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but the index of exports increased only to 114.1. This would suggest that there is an increased domestic offtake of the export commodities or a fall in demand for them in the importing countries. From a study of the Indian exports in relation to the world imports it has been seen that the slow rate of exports is more due to our inability to gain a greater share in the world market than due to slackening of world imports.

Domestic consumption has, of course, increased enormously in respect of certain important export commodities and increased production is necessary to meet this. The prices of our major export commodities are found to exceed the prices quoted by our competitors. The high profits earned by internal sale is in a way responsible for the lack of interest in exploring new markets outside and exporting more to the already importing countries. Increasing production at a lesser cost and creating enough interest to outsiders in Indian goods appear to be the possible ways of pushing up the export of agricultural commodities in India.

AGRICULTURAL EXPORTS AND ECONOMIC DEVELOPMENT

AN ANALYSIS OF THE TREND IN INDIA

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Expansion of agricultural exports plays a vital role in the development process of underdeveloped countries. It provides the necessary means to meet the ever-increasing demand for imports. But the process of development itself increases the home demand for consumption of food and raw materials, which, in the absence of increase in the domestic output, will have the tendency either to reduce the exports or increase the imports of these commodities. The extent to which this may happen depends on elasticity of home and foreign demand for the products and the elasticity of home and foreign supply.

In case of India the trend of the agricultural exports has not shown any significant change. The percentage of value of agricultural export to total value of exports has remained more or less constant since 1948. The position of agricultural imports in the total imports is however different. The percentage of agricultural imports to total imports has fallen since 1948. This is on account of greater proportion of imports of machinery and other non-agricultural commodities. In absolute terms both the agricultural exports and imports have increased since 1957 as shown in Table I. While the total exports have risen by a little more than 3 per cent since 1957, the agricultural exports have risen by about 13 per cent. But as the movement of agricultural exports has been of an erratic

nature during this period and the number of observations has been small, too much of reliance cannot be placed on these figures.

TABLE I—RELATION OF AGRICULTURAL EXPORTS AND IMPORTS TO TOTAL EXPORTS AND IMPORTS IN INDIA

(in million U.S. Dollars)

Year	Total Value of Exports	Value of Agricultural Exports	Percentage columns 2/1	Total Value of Imports	Value of Agricultural Imports	Percentage columns 5/4
	1	2	3	4	5	6
1948	—	—	44.0	—	—	43
1957	1350.0	561.4	41.6	2154.2	423.8	19.7
1959	1297.7	599.1	46.2	1974.8	508.2	25.7
1960	1334.1	587.4	44.0	2124.4	621.5	29.3
1961	1395.8	637.1	45.6	2130.8	515.3	24.2

Source: U. N. Trade Year Book, 1958, pp. 8-9; and 1962, pp. 6-7.

So far as the imports are concerned, the total imports in 1961 is less than that of 1957. This is also true of other years. But agricultural imports have risen from \$423 million in 1957 to \$621 million in 1960 and again fallen to \$515 million in 1961. The net contribution of agriculture to meet foreign exchange needs can be seen from the figures of agricultural imports and exports given below :

(in million U.S. Dollars)

Year	Value of Agricultural Exports	Value of Agricultural Imports	Balance
1957	561	423	+ 138
1959	599	508	+ 91
1960	587	621	- 34
1961	637	515	+ 122

The total agricultural export and import figures do not however reveal the performance of different categories of agricultural products and agricultural requirement in foreign trade. Table II attempts to give an idea of the situation. It shows that so far as foreign trade in food and feed is concerned the value of the exports has always exceeded the value of imports and there is in every year a positive balance. There is some indication that there is a rising trend in the balance. This category includes such items as meat, dairy products and eggs ; fish ; cereals ; fruits and vegetables ; sugar ; coffee ; tea ; cocoa and spices ; feeding stuff ; fats and oils ; beverages and other food. The important con-

TABLE II—TRENDS IN THE IMPORTS AND EXPORTS OF DIFFERENT CATEGORIES OF AGRICULTURAL PRODUCTS AND REQUIREMENTS

(in million U.S. Dollars)

Categories of Products	Year	Exports	Imports	Balance
(a) Food and Feed	1957	381.0	340.7	+ 40.3
	1959	426.7	359.0	+ 67.7
	1960	416.9	365.1	+ 51.8
	1961	462.9	281.6	+181.3
(b) Other Agricultural Products	1957	176.2	167.0	+ 9.2
	1959	167.8	123.3	+ 44.5
	1960	165.4	229.8	— 64.4
	1961	168.4	215.8	— 47.4
(c) Forest Products	1957	4.2	16.1	— 11.9
	1959	4.6	25.9	— 21.3
	1960	5.1	26.9	— 21.8
	1961	5.8	17.9	— 12.1
(d) Agricultural Requisites	1957	0.7	26.2	— 25.5
	1959	0.8	43.8	— 43.0
	1960	0.9	41.0	— 40.1
	1961	0.7	47.0	— 46.3
(I) Fertilizers	1957	0.7	13.2	
	1959	0.5	35.8	
	1960	0.6	33.1	
	1961	0.5	38.6	
(II) Agricultural Machinery	1957	Nil	1.4	
	1959	—	1.5	
	1960	—	1.7	
	1961	—	1.8	

Source : U.N. Trade Year Book, 1958, pp. 8-9 and 41; 1962, pp. 6-7 and 34.

tributions on the export side are those of coffee, tea and spices ; fruits and vegetables ; sugar and feeding stuff. On the import side the important items are cereals, fruits and vegetables, fats and oils, dairy products and fish.

(in million U.S. Dollars)

Commodity	Year	Exports	Imports
Cereals	1957	0.2	116.3
	1959	0.2	258.3
	1960	0.2	264.7
	1961	0.2	185.4
Fruits and Vegetables	1957	39.2	44.7
	1959	44.4	34.7
	1960	51.9	39.5
	1961	55.7	37.6
Sugar	1957	27.1	1.9
	1959	5.4	—
	1960	3.5	0.2
	1961	32.6	—
Coffee, Tea, etc.	1957	293.1	7.0
	1959	300.0	5.6

(Contd).

Commodity	Year	Exports	Imports
Coffee, Tea, etc.	1960	303.2	4.9
	1961	315.4	3.5
Feeding Stuff	1957	4.8	—
	1959	41.9	—
	1960	34.7	—
	1961	35.2	—
Fats and Oils	1957	4.7	37.5
	1959	18.9	32.9
	1960	11.3	35.9
	1961	11.3	30.7

So far as cereals are concerned, India is a heavy importer and this forms the major item of leakage of foreign exchange. In fruits and vegetables our exports are slowly rising, imports are falling and we have acquired a net surplus since 1959. In case of fats and oils our exports have been falling (in value terms) and so also our imports. But the value of imports have always exceeded the value of exports. In case of sugar, coffee, tea and spices, and feeding stuff our imports are negligible and they are very significant from the point of view of exports. They also hold out future possibilities for expanding our exports.

In the category 'other agricultural products', our country faced a negative balance in the years 1960 and 1961. The major items in this category are tobacco (unmanufactured) and natural fibres (cotton and jute). During the period 1958 to 1961, while the imports of tobacco have been negligible, the exports have been on the average \$ 27 million. In case of natural fibres (cotton and jute), the position has been unfavourable except the year 1959, our imports having always exceeded exports. They, along with natural rubber and 'other agricultural products' have been the major factors in the adverse balance in this category in 1960 and 1961. In the category 'forest products', our imports have all these years been in excess of our exports.

So far as expansion of exports in agricultural products is concerned, our analysis shows that tea, coffee, sugar and feeding stuff open out important possibilities. Table III shows the trend in production, imports and exports of certain commodities which figure greatly in our foreign trade.

So far as tea is concerned it is the most important item in our export of agricultural commodities. It is the second largest earner of foreign exchange, the actual average earning in the past five years being Rs. 129 crores out of a total of Rs. 607 crores. The production of tea has varied from 311,000 metric tons in 1957 to 326,000 metric tons in 1961. Exports varied from 60 per cent to 73 per cent of the total production. There is no consistent trend observable in exports. There is a great scope for increasing domestic production. The actual yield per acre at present is 5½ maunds in hill areas which can be raised to 9 maunds if proper facilities are provided. The most important export market for tea is U.K. which receives about 61 per cent of India's total exports in tea. The other main importing countries are U.A.R., U.S.S.R., U.S.A. and the Irish Republic.

TABLE III—PRODUCTION, EXPORTS AND IMPORTS OF CERTAIN SELECTED COMMODITIES OF INDIA
 1957-1961

(in thousand metric tons)

Commodity	Year	Production	Export	Import	Percentage of Import to Total Production	Percentage of Export to Pro- duction
Rice	1957	29,035	7.3	776	2.6	Negligible
	1958	25,283	2.1	409	1.6	"
	1959	30,840	0.4	316	1.0	"
	1960	31,460	3.4	712	2.2	"
	1961	34,197	1.9	406	1.2	"
Wheat	1957	9,402	Nil	2,855	30.3	"
	1958	7,865	19.5	2,712	34.5	"
	1959	9,928	4.4	3,545	35.7	"
	1960	10,251	Nil	4,338	42.3	"
	1961	10,991	0.2	3,090	28.1	"
Cotton	1957	4,707	40	132	2.8	0.8
	1958	4,739	72	72	1.5	1.5
	1959	4,686	58	96	2.0	1.3
	1960	3,678	33	204	5.5	0.9
	1961	5,390	53	194	3.6	1.0
Jute	1957	4,289	1.1	123	2.8	Negligible
	1958	4,052	Nil	78	1.9	"
	1959	5,158	34.5	40	0.7	"
	1960	4,605	2.7	136	2.6	"
	1961	3,982	0.5	83	2.0	"
Sugar	1957	68,047*	162**	16.7**		
	1958	69,107	42	Nil		
	1959	71,587	19	"		
	1960	76,408	18	"		
	1961	104,127	325	"		
Tea	1957	311	201	0.5	—	64.6
	1958	311	229	0.2	—	73.6
	1959	325	214	Nil	—	66.0
	1960	326	193	Nil	—	60.0
	1961	321	207	Nil	—	63.5
Coffee	1957	36	13	Nil	—	36.0
	1958	40	15	"	—	37.5
	1959	42	14	"	—	33.3
	1960	46	16	"	—	35.0
	1961	68	31	"	—	45.6

Source : Derived from U.N. Trade Year Book, 1958 and 1962. *Eastern Economist*, Vol. 14, No. 3, p. 138. * Figures are for sugarcane. ** Figures are for raw sugar.

The leading competitors of India in U.K. market are Ceylon and Pakistan which in 1953 exported 35 and 98 per cent of their respective exports to that country.¹ There is some prospect of increasing our exports to United States and Western Europe. But competition in importing countries is likely to be keener on account of slow increase in consumption in importing countries and greater possibility of expansion of world production. Production in Africa is steadily expanding and production is likely to increase further in Ceylon and Pakistan. The Government of India is aware of the situation. The export duty on tea has been abolished recently as a measure to stimulate consumption of Indian tea in

1. U. N. : 1955 Survey of Primary Commodity Markets, p. 91.

overseas market. The Indian Tea Board has recently set up an organisation in Brussels for extensive and intensive tea promotion in E.C.M. countries. It has also drawn up an elaborate tea promotion programme in other countries.² The programme for export promotion in tea should consist of an expansion in production of tea, reduction in the cost of production and an improvement in the competitive position of Indian tea abroad. The Tea Board is simplifying the terms under the Plantation Finance Scheme according to which gardens requiring machinery and other assistance would be given long-term loans. Thus there is a good prospect for Indian tea exports in future.

As regards coffee, there has been a steady increase in production from 36,000 metric tons in 1957 to 68,000 tons in 1961. Exports have increased from 13,000 tons in 1957 to 31,000 tons in 1961. In 1961, 45.6 per cent of the total production was exported. Thus coffee holds out another possibility for expansion of exports. At present the export earning from this source is a meagre Rs. 7 crores. Indian exports form a negligible part of the total world export. Indian export of coffee is steadily increasing in Western Germany and Belgium, Netherlands and U.S.S.R.

Sugar holds out another possibility of export expansion. Though production of sugarcane has steadily increased in the country, the increase in the yield per acre has been rising very slowly. Again another disappointing feature has been the fall of the recovery per cent from 10.03 in 1950-51 to 9.72 in 1960-61. Another factor limiting the possibility of the expansion of sugar export is the governmental policy of ensuring a higher price for cane for maintaining sufficient cane supplies to mills.³ The solution here lies in increasing productivity rather than increasing price for ensuring larger exports. The possibility of increase in productivity can be seen from the yield figures. The average yield per acre of sugarcane was 11.85 tons in U.P., 15.12 tons in Bihar and 28.51 tons in Maharashtra in 1961. The recovery per cent is 9.53 in U.P., 9.22 per cent in Bihar and 11.65 per cent in Maharashtra. The world sugar consumption has increased rapidly in the post-war period on account of increase in income and a fall in sugar prices. Recent F.A.O. studies indicate that consumption will increase substantially in the next decade. But production has also expanded and will increase further in near future. Schemes for reduction in production and allocation of export quotas to producing countries have been in operation under the International Sugar Agreement, to maintain the world price of sugar.⁴ In 1961, India had an export quota of about 1,35,000 long tons under the International Sugar Agreement and was authorised to supply another 1,87,000 tons to U.S.A. In 1962-63, the quantity of sugar exported amounted to 4,28,000 tonnes and earned Rs. 17.3 crores in terms of foreign exchange.⁵ The export of sugar has thus become a regular feature and it has been estimated that about 5,00,000 tonnes can be exported each year in the next one or two years.⁶

Detailed analysis of export possibilities of tea, coffee and sugar shows that expansion of exports in case of these commodities will be slow and no substantial

2. *Statesman*, October 13, 1963.

3. *Commerce*, September 29, 1962, p. 554 and September 14, 1963, p. 432.

4. F. A. O. : *The State of Food and Agriculture 1960*, pp. 78-79.

5. *Journal of Industry and Trade*, June, 1963, p. 1107.

6. *Commerce*, April 13, 1963, p. 641.

gain in foreign exchange is possible in near future. There is, however, great scope for import substitution by which demand on foreign exchange can be substantially reduced.

Cereals form an important item of import so far as agricultural commodities are concerned. In the last six years from 1957 to 1962, the average import of cereals per year has been about 3.7 million tons. In 1961-62 and 1962-63, the import of cereals amounted to Rs. 116.9 and Rs. 117.1 crores respectively. This works out at a little more than 10 per cent of the total value of imports and between 17 and 18 per cent of the value of exports.⁷ The imports constitute about 5 per cent of the total production. Rice imports vary from 1 to 2 per cent of the total domestic rice production and wheat imports vary from 28 to 42 per cent of the total domestic production. Though production of foodgrains has increased by about 52 per cent since 1951, consumption has increased faster on account of an increase in population by 2 per cent per annum and increase in per capita real income by 16.5 per cent between 1951 and 1961. According to the long-term projection of demand for and supply of foodgrains made by the National Council of Applied Economic Research, by 1965-66 the demand for foodgrains would rise to 95.4 million tons while supply will increase to 95.7 million tons leaving an export surplus of 0.3 million tons.⁸ If this is achieved there would be a major gain for economic development of India.

In the case of cotton, there is scope both for import substitution and export promotion. From Table III, it is seen that our exports form 0.8 per cent to 1.5 per cent of our domestic production whereas imports form 1.5 per cent to sometimes 5.5 per cent of domestic production. Our import consists mainly of long staple cotton and our main source of supply is U.S.A. The other exporting countries are Sudan, Egypt, East Africa and Pakistan. In 1961-62, America supplied to us 2.7 lakh bales out of a total supply of 6.4 lakhs of bales from abroad. This heavy dependence on American cotton creates uncertainties for Indian cotton textile industry as the imports are from the hard currency area. The fall in the import of cotton from 7.1 lakh bales in the previous year to 6.4 lakh bales in 1961-62 is mainly due to non-availability of American cotton. The supplies from other countries are not so elastic as to reduce our dependence on American cotton. This is an additional reason for increasing the domestic output. Cotton production can increase by the intensification of the package programme, supply of compost and green manures in areas where the rainfall is below 30 inches, establishment of demonstration plots for showing the peasants various improved agricultural practices for raising yield and co-ordinated planning of cultivation, ginning and pressing of cotton in newly irrigated areas. With these measures, it is possible to increase domestic production and to reduce our dependence on imports.

The exports of cotton consist of harsh short staple cotton. This type of cotton occupies a unique position in the world's cotton economy. Though it accounts for less than two per cent of the total production, it is greatly preferred to other varieties of cotton and competing materials for numerous specialised uses. Among these are manufacture of absorbent cotton, mattress fillings, mixing

7. Derived from the *Eastern Economist*, Vol. 14, No. 3, pp. 163-164.

8. Looking Ahead, National Council of Applied Economic Research, New Delhi, p. 40, Table II.

9. *Commerce*, 26th May 1963, pp. 938 and 986.

in the wool in blanket manufacture and production of coarse yarn up to 10 counts. India is a leading exporter of harsh short staple cotton and exports cotton to Australia, Belgium, France, West Germany, Hong Kong, Italy, Japan, Netherlands, U.K. and U.S.A. Japan is the largest importer of Indian cotton and about 88 per cent of the export of short staple cotton goes to that country. In 1960-61 out of 1.4 lakh bales of exports, 1.23 lakh bales went to Japan. With proper allocation of resources for harsh short staple cotton, there is some scope for cotton export. Even if larger amount of resources cannot be allocated for this purpose, increase of productivity with existing acreage will enhance our export earnings. A large majority of traditional users prefer this variety of cotton to competing materials but in most cases uncertainty of supplies and price factor have been prime consideration in switching over to other fibres or materials. But a proper price policy and increase in per acre yield would to a large extent stabilise the export market.

In case of jute, there is ample scope for eliminating the import of raw jute which at present is about 2 per cent of the domestic production. The Indian jute industry which is practically the sole consumer of the domestic supply of raw jute faces stiff competition in the world market not only from Pakistan but also from alternative packing materials, such as plastic and paper bags and bulk handling methods. The solution lies in the reduction of raw jute price and increase of productivity of jute lands. The average yield of jute is 2.5 bales per acre, although it has been demonstrated that it can be increased to 4 bales per acre. For improving the competitive position of jute exports, it is necessary to cover a large area of jute under improved seed, to ensure adequate supply of fertilizers, to organise co-operative marketing and regulated markets for jute and to arrange for grading of jute in various markets.

From Table II, it is evident also that there is much scope for import substitution in the field of agricultural requisites such as agricultural machinery and fertilizers. In this field alone a saving of foreign exchange to the extent of Rs. 21 crores is possible, if stepping up production of fertilizers takes place.

Our analysis shows that so far as tea, coffee, sugar and feeding stuff are concerned, there is some scope for expansion of exports. There are certain domestic and international factors which stand in the way of their rapid expansion at present. Even though these obstacles are overcome, the contribution to foreign exchange from these sources is not likely to be very significant. There is some possibility for export promotion and import substitution in case of cotton. But the major gain by way of reduction of our demand for foreign exchange can come if self-sufficiency in foodgrains is attained. This would amount to a saving of about Rs. 116 crores at the present level of imports. In case of jute, our dependence on imports can be eliminated if suitable measures are taken. Import substitution in the field of fertilizers and agricultural machinery can lead to some saving in foreign exchange. There is also some scope for import substitution in the case of fats and oils. The general conclusion is that by means of export promotion and import substitution, there is enough scope for accelerating the pace of economic development in India by increasing the supply of and reducing the demand for the limited foreign exchange resources of the country.