

GROWING DIMENSIONS OF FOREIGN TRADE IN INDIAN AGRICULTURAL PRODUCTION

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Abstract—Agriculture plays a significant role in development process of an economy. A well-developed agriculture leads to growth in trade. The agriculture sector thus continues to occupy a very significant role in the foreign trade. The prosperity of Indian economy is also closely linked to agriculture and allied activities. The study was undertaken with the objective to evaluate the growing dimensions of foreign trade in Indian agricultural production. For this purpose, the importance and growth performance of agricultural production is analyzed. The study was basically based on Indian export and Indian Import and the existing schemes, and its modifications, the impact of WTO prospects and challenges and TRIPs for Indian agriculture. Agriculture in India, which employs bulk of country's population and contributes significant proportion of national income. The largest increase in agricultural productivity has been increasing from 1950-51 to 2016-17 for nearly six decades. This tremendous increase in yield has been possible due to the widespread use of high yielding varieties of seeds, extension of irrigation facilities, fertilizers etc. Under developed countries mostly specialize in the production of a few agricultural goods for exports. As output and productivity of the exportable goods expand, their exports increase and result in larger foreign exchange earnings. Thus, agricultural surpluses lead to capital formation when capital goods are imported with this foreign exchange. Larger production of food and export crops not only conserve and earn foreign exchange but also lead to the expansion of the other sectors of the economy. Thus, under the present context, it is observed that under the WTO agreement whatever negative aspects the Indian agriculture will face that can be suitably neutralized by responding to its positive aspects.

Keywords—Agricultural Production, Foreign Trade, Indian Economy, TRIPs, WTO.

INTRODUCTION

“If agriculture is liberalized there will be higher input prices. But there will also be higher output prices and it is slightly unfair to look at the hike in input prices alone.”

-Mr. Bibek Deb Roy of Indian Institute of Foreign trade.

Agriculture plays a significant role in development process of an economy. It provides for expanding raw material requirements of the growing industrial sector. A well-developed agriculture leads to growth in trade. The trade deals with agricultural products. Developed agriculture also means that farmers produce much more than their own consumption requirements and sell the surplus food to the other countries and thus help in the expansion of non-agricultural activities.

The agriculture sector thus continues to occupy a very significant role in the foreign trade. Almost all the economic activities – trade industry, services etc., - revolve around agriculture in India. The prosperity of Indian economy is also closely linked to agriculture and allied activities.

OBJECTIVES OF THE STUDY

The study was undertaken with the objective to evaluate the growing dimensions of foreign trade in Indian agricultural production. For this purpose, the importance and growth performance of agricultural production is analysed. The study was basically based on Indian export and Indian Import and the existing schemes, and its modifications, the impact of WTO prospects and challenges and TRIPs for Indian agriculture.

IMPORTANCE OF AGRICULTURE IN INDIAN ECONOMY

The contribution of agriculture in Indian economic development lies in

1. Providing more food to the rapidly expanding population.
2. Increasing the demand for industrial products and thus necessitating the expansion of the secondary and tertiary sectors.
3. Providing additional foreign exchange earnings for the import of capital goods for development through increased agricultural exports.
4. Increasing rural income to be mobilized by the state:
5. Providing productive employment.
6. Improving the welfare of the rural people.

GROWTH PERFORMANCE OF AGRICULTURE

Agriculture in India, which employs bulk of country's population and contributes significant proportion of national income, has remained the slowest moving sector of the Indian economy. Since the introduction of economic planning in India, agricultural development has been receiving a special emphasis. It was only after 1965 i.e., from the mid-period of the Third Plan, special emphasis was laid on the development of the agricultural sector. Since then, a huge amount of fund was allocated for the development and modernization of this agricultural sector every year. All these initiatives have led to:

- A steady increase in areas under cultivation:
- A steady rise in agricultural productivity: and
- A rising trend in agricultural production.

TABLE 1: PRODUCTIVITY TRENDS IN MAJOR CROPS

(Yield Per Hectare in Kilograms)

<i>Crops</i>	<i>1950-51</i>	<i>1960-61</i>	<i>1970-71</i>	<i>1980-81</i>	<i>1990-91</i>	<i>2000-01</i>	<i>2010-11</i>	<i>2016-17^p</i>
Rice	668	1,013	1,123	1,336	1,740	1,901	2,239	2,543
Wheat	655	851	1,307	1,630	2,281	2,708	2,989	3172
Jowar	353	533	446	660	814	764	949	924
Maize	547	926	1,279	1,159	1,518	1,822	2,540	2,679
Bajra	288	286	622	458	658	688	1079	1319
Pulses	441	539	524	473	578	544	691	765
Oil seeds	481	507	579	532	771	810	1193	1229
Sugarcane*	33	40	48	58	65	69	70	68
cotton	88	125	106	152	225	190	499	513
Jute	1,044	1,080	1,186	1,245	1,833	2,026	2,229	2,541

P - 3rd Advance estimates

* -Yield per hectare in tones.

Source: Economic Survey 2016-17.

As can be seen from the table 1, the largest increase in agricultural productivity has been in the case of wheat, jowar, maize, bajra, pulses, oil seeds, sugarcane, cotton, jute where the yield per hectare has gone up from 1950-51 to 2016-17 increase for nearly six decades. The largest increase in productivity has been in the case of wheat, where the yield per hectare has gone up from 655 kgs in 1950-51 to about 3,172 kgs in 2016-17 3rd advance estimates, about five-fold increase during nearly six decades. This tremendous increase in yield has been possible due to the widespread use of high yielding varieties of seeds, extension of irrigation facilities, fertilizers etc.

AGRICULTURAL PRODUCTION AND FOREIGN TRADE

Under developed countries mostly specialize in the production of a few agricultural goods for exports. As output and productivity of the exportable goods expand, their exports increase and result in larger foreign exchange earnings. Thus, agricultural surpluses lead to capital formation when capital goods are imported with this foreign exchange. As development gains momentum due to industrialization, the proportion of agricultural exports in country's total exports is likely to fall as they are needed in larger quantities for domestic production of imported articles. Such articles are import

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substitutes and conserve foreign exchange. Similarly, increased marketed surplus of food grains leads to a net saving of foreign exchange, as the economy tries to achieve the goal of self-sufficiency in food production. Larger production of food and export crops not only conserve and earn foreign exchange but also lead to the expansion of the other sectors of the economy.

Foreign exchange earnings can be used to build the efficiency of other industries and help the establishment of new industries by importing scarce raw materials, machines, capital equipment and technical know-how. Kuznets calls it the “Product Contribution” of agriculture which first: augments the growth of net output of the economy, and second: the growth of per capita output.

INDIA’S SHARE IN WORLD TRADE

Liberalization of world trade in agriculture has opened up new vistas of growth. India has a comparative advantage in several commodities for agricultural exports because of near self-sufficiency of inputs, relatively low labour costs and diverse agro-climatic conditions, these factors have enabled export of several agricultural commodities. The performance of major agricultural commodities in terms of value of India’s export trade seems to be satisfactory. The overall results of India’s share in world agricultural exports indicate insignificant position in almost all agricultural commodities.

TABLE 2: INDIA’S SHARE IN WORLD EXPORTS

<i>Year</i>	<i>World exports</i>	<i>India’s exports (million US dollars)</i>	<i>India’s share in World exports (%)</i>
1980	1997686	8486	0.4
1990	3303563	18143	0.5
2000	6254511	41543	0.7
2010	15102605	226334	1.5
2015	162772345	264381	1.6

Source: Economic Survey 2016-17.

The above table 2 reveals that exports have been showing steady increase from 1980 to 2015. As compared to India’s exports of \$ 8486 million has increased to \$ 264381 million in 2015. When the whole world including India was reeling under the effects of the global recession, growth in India’s share in world exports from 0.4 percent in 1980 compared to a paltry 1.6 percent (2015) growth in total exports from India.

AGRICULTURAL EXPORTS: PERFORMANCE AND POLICY

Export led growth as now the most important strategy in the free trade regime for which Indian policy-makers and planners have been emphasizing for not only correcting the balance of payment position of the country but also accelerating the economic development with the participation in international trade. As a follow-up action the Government of India has announced a number of liberalization policy since July 1991 in order to boost exports including exports of agricultural commodities.

TABLE 3: PATTERN OF AGRICULTURAL EXPORTS OF INDIA

<i>Crops</i>	<i>2014-15</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2015-16</i>	<i>2016-17p</i>	<i>2016-17 p</i>
	Million US Doller	% share of agri- imports*	Million US Doller	% share of agri- imports*	Million US Doller	% share of agri- imports*
Tea	-	-15.3	-	5.7	-	1.9
Tea and mate	682	-	721	-	734	-
Coffee	813	2.5	783	-3.7	845	8.0
Cereals	-	-9.2	-	-34.4	-	-3.2
Un manufactured Tobacco	-	-13.9	-	-1.9	-	-4.7
Tobacco	960	-	986	-	962	-
Spices	2428	-3.0	2540	4.6	2899	14.1
Cashew nuts	-	8.4	-	-15.5	-	2.6
Cashew kernels	919	-	777	-	797	-
Oil meals	-	-52.9	-	-58.6	-	45.8
Oil Cakes	1329	-	550	-	802	-
Fruit, Vegetables & Pulses	1479	-17.0	1693	14.5	2066	6.4

Marine products	-	8.8	-	-13.4	-	24.2
Fish & Fish Preparations	5510	-	4769	-	5920	-
Raw Cotton	1904	-48.4	1958	2.8	1637	-16.4
Agriculture & allied major exports % of the total export	39356	-8.8	33049	-16.0	33994	2.9
Total export	310352	-1.3	262290	-15.5	276280	5.3

p Provisional.

*In terms of Us dollar.

Source: Economic Survey 2016-17.

The performance of export of agricultural products can also be analyzed with the help of share of agricultural exports in total exports. As is evident from above table 3 the share of agricultural and allied major exports percent of the total exports during 2014-15 was as -8.8 percent which marginally increased to 2.9 percent in 2016-17 provisionally. However, the performance of major agricultural commodities in terms of value of India's export trade seems to be satisfactory due to its growing rate. The relatively highest annual rate is reported to be in case of oil meals (45.8%) followed by marine products (24.2%), Spices (14.1%), coffee (8%), fruit, vegetables and pulses (6.4%), cashew nuts (2.6%), tea (1.9%).

REMOVAL OF QUANTITATIVE RESTRICTIONS ON EXPORTS

All Quantitative Restrictions on exports, except a few sensitive items, have been removed. Only a few items sensitive items, have been retained for exports through State Trading Enterprises. As promotion of agricultural exports is important for creating conditions for providing remunerative prices to farm products, the EXIM Policy proposes to give a boost to such exports and make a mark in International trade in agriculture with a farm-to-port approach as reflected in the Agri-Export Zones Scheme and in the proposed Agri-Export Policy. The major initiatives regarding agriculture planned for in the EXIM Policy are as follows:

1. Export restrictions like registration and packaging requirement were removed with effect from March 31, 2002 on butter, wheat and wheat products, coarse grains, groundnut oil and cashew exports to Russia under Rupee Debt Repayment Scheme. Quantitative and packaging restrictions on wheat and its products butter, pulses, grain and flour of barley, maize, bajra, ragi and jowar were removed with effect from March 5, 2002.
2. Restrictions on export of all cultivated (other than wild) varieties of seed, except jute and onion have been removed.
3. In order to help diversification of agriculture, transport assistance, is proposed to be made available for export of fresh and processed fruits, vegetables, floriculture, poultry, dairy products and products of wheat and rice. It is also proposed to work out suitable transport assistance for export of accumulated stocks of rice and wheat from Food Corporation of Indian to facilitate their liquidation.

In order to transform select rural regions as regional rural motors of export economy by promoting export of agro and agro-based products, the scheme of setting up of AEZs was announced last year and 20AEZs have been sanctioned so far.

TOWNS OF EXPORT EXCELLENCE

A number of towns in specific geographical locations have emerged as dynamic industrial locations contributing enormously to India's exports. With a view to maximize their export profiles and help in upgrading them to move up in the higher value markets, it has been proposed to grant recognition to industrial cluster-towns with export potential like Tirupur (for hosiery), Panipat (for woolien blankets) and Ludhiana (for woolen knit wear) and provide them the following facilities:

1. Entitlement of facility of EPCG scheme for common services providers in these areas.
2. Access to funds under MAI Scheme for creating focused technological services.
3. Priority for assistance for identified critical infrastructure gaps from the scheme on Central Assistance to States.

MODIFICATIONS IN THE EXISTING SCHEMES

The EXIM Policy for 2002-2007 has continued the earlier schemes like

1. Duty Entitlement Pass Book (DEPB).
2. Export Promotion Capital Goods (EPCG).

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3. Duty Free Replenishment Certificate (DFRC).
4. Advance Licenses etc,
5. The other modified schemes like:
6. Assistance to States for Infrastructural Development for Exports (ASIDE) 2000.
7. Market Access Initiative (MAI) 2001.

VISHESH KRISHI UPAJ YOJANA

A new scheme called Krishi Upaj Yojana has been introduced to boost exports in the medium term foreign trade policy, 2004-2009. The objective of the scheme is to promote export of fruits, vegetables, flowers, minor forest produce, dairy, poultry and their value-added products produced and processed domestically by incentivizing exporters of such products. Exporters of such products shall be entitled for duty credit scrip equivalent to 5% of the FOB value of exports for each licensing year commencing from 1st April 2004. However, dairy, poultry and their value-added products qualify for benefits in respect of exports made on or after 1st April 2005.

AGRICULTURAL IMPORTS

Although India is primarily an agricultural economy even then it has to import some agricultural commodities from foreign countries in which it is deficient. The major items of agri-imports in India include – Pulses, edible oils, cashew nuts, fruits and nuts, cereal etc. The below table shows the details of agri- import of India.

TABLE 4: AGRICULTURAL MAJOR IMPORTS

<i>Crops</i>	<i>2014-15</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2015-16</i>	<i>2016-17p</i>	<i>2016-17 p</i>
	<i>Million US Doller</i>	<i>% share of agri- imports*</i>	<i>Million US Doller</i>	<i>% share of agri- imports*</i>	<i>Million US Doller</i>	<i>% share of agri- imports*</i>
Cereals & Cereal preparations	117	28.8	276	135.5	1430	418.2
Cashew Nuts	1087	40.5	1339	23.2	1347	0.5
Edible oils	10621	13.1	10492	-1.2	10894	3.8
Fertilizers	7399	18.1	8072	9.1	5027	-37.7
Total Principal Import	448033	-0.5	381007	-15.5	384319	0.9
Agri-import as percentage of total import	-	19.9	-	9.3	-	12.0

p Provisional.

*In terms of Us dollar.

Source: Economic Survey 2016-17.

Table 4 reveals that the value of total agricultural principal imports has been decreased from \$ 448033 million in 2014-15 to \$ 384319 million in 2016-2017 provisionally. In recent years, edible oil, accounting for nearly 3.8 percent of the value of total agri-imports, has become the single largest import item. Cashew nut and cereals are among dominant agri-imports, each of which accounts for nearly 0.5 percent and 418.2 percent of total agri-imports in recent years. There have been substantial imports of fertilizers during 2014-15 to the extent of \$7399 million as compared to that of \$ 5027 million showing a fall in its share of total agri-imports from 18.1 percent to over -37.7 percent. In recent years, the share of agri-imports in total imports of the country has decreased from 19.9 percent in 2014-15 to 12.0 percent in 2016-17 Provisional.

PROTECTING DOMESTIC AGRICULTURE

The impact of globalization and the growing volume of agri-imports in the country steps have been initiated to protect domestic agriculture from its impending danger. The quantitative restrictions on imports since April 2000 has resulted in import of a number of agricultural products which include fruits, juices, ketchups, meat products etc. Monitoring of 300 sensitive products imports has so far revealed that such imports are limited and in the aggregate, constitute a small proportion of total agricultural imports. India has considerable flexibility to counter flooding of the Indian market by cheap agriculture import through imposition of tariffs (bound rate) under WTO. The countervailing duties can also be imposed to counter questionable subsidies given to agricultural products by the exporting countries apart from having the option of acting under safeguard provisions to counter surge of imports.

WTO AND THE INDIAN AGRICULTURE: PROSPECTS AND CHALLENGES

The operation provisions of the World Trade Organization (WTO), the process of globalization commenced in the major parts of the world. Globalization as such opened unlimited prospects for the India but at the same time brought several challenges, too. Yes, the challenges were different in nature for the developed and the developing countries. The challenges brought by the WTO for the Indian Agriculture.

PROSPECTS

The NCAER (National Council for Applied Economic Research) Survey of the WTO on the Indian economy is cited as the best document in this area. The survey had all important things to say on this issue:

1. The survey also pointed out that almost 80-90 percent of the increased supply of food grains to the world is going to originate from only two countries China and India as they are having the scope for increasing production.
2. But the survey painted a very wretched picture about the preparedness of Indian agriculture sector to exploit the opportunities. It concluded China to be far better than India in this matter.
3. It suggested almost every form of preparedness for the agriculture sector (its glance we may have been on the second Green Revolution) in India – basically the revolution is modeled on the findings and suggestions by the survey.
4. The survey ended at a high note of caution and concern that if India fails in its preparations to make agriculture come out as a winner in the WTO regime the economy will emerge as the biggest importer of the agricultural products. At the same time the cheaper agricultural imports might devastate Indian agricultural structure and the import-dependence may ruin the prospects of a better life for millions of poor Indians.
5. Even if India does not want to tap the opportunities of the globalizing world it has to gear up in the agriculture sector since the world market will hardly be able to fulfill the agri-goods demands of India by 2025 AD. It means, it is only India which can meet its own agricultural goods demand in the future.

THE CHALLENGES

If the WTO brings prospects for the Indian agriculture, it also brings in some hard challenges in front of it. The challenges before the Indian agriculture are:

1. **Self-sufficiency of food:** Due to inflow of cheaper food grains from the world it would not remain economically viable in India to produce them and farmers might have inclined favour of the profitable agriculture products. This will make India heavily dependent upon world market for its food supplies marring its achievement of food self-sufficiency.
2. **Price Stability:** Dependence on the world market for the supply of agricultural products and specially for food grains will never be safe for India.
3. **Cropping Pattern:** The cropping pattern of agriculture might take a very imbalanced shape which will be highly detrimental to the ecology at large as the farmers will be always in favour of going for the crops and commodities which have comparative price advantage.
4. **Weaker Sections:** It means that the weaker sections of India might miss this chance of growth and development. We need to make the benefits of globalization reach these people, too.

WTO AND AGRICULTURAL SUBSIDIES

1. **Aggregate Measure of Support (AMS):** The subsidies provided by the government to the agricultural sector (i.e., domestic support) is termed by the WTO as Aggregate Measure of Support (AMS). It is calculated in terms of product and input subsidies.
2. **The Boxes:** The agricultural subsidies in the WTO terminology have in general been identified by “Boxes” which have been given the colours of the traffic lights – green (means permitted), amber (means slow down i.e., to be reduced) and red (means forbidden).

TRIPS AND INDIAN AGRICULTURE

TRIPs cover – copy right, trademarks, trade secrets, geographical indications, as industrial designs, integrated circuits and patents. However, the most confronting issue of TRIPs is patent. Besides the concept of EMRs (exclusive marketing rights) built into the TRIPs was itself highly flawed. The impacts of TRP (Trade Patent Rights) on agriculture sector are an important dimension of analysis. It is said to be a gate way of entering multinationals like Hindustan Lever, Cargil,

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ITC, Pepsicola, Moncento, Godrej, Mahindra etc into agricultural sector. Genetically engineering varieties of seed of food and cash crops owned by multinational companies will be sold in India and such seeds will have so far been absent.

CONCLUSION

The recent liberalization of trade in agricultural commodities has helped the farmers who grow rice, wheat and maize to reap benefit. The Indian agriculture and agri-business should get the kind of boost it has never known by exposing itself to the larger world market. The farm lobby would see major growth in exports in superior rice, vegetables, fruit, fisheries and meat products, vegetable oil processed products and flowers.

Thus, under the present context, it is observed that under the WTO agreement whatever negative aspects the Indian agriculture will face that can be suitably neutralized by responding to its positive aspects. Thus, if the Indian agriculture can meet the challenges and opportunities open to it and if the developed countries do not put any trade barrier before the flow of Indian agricultural exports then India will definitely be able to overcome this threat and also become successful to gain sufficiently from this new world trade regime.

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