CHAPTER V

SUMMARY AND CONCLUSION

Agriculture occupies an important position in Indian economy, as it contributes nearly 24.2 per cent of gross domestic product (triennium ending 2001-02) and provides livelihood support to about two-thirds of the nation’s population. Agriculture is an important sector of Indian economy with strong forward and backward linkages with other sectors of the economy. The attainment of a growth rate in excess of 7 per cent in country’s Gross Domestic Product (GDP) will be difficult unless there is an accompanying acceleration in agricultural growth (GOI, 2001). The export of agricultural goods plays a major role in not only achieving growth in the agricultural sector but in the overall economy as well. The economic liberalization offers brightened future for agricultural trade as it is expected to equate the border price with the domestic price, provide greater market access, reduced domestic support by developed countries, diversification in production and opportunities for value addition and processing of agricultural produce. The EXIM Policy (2000-07) and Foreign Trade Policy (2004-09) both have taken a number of measures to make Indian agriculture competitive in the WTO regime. Such initiatives include involvement of corporate sector in promotion of Agric-Export Zones (AEZs), special treatment to Special Economic Zones (SEZs), duty free import of capital goods under Export Promotion Credit Guarantee (EPCG) scheme, liberalized export regime to promote export of medicinal and herbal products. However, care has to be taken that the growth in agricultural exports accelerates with the least of instability. The present study examines the countries performance of agricultural trade in terms of growth, instability and unit value realization. The study was taken up with following specific objectives:

1. To examine the trade performance of agricultural commodities
2. To assess the trade competitiveness of major agricultural commodities, and
3. To suggest strategies for enhancing the exports of agricultural commodities

The secondary data on exports of agricultural commodities collected from monthly Statistics of Foreign Trade of India, APEDA, FAO statistics, Economic Survey, etc. for the period of 1985-2005 would be used for analysis. The statistical tools like compound growth rate, instability analysis and revealed comparative analysis has been employed to achieve the
objectives. The findings of the study leading to suggestions for improvement in agricultural 
trade performance are summarized here under.

Over the period the export basket is increasingly diversifying which augers well for the 
country as it promotes greater earning stability. The focus of the country should be on fruits 
and vegetables in view of its growing importance in world trade. The commodities meat and 
meat products, dairy products and eggs, feeding stuff, etc, have also recorded growing 
importance in country’s exports. Meeting the quality and food safety concerns of importing 
country’s needs to be given due care to retain the global market share. The imports during the 
period 1975-2003 have more than doubled, with “animal and vegetable oils” and “fruits and 
vegetables” accounting for 65 per cent of total imports by 2003. The Indian population is 
predominantly vegetarian therefore, oilseeds production should be augmented to minimize 
our dependence on the world market for oil. Special attention need to be given for 
commodities coming under HG/HV group. Development of production stabilizing technology 
coupled with adequate policy support for its adoption would minimize the instability in 
export earnings. The relative unit price analysis shows that the agricultural trade does not 
take place at competitive price. Improving technology and raising efficiency of food 
processing sector is one way of raising price competitiveness, other way is to develop wide 
network of market intelligence both nationally and internationally.

An attempt was made to examine the changing pattern in the commodity basket, comparative 
advantage and direction of trade in horti-commodities in the post-reform period. A total of 
132 items registered an increase in quantity and value terms both in the post-WTO period. 
The share of these commodities increased to 83 per cent in post-WTO period from a level of 
67 per cent in pre-WTO period. All these commodities were classified into two broad 
categories on the basis of their value elasticity (EV)- (a) commodities with EV greater than 
unity, and (b) commodities with EV less than unity. The implication is that it is relatively 
more paying to put export promotion efforts on the former category of exportable rather than 
the latter. Some of the commodities with very high prospects for earnings were found to be 
cabbage lettuce, walnuts in shell, pumpkin, sweet corn, asparagus fresh and beans in case of 
fresh fruits & vegetables and gram dal, roasted/ fried foods of vegetables products, preserved 
onion, other orange juice and tur in case of processed fruits & vegetables. The country 
continues to have comparative advantage in a number of horticultural commodities over the 
period. Contrary to the general perception, it was revealed that India does not have 
comparative advantage in a large number of horticultural-commodities. In order to improve
the comparative advantage, it is necessary to reduce the cost of production, improve productivity, efficient post-harvest management and processing, provide infrastructural facilities and policy support. Processed horti-commodities were more exported to developed nations especially to Europe, America, Japan, and UK, whereas, fresh fruits & vegetables found greater share of markets in Gulf countries, ASEAN and SAARC nations. Future export promotion efforts must encourage adherence to quality standards by following good manufacturing practices (GMP), HACCP and SPS standards.

The analysis of the changing direction of Indian mango exports revealed that India could not retain its market share to the Saudi Arabia, United Kingdom and Other countries. On the other hand United States of America and Bangladesh showed gains in share in total mango exports. It is therefore important to take measures to retain the market share in the country’s where we are likely to loose the market share. The efficiency at production level needs to be raised in order to make the product, price competitive. The producers and exporters need to be educated and trained to maintain the quality standard of the products. New markets also need to be explored and developed, vast potential of which is there in western countries. However constraints like suitability of few varieties for export, pests and diseases problems, high freight charges, high packaging costs have restricted the export to these areas.

Onion both in fresh and processed form has recorded growth with the share of processed onion increasing over the year as against the fresh onion. The insignificant growth of unit value of onions, onion preserved and onion dehydrated during the post-WTO period is a cause of concern. Malaysia and Mauritius Indian onion was getting higher unit value price and, therefore, the focus could be in expanding the market base in these countries. Since the growth in unit value of Indian onion was low during the post-WTO period across the countries there is an urgent need to understand the reasons for the same. It is estimated that during the period 2007 AD total exports to top six countries would increase except for Sri Lanka. Malaysia would account for highest share followed by UAE, Bangladesh, etc. The decline in exports to Sri Lanka is expected to be mitigated with the enforcement of FTA with Sri Lanka. There is a need to expand the export market, look for avenues where higher price realization is possible. There is also a need to have long term and stable policy towards export of onion. The supply of onion for exports could be increased through increased production and by way of reduction in post-harvest losses. Adequate policy support is needed to take the available technology to the farmers.
India is the largest producer of mangoes, still it exports less than one per cent of its total production. The important mango products exported by the year TE 2002 are mango pulp (59 per cent), mango fresh (17 per cent), mango chutney and pickles (8 per cent) and jams and jellies of mango (6 per cent). The share of processed products in total mango exports increased from 61 per cent to 83 percent during the periods 1982 and 2002 respectively. The processed products like mango pulp, mango juice, mango slice dried, mango slice in brine and mango squash recorded higher growth in value terms mainly on account of high growth in price realization. The export promotion efforts for such products would lead to greater earnings as also generation of employment opportunity and value addition.

The Netherlands is fast emerging as important destination of Indian mango pulp accounting for 9 per cent of total mango pulp exports. Japan, Germany, UK, UAE, Kuwait recorded significantly high growth rate in unit value realization during post liberalization period. These are priority countries as the value gains would be much higher from export to these countries. The diversification of export destinations away from the traditional markets is suggested in order to improve the stability in mango pulp exports. The aggregate demand of mango pulp was forecasted at 75922 tonnes by the year 2008. The increasing demand for mango pulp exports could be met by promoting mango pulp from other premium varieties such as Keshar, Alphonso and Neelam rather than depending on Totapari variety. The stability of export demand and price fluctuations affects the profitability of processing industry. Therefore, efforts need to be made towards stabilizing the price received in international market, price paid for raw materials, setting up of cold storage at the processing plant site and consistent supply of raw material and brand creation. Emphasis should also be on creating awareness about quality control, upgrading the lab equipment’s of certifying agencies, in order to be able to meet the sanitary and phytosanitary standards of the importing countries.

To make the Indian tea sector more robust and resilient the following steps need to be taken up: (i) Concerted efforts have to be made by different stakeholders to increase the productivity of tea plantations. The extension services should be strengthened to disseminate the technical know-how to the small tea growers located in remote areas; (ii) A new type of production organization and ownership structure may be promoted to look after the multi-pronged problems of production, marketing and supporting services for the small holder tea production. Such an organization would be able to take care of the interests of the tea growers by making the input factors available in right quantity at right price; (iii) The country can get back its place among our traditional tea markets of Russia and other CIS nations by
diversification of tea products, quality upgradation and aggressive brand and logo campaign. These efforts would also help in better realization of prices thus improving our competitiveness and profitability of tea industry; (iv) In the short term, aggressive generic promotion for tea in the domestic market is very much needed. A slight change in the promotion theme, from health to fitness would be more appealing. The focus at first should be on those states where per capita tea consumption is very low; and (v) Market diversification away from traditional markets offers great scope to boost Indian tea exports.