, tobacco, onions and potatoes. In spite of wide year-to-year fluctuations, the share of rice export to total production showed an upward trend at the 1971 base period. However, India's share in total world import of rice revealed a sizeable increase. Similar findings were observed for coffee also. Onions, grapes and oranges observed an increasing trend over the years in the share of export to total domestic production as well as India's share in world imports.

Production Zones for Export

Under the new regime of WTO, India has to face fierce competition with the developed countries who are years ahead in technological advancement of production as well as processing. Even the developing countries are also preparing themselves to make their presence felt in the global agricultural trade. Experiences show that the countries having significant presence in international trade of a particularly commodity have developed specialised production and processing zones specifically for export purpose in order to

Table 15.5: Export Production Zones for Important Agricultural Commodities

Commodity	Production Zones	Advantages
Rice	Godawari belt of Andhra Pradesh, Dehradun district of Uttranchal, Tarawari area of Haryana, Part of Punjab and Jharkhand.	Best quality and higher yield.
Wheat	Haryana, Punjab and Madhya Pradesh	Disease free, good quality and higher yield
Sugar Cane	Tamil Nadu, Maharashtra	Higher yield and higher sugar content.
Cotton	Tamil Nadu and Gujarat	Good quality and higher yield.
Groundnuts	Gujarat	Good quality, higher yield and less use of farm Chemicals.
Jute	West Bengal	Good quality and higher yield.
Tobacco	Andhra Pradesh	Good quality and higher yield
Onions	Maharashtra and Gujarat	Good quality, higher yield and disease free.
Potatoes	Punjab, Uttar Pradesh, West Bengal	Good quality, disease free and higher yield
Grapes	Maharashtra	Internationally acceptable quality and higher yield.

compete successfully both on price and quality scales. Thus, the need for regional planning should be understood because there are wide regional differences in productivity and quality of various commodities. Growth of substitutes and rising international consumption should be taken care of. Now is the right time for India to identify best production zones for different commodities based on their level of productivity and quality of product and to create all necessary infrastructure facilities to make products from these areas internationally competitive. Development of infrastructure particularly for export purpose is costly and cannot be created everywhere. Thus, the production zones identified with the help of breeders for selected agricultural commodities specifically for export trade are presented in Table 15.5. These zones have been identified based on the cost advantages, productivity levels and quality of the products produced as well as past export performances.

Export Strategy

Attaining self-sufficiency in regard to essential commodities is highly desirable, but keeping in view WTO agreement obligations, our objective should be directed towards export promotion. To be internationally competitive while slowly withdrawing of export subsidies, export-domestic prices ratio must remain to be more than one. The data on ratio of export-domestic prices are presented in Table 15.6. The perusal of the table reveals that the situation is favourable for exports in case of most of the commodities studied except sugar. However, it is more favourable in the case of rice, tobacco followed by potatoes, raw cotton, tea, wheat and onions. Tea and tobacco are India's traditional export items. Efforts should be made to increase the production of quality products of these commodities in order to generate more exportable surpluses.

Table 15.6: Exports and Domestic Price Ratio of Various Commodities

Commodity	1970	1980	1990	1995	1997
Rice	1.8	1.8	2.65	1.59	2.73
Wheat	2.2	2.9	1.00	1.49	1.16
Sugar	0.4	0.5	1.03	0.78	0.92
Raw Cotton	2.3	3.6	1.60	1.26	1.93
Tea	2.0	1.5	1.19	1.58	1.61
Tobacco	1.8	2.9	1.95	2.47	3.46
Onions	-	-	2.03	1.52	1.0
Potatoes	-	-	2.15	3.70	1.28

Table 15.7: Taxation of Food Processing

Country	Value added		Capital equipments	
	Excise	Sales	Excise	Import
Malaysia	-	-	-	-
Thailand	-	7	-	5
Indonesia	-	12	-	5-15
Philippines	-	10	-	10-20
India	8-40	5-12	10-40	20-50

Source: CII- McKinley. FAIDA Report.

Agro-processing Industries

In the new trade and industrial policy, the agro-processing industries are given prominent place. Farmers are encouraged to set up processing units on co-operative lines in the rural areas with high priority in credit allocation. The agro-industry is expected to provide the crucial farm-industry linkage. This will help to accelerate agricultural development by creating backward linkages and forward linkages and will add value to the farmer's produce, increase their net income and employment. However, high excise duties as well as sales tax on value-added products produced by food processing industries along with the higher excise and import duties on capital equipment (Table 15.7) required for the establishment of these processing industries affect competitiveness of Indian products in international markets.

Improvement in infrastructure facilities like efficient transportation system, cold storage in producing zones as well as ports, refrigerated vans, units for sorting, cleaning, grading, standardisation and packing are the vital link for agro-exports.

Some price premium for the commodities produced in the export zones would work as an incentive to the producers to produce good quality products. It will induce producers to make efforts for producing products of international standards and in the long run inculcating the habits of producing quality products. It will also protect the producers producing agro-products exclusively for export from internal short run price fluctuations. This practice is

already working successfully in the country in the case of quality seeds production programme.

More export promotion centres need to be set up in different importing countries/group of countries to pass on the market information quickly to the producing centres. In addition, internal plant quarantine machinery needs to be updated with the latest knowledge and modern equipment. It will help in keeping a strict watch on the quality aspects of the plant material being imported.

The creation of strong research and development facilities for agro-processing centres is equally important to that of production in order to keep pace with fast-changing international standards and preferences. The creation of research and extension facilities at the producing zones for the timely and quick solution of the producer's problems would also serve as a nodal agency for the producers as well as marketers.

Concerted efforts are needed to strengthen the nature farming system research as consumers from the developed countries have strong preference for the products produced through this system even at much higher prices. Natural farming requires more use of man-power and less of farm chemicals. In India, the availability of skilled as well as unskilled man-power at cheaper wage rate and in abundance is an added advantage in this direction.

Introduction of contract and corporate farming will be the right step in this direction. It will help producers to get assured prices of their products and to the industry assured supply of quality products in desired quantity.

Conclusions

Findings of this paper reveal that there had been a substantial decline in the share of agricultural commodities in the country's total export and import, but it was more pronounced in case of imports. The most noticeable feature of the agricultural export had been the stabilisation of its share in total export after 1990-91. This is an indication of the fact that our agricultural strategy initiated during the recent past has been helpful and agricultural export is expected to grow at a faster pace in years to come. However, in spite of favourable price ratio for most of the commodities studied, the fact that should be kept in view is that international prices are more volatile than internal prices. Thus, in order to take advantage of rising prices and to protect from falling prices, proper development of infrastructure facilities with maximum emphasis on proper and sufficient storage and processing is a must. Identification of production zones for export purpose will be helpful to produce more and more better quality products of international level. Separate policy measures could be also framed to protect the interest of export zones.

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