IMPACT OF TRADE LIBERALIZATION ON PLANTATION SECTOR IN INDIA WITH SPECIAL REFERENCE TO COFFEE AND TEA

ABSTRACT

Plantation crops are high value commercial crops with greater economic importance and play a vital role in Indian economy. The major plantation crops include coconut, cashew nut, coffee, tea and rubber. Exports of tea, coffee and rubber are contributing 15 percent to the total agricultural export earnings. It is the source of livelihood for millions of small and marginal farmers and provides employment for millions of plantation workers. Plantation sector plays an important role in the socio-economic development of remote regions in India. Being export oriented crops changes in the trade policies affect the production and marketing of these crops much more than any other crops. Trade liberalization polices adopted in India with the introduction of New Economic Policies has greater impact on the area, production, productivity and prices of these crops.

Coffee is the second largest traded commodity in the world next to crude oil. In India, coffee is predominantly an export oriented commodity. Over 70 percent of the coffee produced in the country is exported and the remaining 30 percent is consumed within the country. Coffee is the only plantation crop which had a well organized hundred percent controlled marketing system under the coffee Board. Tea is the second most popular drink in the world and it is a very important commodity for some of the developing countries in term of jobs and export earnings. Indian is the second largest producer and second largest area under cultivation in the world, contributing 19 percent share in area and 24 percent share in production. Trade liberalization under WTO mandated trade policy regime has seriously affected the
Indian plantation sector in general and tea and coffee in particular. One of the most explicit impacts of the trade liberalization policies had been the emergence of market uncertainties leading to a fall in the international and domestic prices of commodities caused by the removal or dilution in tariff and non-tariff protective barriers. As export oriented commodities the prices of coffee and tea both in domestic are influenced by the international prices.

The important objective of this research is to analyse the impact of trade liberalization on production and marketing of coffee and tea in India. In the framework of free trade, the study made an attempt to analyse the impact of trade liberalization on various market players namely producers, traders and consumers of coffee and tea. The study adopted the method of pre and post scenario based on the secondary data collected from various publications of coffee board, tea board and International Coffee Organization. The analysis shows that the variability in prices and exports has increased after liberalization. Retail margins have also increased after liberalization. Analysis of direction of trade by Markov Analysis has shown increased diversification of trade both in the case of coffee and tea exports after liberalization due to increased competition in the international markets.