CHAPTER 1

INTRODUCTION

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 (20002-07) and Foreign Trade Policy (2004-09) both have taken a number of measures to make Indian agriculture competitive in the WWTO 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.

Agriculture occupies an important position in India as it contributes nearly 24.2 per cent to the gross domestic product (triennium ending 2001-02) of the country and provides livelihood support to about two-third of the population. Agricultural commodity exports account for nearly 14.7 per cent of the total export earnings of the country. Coffee, tea and mates, oil cakes, tobacco, cashew kernels, spices, raw cotton, rice, fish and fish preparations, meat and meat preparations, fresh fruits and vegetables, and processed fruits and vegetables constitute the major export items among agro-products form the country. Among the horticultural commodities, processed fruits and vegetables account for the largest share of exports followed by fresh fruits and vegetables. Among fresh vegetables, onion, tomato and mushroom are highly export
competitive. Among fruit crops it is mango which accounts for major share in export earnings. While, it is tea, that is the major plantation crop being exported from India.

The recent measures such as liberalization and globalization of the Indian Economy initiated by the government are likely to have far reaching and long term impacts in all spheres of the economy including exports and imports. The trade liberalization had significantly increased exports of agricultural commodities. However, it is coupled with high variability that has an adverse impact on the country’s economic performance (Kaushik and Paras, 2000).

Changes in export policies are likely to bring about changes in the composition of exports as well as the markets to which India can export. In order to promote export of agricultural commodities it is, therefore, imperative to examine the changes in the composition of exports of agricultural commodities in which India has a comparative advantage. It is also important to examine how the markets to which India exports its products are changing in response to new policies.

With the signing of WTO in 1st January 1995 marked a new era in international trade. International trade is now viewed as an engine of growth and, hence, the countries policies have been oriented towards promotion of exports. The country introduced radical policy reforms in July 1991 encompassing various sectors of the economy including external trade. The quantitative restrictions on import of a number of agricultural commodities were removed on 1 April 2001. The EXIM Policy (2002-2007) and Foreign Trade Policy (2004-09) have promulgated a number of Agri-Export Zones (AEZs), special treatment to Special Export Zones (SEZs), duty free import of capital goods under Export Promotion Credit Guarantee (EPCG) Scheme and Establishment of Vishes Krishi Upaj Mandi Yojana. All of these measures are basically intended towards making Indian agriculture more competitive.

Initially, it was expected that India would be a net beneficiary under this trade regime with greater access to the world market. However, contrary to the general perception, the country does not have comparative advantage in a large number of agricultural/horticultural commodities. It is also observed that the fresh agri/horti commodities continue to find market only in ASEAN and SAARC nations whereas the processed products that are being exported to the developed countries i.e., European Union, USA, U.K., etc.
It is therefore important to analyse the growth performance of agricultural exports and the stability associated with it. This would help the policy makers and the administrators to devise policies to promote exports. The assessment of comparative advantage would help in taking steps to improve competitiveness in those commodities wherein we lack competitiveness. This would also help the country to take put more efforts to promote the export of such commodities where we possess competitiveness.

Horticultural commodities are becoming an increasingly important source of export earnings or a number of countries. India has taken a number of measures to boost the export of horticultural commodities. World Trade Organization (WTO) came into being on 1 January 1995, and this marked the beginning of a new era of international trade. Initially, it was expected that India would be a net beneficiary under this trade regime with greater access to the world market. Therefore, an attempt is made to examine the changing pattern in the commodity basket, competitive advantage and direction of trade in horticultural commodities in the post reform period.

Onion is one of the important vegetable crops grown in India. In terms of area, India ranks first in the world with over 479 thousand hectares spread over entire country accounting for around 18 per cent of the World area planted to onion. Globally, the country occupies the second position after China in onion production with a production share of 11 per cent. Productivity, however, is low at 10 mt/ha compared to the world average of 17 mt/ha. Besides India and China, other major onion producing countries are Turkey, Pakistan, Brazil, United States of America, Iran, Spain and Japan. Onion is one of the major export items, therefore, it is very pertinent to assess the performance of onion /onion products export in post liberalized regime in order to take corrective measures and devise future strategies to achieve greater levels of export.

Mango (Mangifera indica L.) is indigenous to India and known as “King of fruits” due to its wide edaphic and climatic adaptability, high nutritive value, excellent flavours, attractive appearance, and popularity among masses. In India, it is grown over an area of 1.6 million ha with a production of 10.8 million tonnes in the country (FAOSTAT). India is the largest producer of mangoes with 41 per cent of the total world production, but exports less than 1 percent of its crop. Poor processing and post-harvest management leads to a phenomenal loss in
revenue. The global mango market itself is still under-developed. India has an opportunity to assert a strong presence in both fresh and pulp markets of the fruit. The major export market for Indian mangoes is Middle East and United Kingdom. The Indian mangoes have not been able to penetrate markets like EEC and South East Asian Countries where the ethnic Indian population is not significant. The European and North American market has a bias among importers for Caribbean and Latin American varieties, which are red/green in appearance and not as fibrous. The US and Japanese markets are not accessible to Indian mangoes due to strict plant quarantine standards which require vapour heat treatment. The vapour heat treatment facility is not available in India. India and Pakistan dominate the Middle East market for mangoes. Together they cater to 90-95 percent of the market. This is due to geographical proximity and the ethnic populations in the Gulf countries which have a strong preference for Indian/Pakistani mangoes. The export value of fresh mango from India has increased from Rs 6.33 crores in 1980-81 to Rs 84.2 crores in 2002-03. This is made possible both due to increased export to different countries and changes in composition of India’s mango exports to the various destinations. However, no attempt has been made to understand the dynamics of these changes. Hence, it is attempted to quantify the changing structure of Indian mango exports so as to understand the dynamics of the changes.

India is the largest producer and consumer of tea in the world and accounts for around 27 per cent of world production and 13 per cent of world trade. Export of tea is around 20 per cent of domestic production. The bulk (75 to 80 %) of tea production comes from Northern India, Assam and West Bengal being the major contributors. In recent years, however, India’s long-standing predominance in the world market as the largest producer and exporter of tea has taken a beating due to sluggish growth in production coupled with slow ascendancy in domestic consumption (Mitra, 1991). India’s share in world exports of tea has also drastically declined indicating that India is unable to take advantage of the expanding world market. To add to the woes of the tea firms and farmers is the falling prices of tea both in domestic and international markets. These changes would have an adverse impact on the economy. It is pertinent to assess the performance of tea sector and identify ways and means of overcoming the problems. Therefore, the present 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. Suitable statistical tools like compound growth rate, instability analysis and revealed comparative analysis would be employed to achieve the objectives. The study would help in identifying the commodities in which the country has comparative advantage and the commodities in which we are not having advantage. This would help in evolving suitable strategies for achieving the aim of increased earning through exports.

The study would help in developing the commodity country matrix where the country has comparative advantage. If efforts are made towards these commodities would help in realization of greater income to the nation. The study would also develop the country-commodity matrix where the country does not have the comparative advantage. The knowledge of such commodities would help in developing strategies to make these commodities trade competitive.