CHAPTER II

Research Design
2.1 Need and Review of the Related Literature

Trade has proved to be a stimulating factor in the country's developmental process. Economic planning either formal or informal exerts powerful influence on structure and direction of foreign trade. Adverse balance of payment has become the main focus of Indian Economic strategy.

The potential of agricultural exports like tea, jute, cotton, coffee, rice, wheat, spices, tobacco etc., is limited either on account of demand recession, protectionist policies adopted by industrialised countries or severe competition among producer's and suppliers. This decline may also be attributed to the setback in domestic production. The potential and scope of agricultural commodities being limited the desired result can be expected only if suitable strategies are formulated after analysing and understanding the problems faced in the exports of these goods, to the different markets. Along with searching new technology to improve the production and new markets to increase the total exports, the market conditions and competition in existing markets have also to be dealt with separately. In the present study, Problems and Prospects of Export Marketing of Indian Major Agricultural Commodities has been made on various exporting-marketing aspects of Major Indian Agricultural Commodities. The study has
thrown light on the performance of major Indian agriculture commodities along with dealing with reasons for poor performance and finding the potentials and new markets in case of different items. The need for the study is further justified from the review of related literature as given below.

Cohen in his study (1957)\(^1\) begins by defining agriculture and differentiating it from industry. He points out the complexities of agriculture production by discussing the nature of agricultural production by discussing the nature of agricultural outputs. He proceeds by laying the advantages of different sizes of the firms. The emphasis on the importance of marketing is given by dealing with the various components of the marketing and concludes the study by bringing into focus the difficulties, a country faces in planning in the area of agriculture, the government should see to the point that the policies formed are often desirable and essential and it should be designed to carry into effect the interest of the country as a whole.

Singh (1964)\(^2\) studied stagnation and sluggishness in India's export earnings between 1951 and 1960. He made an analysis of export trade of preceding decade to predict export trends for 1970-71 along with suggesting major policy implications for the future.
Jasdanwala (1965) indicated the need to build up and efficient marketing system in order to improve the agricultural sector in India. Emphasis has been given to facilities such as market information, transport and economic section, storage, standardised weights and measures, regulated markets and institutional credit. The conclusion of the study is that the cropping pattern and marketing practices have to be improved in order to overcome the agricultural marketing constraints to enable satisfactory marketing of cash crop.

Mathema (1966) studied the agricultural structure in Nepal, pointing out numerous problems and defects in agricultural marketing in Nepal. It is stated that problem like defective weight and measurement, lack of good packing, unnecessary charges and taxed levied on farmers and millers lead to undependable market. High marketing margins, unnecessary loss and waste, troubles to farmers and consumers in disposing and procuring the products, artificial shortage etc. All these call for improved programmes and services and can be achieved through cooperatives, some through individually and other services like quality control, market inspection, establishment of grade and standards, market information and legal enforcement of contract can be managed by the government.

Sravdstrom's (1968) study dealt with market
practices and the structure of different market forms. Important phases of marketing right from the process of classification and grading of commodities to the determinations of prices were discussed with the help of scientific methods and re-examination of marketing systems.

His majesty's Government, Ministry of Food and Agriculture, Economic Analysis and Planning Division (1971) pointed out the present system of Jute production and marketing in Nepal. Data both new and previously scattered and inaccessible have been assembled with descriptive information on the Jute industry in Nepal particularly on marketing. A bright future of jute production is indicated if improved seeds, adequate sophisticated technique and proper marketing system is provided to the growers. However, in the area of marketing jute from growers to mills of exporters, more organised efforts seem necessary; viz., more overseas markets and more scientific grading practices are necessary, the bargaining power of the jute growers have to be improved, the fluctuation of jute price have to be kept to a minimum etc.

Abotl (1972) in his well-rounded and comprehensive paper has given a lucid exposition of the role of agricultural marketing as an accelerator of lever for agricultural development. He further states that improvement in marketing procedure or organisation leads to an expansion
in the volume of trade which raises the level of living of all the people concerned and add to the economic wealth of the community.

Sharrer (1972)\textsuperscript{8} has stated in his paper that improved organisation and co-ordination of food production-distribution system is critical in the effective transformation from a traditional agricultural economy with low productivity to a scientific industrial one with high productivity. He has also pointed out that this process of transformation involves numerous adjustments in an economy, ranging from organised assessing of products, developing co-ordinated marketing channels, providing storage, transport, training credit and market information participation and price policies. He concluded that the job of designing the appropriate agricultural market system is one which is never finished, thus, marketing systems must be in the process of continuous change as the development takes place.

Shrestha (1972)\textsuperscript{9} observed through experience that perfection in marketing system can be achieved through the attainment of the best possible relationship between the functions and the value of services rendered by the various agencies of individuals with the development of dependable and adequate market information. The paper revealed that due to insufficient knowledge of marketing method and of poor
marketing conditions, jute growers face difficulties in selling their products. He revealed that with a good system of marketing, a jute grower can gain considerably which in the end will help the economy of the country grow through export of good quality cash crops.

Gupta (1975)\textsuperscript{10} in his study made a critical examination of the current methods and practices in agricultural marketing in India. The problems of marketing were given after presenting different aspects of the principle of marketing. It is suggested that establishment of an efficient marketing system could raise the marketing standard in India.

Deb (1976)\textsuperscript{11} studied the problems of India's export both commodity-wise and region-wise and concluded that factors responsible for low growth of India's exports are inadequate exportable surpluses, incompetent prices, absence of proper and adequate export incentives and assistance, transportation and shipping problems, inadequate marketing efforts and to increase our exports there obstacles should be removed.

Rana (1977)\textsuperscript{12} surveyed the existing local bins and the different tests were made in different parts of the country under the farmer storage project, the study reveals that the local annual loss of grain in the country ranges from 10-30 per cent due to insect alone. Different types of
storage structure was tested and concreted bins was found best. The study suggested that if farmers used concrete bins for storage, they could save lot of grain loss.

Kalia (1977) studied the problems of gems and jewellary industry and revealed that dependence on the exports of small sized dimonds only, import of raw material import duty on raw material, lack of finance facilities, complicated exports procedures, outdated jewellary designs, unorganised character of the industry, lack of training facilities old techniques of production etc., were the problems faced by the industry.

Jha (1978) studied the nature of demand for credit, incidence of debt, growth of debt and change in the economic position of the farmers. The study also contributed to the understanding of the role of money lenders, effects of legislation and the working of institutions such as co-operatives and compulsory saving schemes in Nepal. It gave a picture of agricultural finance in Nepal and also dealt with the problems of the small farmers - consumption loans, high cost of credit, indebtedness, low savings low investment, excessive dependence on money-lenders and lack of institutional credit. It denotes that the problems of credit can't be solved by mere reform in the system of credit. In order to be successful, credit must be used as a part of a general programme of agricultural reorganisation.
Aggarwala (1978)\textsuperscript{15} analysed the central issues affecting India's export efforts and concluded that separate strategies were needed to explore and maintain the markets of OECD countries and developing countries of Africa. The Caribbean, Asia, and Latin America.

Bhardwaj (1978)\textsuperscript{16} studied the scope for gems and jewellery exports and concluded that Indian gems and jewellery had an enormous potential to improve upon its export performance and also expand employment opportunities for Indian artisans on a massive scale, especially in small-scale sections.

Rai (1979)\textsuperscript{17} pointed out sugarcane production, among other cash crops grown in Nepal, which occupied third position after jute and tobacco in its contribution to the total gross value of agricultural output. It is stated that although sugarcane is an important import substitution crop, the area covered by sugarcane is modest in relation to other crops. The study concluded by giving sugarcane production an important place in the economy of Nepal which can be improved or increased by giving incentives and facilities to the growers.

Subede (1979)\textsuperscript{18} conducted a study in order to analyse the production condition and its related aspects of large cardamom production along with the previous land and use condition of item distinct. The study indicates an
increase in the production of cardamom. Alternative market priced the main factor for the increase of production. He concluded that cardamom can play an important role as a source of cash earning and raising the economic standard of the hill people.

Khatri Chhetri (1979)\(^1\) analysed the land tenure systems prior to the land reforms programme of 1960; the impact of the implementation of land reform measures, and policy implication. It is stated that much remains to be done regarding distribution of land, provision of security and increase in landlessness and marginalization of the peasantry. He suggested that this can only be accomplished by strong political commitment supported by a competent administrative mechanism.

Sainy (1979)\(^2\) studied the role of foreign trade in India's economic development to identify and locate the weak spots in the policy formulation and institutional arrangements and suggested measures to rationalise imports and augment and diversify exports and emphasised the role of non-traditional commodities for expanding our exports in the context of limited scope for expansion in respect of traditional commodities.

Thiagarajan (1980)\(^3\) studied the problems and prospects of Indian industry and concluded that major
problems in the industrial sector are inadequate infrastructure facilities, inadequate investments in key sectors such as steel aluminum and cement etc. and suggested that by identifying areas of the use of industrial products, providing extension support to procedures, developing suitable distribution network and marketing innovation can help in improving our position in the industrial hierarchy of the world.

Chand (1980) studied government of India's adopting a strangely unrealistic and anomalous policy towards the drug industry and concluded that the availability of several drugs is bound to worsen with the passage of time unless the government takes steps to remove the causes of the present shortages urgently. There are unreasonable restrictions on production unrealistic prices control and unavailability of raw materials.

Chatterjee, Biswas, Prasad and Chour (1980), presented leather goods manufactures, in a study under MOT programme concluded that with the growth in affluence, the market for leather goods in the countries visited, e.g. Hong Kong, Singapore and Malaysia would continue to rise high, offering tremendous scope for medium to high leather goods, besides finished leather. India which continue to specialise in the supply of low end shantineketan type leather goods, has not taken due advantage of the situation.
Bajracharya, B.B.(1980) explained the relationship between agricultural co-operatives and the adoption of new technology especially chemical fertilizers and high yielding seed varieties. It is suggested that sujha co-operative societies should strive for better coordination with the agricultural department for effective technical assistance and that wherever possible the secondary organisation of the sujha societies should maintain such manpower. Co-operative credit would be instrumental in the dissemination of modern agricultural practice, if only effectiveness of these inputs can be maintained.

Batra (1981) studied the significance of Inland fishing in India and concluded that the Central Institute of Fisheries Technology has an important role to play in optimising fish utilization and developing various foods from fish especially the cheap and less utilized species of fish. There is a greater need for popularising deep sea fishing which has not been done so far. In the distribution also he suggested to have a centralized network through the country to co-ordinate between markets, cold storages and leading centers.

Batra (1981) studied the export prospects of leather industry and concluded that there is an enormous
field in foreign markets for Indian made leather goods and exports of consumer products like leather garments and gloves can not be stepped up unless an aggressive marketing drive is launched.

Kumar (1981)\(^27\) studied the export trade of Indian leather and concluded that in recent years India has developed the required quality, standard and skill in the manufacture of leather and leather goods and if India is able to conform to the world styles and fashions, she can make a headway in the increasing world markets for leather and leather goods.

Dhinda (1981)\(^28\) studied India's export performance of traditional items like tea, cotton, textiles and jute manufacturers and concluded that world exports of these commodities has been increasing rather slowly during the last decades but India's exports of these commodities have not followed the world trend, rather these have been stagnant or even declining. Inefficiency and lack of exportable surplus are responsible for India's poor performance.

Chatterji and Srivastava (1981)\(^29\) studied Indian textile industry and concluded that Indian textile industry had not been doing well particularly on the export front because of the competition from synthetics and from the countries like South Korea, Hong Kong and Taiwan coupled
with poor export promotion work and protective policies of the importing countries and further suggested that exports could be pushed up by improving the quality, diversifying the market, improving technology, entering into long term contracts with prestigious retail distribution organisation and co-ordinating export promotion measures.

Gupta (1981)\textsuperscript{30} studied the basic problems of jute goods exports and concluded that jute goods had suffered from ill-timed policies of the government in addition to the rising competition from Bangladesh, China etc. and also from the synthetic products.

Mehta (1981)\textsuperscript{31} studied increasing role for capital goods and projects and concluded that our exports of engineering goods can be increased further to West Asian, African, South Asian and South East Asian countries if obstacles like limited exportable surplus, discontinuous supplies of raw material, lack of credit facilities, infrastructural facilities etc. are removed.

Khairoowala (1981)\textsuperscript{32} studied the composition direction, export potential of engineering industries and concluded that one of the engineering export comprise of capital goods such as industrial plant and machinery and projects and further concluded that with the governments exports look definitely promising.

Misra (1982)\textsuperscript{33} focused on the picture of
farmers in Hill areas. The study points out that agricultural marketing activities are being carried out by several agencies both private and public with little coordination. It is further suggested that there has to be improvements on relevant infrastructure such as storage, processing, information and communication, unified weights and measures market centers and transportation systems.

APROSC (1982)⁴ conducted a study dealing with various cash crops such as sugarcane, tobacco, tea, oil seed grown within the country. It presented varied constraints faced by different cash crops and concluded by giving suggestions for future improvement of these crops.

Sharma (1982)⁵ studied the growth and prospects of Indian leather industry and concluded that in order to harness the vast potential offered in the leather and leather ancillary industries in the state, certain essential aspects will need to be attended to and these relate to improving infrastructural facilities for exports such as transport and communication facilities, development of entrepreneurial skills by making sustained efforts providing finance for modernization and setting up of new leather ancillary units etc.

Batra (1982)⁶ studied the global exports of garments and concluded that the garment exports could be increased by organising the industry in a better way and
modern methods of production and marketing emphasis on quality control, product diversification and more fuller utilization.

Mehta (1982)\textsuperscript{37} studied promotion of cotton textiles exports and concluded that the reasons for failure to push up exports of cotton textiles were high cost of production and low quality and stressed the need for modernization and establishment of exports units.

Dogra (1982)\textsuperscript{38} studied the export marketing problems and prospects of Indian engineering products in East European countries and European Economic Community and concluded that there is much more potential for labour intensive engineering goods in these markets, moreover there is vast scope for the exports of many items which India produces but does not export due to ignorance of the market as well as lack of marketing efforts.

Batra (1982)\textsuperscript{39} studied the bright prospects in gems and jewellary trade and concluded that the gems and jewellary industry has enormous growth potential in as much as India has a huge reservoir of skilled artisans who can produce jewellary of exquisite designs and beauty and further concluded that Indian exports of gems and jewellary must be provided more liberal facilities like their counterparts abroad.

Verma (1982)\textsuperscript{40} studied the export marketing
problems and prospects of Indian products in the EEC countries and concluded that non-traditional products of India particularly labour-intensive are more popular in the EEC market and concluded further that traditional products are, by and by being ousted from the market because of protectionist and restrictive policies of the community and Indian protectionist and restrictive policies of the community and Indian products are facing a number of problems but have strategies that are well developed after thorough investigation of markets.

Batra (1982) studied the problems and prospects of drugs and pharmaceutical industry and concluded that it is a matter of satisfaction that the Govt. has agreed to regularise the excess capacity of drug units and the gap between the demand and supply of drugs is widening, the chances of the industry reaching the modest sixth plan production targets are not rated high and rigid price controls have come in the way of fresh investment.

Bhandary's (1984) study revealed that considering the shortfall in production during the fifth plans, HMG/N developed Sixth Plan Policy to bring about improvement in agricultural production, to minimise economical differences, to develop a strong base of agricultural raw material for agro industries to help export
of agricultural products, to develop irrigation facilities etc. The study concluded that problems of cash crop marketing can be solved and the targets met only if, there is an efficient system of information, good regulated markets, storage and transportation facilities, maintenance of standardised products, effective pricing system and establishment of co-operatives market.

A study of APROSC (1986) on tobacco company presented, management, finance, production marketing and pricing of tobacco by the company. It recommended that the company has to be prepared to expand its volume of activities to fulfill the demand of domestic cigarette tobacco, clear job descriptions be given to each division priority be given for maintaining good working relationship with the farmers, the farmers representation in the Board also be included in the pricing committee, effective budgetary control and cash management system be developed and malpractices in grading tobacco at the field office be stopped.

APROSC (1986) In another study discussed about the gross margin analysis of three crops-sugarcane, tobacco and oil seed. The objective of the project is to strengthen the support service for each cash crop production with the intention of enhancing self sufficiency and refacing import requirements.
Naik (1989) observed that liberalised trade policy, declaration in rate of growth of domestic production, bunching repayment obligations of Government of India towards international institutions and increasing debt service ratio has made the balance of payment position of India, which was difficult at the start of eighties critical. He further analyse that there seems to be no escape for country from seeking a new I.M.F. loan despite of details. He stresses on the need of re-analysing policy of capital inflow.

Ghosh (1990) while observing influence of exchange rate of trade balance observed that though exchange rate has a great impact on trade balance but in recent years the role played by fiscal incentives specially concessions on export tax can not be ruled out.

Metha (1990) seems to point out that the criteria of foreign aid to end foreign aid in the 1970's was not good and has affected India's economy badly. He revealed that debt servicing has consumed India's 30 per cent foreign exchange reserves. He feared that the situation in 1980's may push India into flounder of foreign debt trap.

Suri (1990) studied the need of commercial borrowings to the large extent is mainly due to burgeoning debt service payments which were at the highest level in 1988-89, which gave a new turn to the problem, so the
situation needs to be reviewed from a new angle.

The need of the present study is further evident from the fact that the export of agriculture commodities have been stagnant or rather they have been declining whereas, on the other hand, exports of agricultural commodities have sometime declined or sometime increased because of its nature, production, domestic needs, international marketing competition and foreign relation etc.. Hence, there arises a need to explain the encouraging trends of agricultural commodities and explore the possibilities for increasing their exports. India's share in the total world exports of agricultural commodities is quite low and their exports are confined to limited markets. The reason for all these need to be explored, as there remains a gap for making a study of the problems and prospects of major agricultural commodities and finding suitable strategies to increase India's share of these commodities in the total world exports.

2.2 Objectives of the Present Study:

The following are the objectives of the present study:

1. To study the India's Export of Major Agricultural Commodities vis-a-vis world exports.
2. To study Export performance of India's Agricultural Commodities since 1948-49.

3. To justify the Export problems of Agricultural Commodities and how these problems can be solved and also to examine the government efforts to solve these problems.

4. To analyse the Export Prospects of Agricultural Commodities and potential of these commodities in the world market.

5. To study and suggest how various problems faced by Agricultural commodities can be solved.

6. Finding the potential new markets and suggesting strategies to exploit them.

2.3 Scope of the Present Study:

The scope of the present study is limited to the performance, problems and prospects of each major agricultural commodity. The various problems regarding each product has been studied in detail and also the prospects and potential of each product in the world markets considering the demand pattern, competition, policies of the nations, pricing patterns and other problems has been studied in detail. In the present study the figures and performance for a decade or so has been used. The list of Major Agricultural Commodities covers a large number but only major items out of these has been studied. These are as
under:

1. Tea
2. Coffee
3. Tobacco
4. Rice
5. Sugar
6. Jute
7. Spices
8. Cotton

These items have been selected and studied because these constitute a major chunk of India's exports of Major Agricultural Commodities. The problems and prospects of the above mentioned items have been discussed in detail with respect to different blocks of developed, developing and socialist countries. The major markets in each of these groups has also been studied.

2.4 Research Methodology:

The present study is mainly based on secondary data and information collected from various sources. These sources are as follows:-

1. Federation of Indian Export Organisation, New Delhi.
2. Trade Development Authority of India, New Delhi.
3. Federation of Indian Chambers of Commerce and Industry, New Delhi.
4. Indian Institute of Foreign Trade, New Delhi.

6. Export Promotion Councils.

In addition to the above organisations, the following publications have also been consulted:

3. The Publications of Director General of Commercial Intelligence And Statistics.
4. Publication of General Agreement on Trade and Tariffs.
5. Reserve Bank of India, Reports on Currency and Finance.
7. Publications of Trade Development Authority.
8. Publications of Trade Fair Authority of India.
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