Chapter-1
CHAPTER-ONE
CONCEPTUAL FRAMEWORK AND BASIC ISSUES

1.1 INTRODUCTION

India has traditionally been an exporter of agricultural products. Agricultural exports have always helped India in earning valuable foreign exchange. With the introduction of reforms in Indian economy in 1991, giving a boost to agricultural exports gains even more significance.

It encourages me to undertake the research work on this topic. It is done on the following hypothesis:

(a) The exports of agricultural products can make a significant contribution to foreign exchange earning in India.

(b) For India agricultural exports are very important in the overall growth of exports. Increase in exports of agricultural products can help in increasing the percentage share of India’s export in total world exports.

(c) India as a predominantly agricultural country may have comparative advantage in promoting exports of agricultural commodities. It can take advantage of the global demand for semi-finished and finished agricultural products.

(d) As the world trade is performed by WTO guidance most of the countries of the world are liberalizing their economic and trade policies. India being a predominantly agricultural country may have increasing advantage in promoting exports of agricultural products.
An increased emphasis on exports of agricultural products may help in alleviating the Indian rural sector.

“The year 1991 was marked with severe balance of payments deficits. Foreign exchange reserves went down to US$ 1.1 billion in June 1991 – less than sufficient for two weeks of import requirements.”1 India was on the verge of default and it got financial assistance from IMF on certain terms and conditions. This involved “Structural Adjustment Programme (SAP)” by India. These “SAP” apart from bringing about changes in fiscal policy, industrial policy and changes in other important economic policies involved a major change in “EXIM” policy of India i.e. foreign trade policy. Under this scenario it was not possible for India to continue with its past policy of import substitution and it became essential to liberalize the economy. Liberalization involves free operation of international market forces. This leads to opening up of imports and exports of the country. Our imports (c.i.f.) were valued at US$ 27915 million in 1990-91 which rose to US$ 35904 million in 1994-95.2 Under this condition it becomes even more important for us to boost up our exports to pay for the increasing imports. Therefore there is need for us to enhance our agricultural exports as well specially because our economy is based on agriculture. “India is among the leading producers of many of the agricultural commodities in world e.g. India is the largest producer and consumer of tea in the world and accounts for about 29 percent of the world production. It is the second largest producer of rice, wheat, fruits and vegetables and largest producer of milk.”3 Given these facts it becomes even more important to analyze the “export performance of India’s agricultural products since 1991.
### TABLE-1

**Agricultural Exports (US$ Million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture &amp; allied exports of India</th>
<th>Percent share of agricultural exports in total exports of India</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>3521</td>
<td>19.4</td>
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<td>1991-92</td>
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<td>17.9</td>
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<td>1992-93</td>
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<td>16.9</td>
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<td>1994-95</td>
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<td>1995-96</td>
<td>6320</td>
<td>19.8</td>
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<tr>
<td>1996-97</td>
<td>6828</td>
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<td>2000-2001</td>
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<td>13.5</td>
</tr>
<tr>
<td>2001-2002</td>
<td>5901</td>
<td>13.5</td>
</tr>
<tr>
<td>2002-2003</td>
<td>6734</td>
<td>12.8</td>
</tr>
</tbody>
</table>

**Source:** Economic Survey various issues
Table 1 shows that during 1990-91 to 2002-03 there has been fluctuations in the value as well as in the percentage share of agricultural exports in total exports of India. Still we can see that for the years 1990-91 to 1998-99 the percentage share of agricultural exports in total exports has ranged 17% to 20%. Though percentage share of agricultural exports in total exports is small still we need to stress them since their contribution to foreign exchange earning is important for our economy, which often faces balance of payment problems. This problem is highlighted in table 2, which shows that the value of India’s exports and imports has increased very much during the planning period. From US$ 1269 million in 1950-51, the exports rose to US$ 2031 million in 1970-71 and further rose to US$ 8486 million in 1980-81 to US$ 18143 million in 1990-91 to US$ 33218 million in 1998-99. Imports also increased from US$ 1273 million in 1950-51 to US$ 2162 million in 1970-71 and further rose to US$ 15869 million in 1980-81 to US$ 24075 million in 1990-91 to US$ 42389 million in 1998-99. Figure 1 highlights the value of total exports and imports of India during 1991-92 to 2002-03. According to the Economic Survey India has always faced deficits in its balance of trade except for the years 1972-73 and 1976-77 when India enjoyed small trade surplus of US$ 134 million and US$ 77 million respectively. It is also important to observe that the deficits in its trade balance have been increasing over the years. Keeping all these facts in mind it is important to emphasize agricultural exports from India since India has comparative advantage in the exports of many of the agricultural commodities. Boosting exports of agricultural products like vegetables, fresh fruits and tea etc will go a long way in solving the problem of trade deficit and will also generate other benefits like enhancing employment opportunities in the economy.
### TABLE-2

**Exports and Imports in the Planning Period**

(US $ Million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports including Re-Exports</th>
<th>Imports</th>
<th>Trade Balance</th>
<th>Rate of Change over Previous Year (%)</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>1269</td>
<td>1273</td>
<td>-4</td>
<td>24.9</td>
<td>-1.5</td>
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<tr>
<td>1960-61</td>
<td>1346</td>
<td>2356</td>
<td>-1007</td>
<td>0.3</td>
<td>16.7</td>
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<tr>
<td>1970-71</td>
<td>2031</td>
<td>2162</td>
<td>-131</td>
<td>8.8</td>
<td>3.5</td>
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<tr>
<td>1972-73</td>
<td>2550</td>
<td>2415</td>
<td>134</td>
<td>18.4</td>
<td>-1.1</td>
<td></td>
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<tr>
<td>1980-81</td>
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<td>15869</td>
<td>-7383</td>
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<td>40.2</td>
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<tr>
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<td>16067</td>
<td>-7162</td>
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<tr>
<td>1989-90</td>
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<td>21219</td>
<td>-4607</td>
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<td>8.8</td>
<td></td>
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<tr>
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<td>24075</td>
<td>-5932</td>
<td>9.2</td>
<td>13.5</td>
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<tr>
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<td>19411</td>
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<tr>
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<td>-3345</td>
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<td>1993-94</td>
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<td>23006</td>
<td>-1068</td>
<td>20.0</td>
<td>6.5</td>
<td></td>
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<td>1994-95</td>
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<td>28654</td>
<td>-2324</td>
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<td>36678</td>
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<td>1996-97</td>
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<td>41484</td>
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<td>5.1</td>
<td>2.2</td>
<td></td>
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<tr>
<td>1999-00</td>
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<td>49671</td>
<td>-12849</td>
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<td>17.2</td>
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<tr>
<td>2000-01</td>
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<td>50536</td>
<td>-5976</td>
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<td>52719</td>
<td>61412</td>
<td>-8693</td>
<td>20.3</td>
<td>19.4</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Government of India, Economic Survey various issues*
Exports and Imports of India (1991-92 to 2002-03)

**FIGURE-1**

- □ Exports (Including Re-exports)
- □ Imports
1.2 IMPORTANCE OF THE STUDY

1.2.1 Role of Agriculture in Economic Development

"The importance of agriculture in economic development of any country rich or poor, is borne out by the fact that it is the primary sector of the economy which provides the basic ingredients, necessary for the existence of mankind and also provides most of the raw-materials which when transformed into finished products serve as basic necessities of the human race."\(^4\)

Most of the classical writers also laid stress on the importance of agriculture sector in the economic development. According to Adam Smith when technical improvement in agriculture takes place it leads to development in other sectors as well. Food surplus is important for an economy. When there is increase in food production and productivity such that sufficient food can be produced by only half of the labour force then the other half gets engaged in other activities. With surplus in agriculture sector demand is generated for industrial goods and thus expansion of industry takes place.

Ricardo also emphasized on the importance of agriculture sector. With growth of population less fertile land is brought under cultivation, which leads to diminishing returns on land. This limits the expansion of economy.\(^5\)

Even in modern economic literature we find the role of agriculture in economic development being highly stressed. Most of the economists like Lewis and Fei & Ranis have realized the importance of agriculture.\(^6\)

Most important contribution made by agriculture in an economy is generation of food surplus. Especially in the initial stages of
development of an economy agricultural imports are restricted due to foreign exchange considerations. Import of food is beneficial only for the economy, which has comparative advantage in non-agricultural products and hence most of its labour force is engaged in non-agricultural sector. Most of the developing economies import food at the cost of capital imports.

All those countries that are developed today had a food surplus either through domestic production or imports. England and Western Europe were able to initiate industrial revolution only because agriculture revolution had provided them with sufficient food surplus. Later on they could supplement food with expanding exports of manufactures. Russian economic growth was also the cause of the initial food fund Japan also which is known for its land shortages and labour surplus followed similar policies, which become the basis for its spectacular economic development.7

Most of the developed countries of today like France, England and Germany reached the present stage only when the growth rate of agriculture production became higher than the population growth rate.8

Agriculture also helps in industrialization. It provides the basic raw-materials for the industries like jute industry, cotton textile industry, sugar industry, food processing industry etc.

Another important contribution made by agriculture is factor contribution. It is only when agricultural productivity increases that it leads to shift of labour from agriculture to non-agriculture sector thus providing a base for industrial expansion. Apart from this
increased form income provides more savings for capital formation
and industrial development.

Agriculture helps in bringing about a favorable balance of
payments position through its exports. Exports of agricultural
commodities bring about the much-needed foreign exchange to the
country. Agricultural surplus not only helps in reducing the import
requirements of agricultural products but also helps in capital
imports by saving the valuable foreign exchange.

It is hardly a surprise that in the initial stages of growth of
many presently developed countries, agriculture was a major source
of exports and that the resulting command over the resources of the
more developed countries played a strategic role in facilitating
modern economic growth.9

1.2.2 Role of Agriculture in India's Economic Development Before
Liberalization

Indian economy basically revolves around agriculture. The role
of agriculture in India's economic development has been more
profound during the first forty years of planning period (1951-1991)
because it was basically agriculture, which helped our economy to
come up to its present stage of economic growth and development.
Let us discuss the role of agriculture in India's economic
development before liberalization.

The share of agriculture in the GDP of India was 55.4% in
1950-51, 52% in 1960-61 and 35% in 1980s. Though over the years
the percentage share of agriculture sector in India's GDP is declining
but it does not mean that the importance of it in India's economy has
decreased. This pattern basically reflects the economic development of
the country. When economic development takes place there is a shift in the relative importance of different sectors. The percentage share of agriculture and allied activities in GDP of a country falls while the percentage share of secondary and tertiary sector increases. This change in itself is made possible because of expansion of agricultural activities, commercialization of agriculture and increase diversification of the economy.

During the forty-year period under study (1951-1991) agriculture has provided employment to the majority of the population of India. In 1951 69.5% of the working population was engaged in agriculture. There had been only a small percentage fall in the labour force dependent upon agriculture during all these years. This is basically because of the increasing population presence and the inability of the industrial sector to absorb the rising population. Still over the years production and productivity of agriculture has increased and has thus been able to provide productive employment to a large number of people of India.

Agriculture has helped in providing food surplus to the increasing population. Agricultural output recorded a growth rate of 2.8 percent per annum during the period 1950-51 to 1979-80. Since 1980-81, three years of drought not withstanding, agricultural output has recorded an average annual growth rate of about 4% per annum. What is more, the growth rate of agricultural output has exceeded the population growth of 2.1% per annum during 1951 to 1991. This has contributed to an increase in the per capita availability of food grains and has eliminated the need to import large quantities of food. Further, the food security system in India can be justifiably credited
with having increased not only physical access but also economic access to food.  

Agriculture in India has helped in the expansion of industries because of its strong backward and forward linkage effect. With the spread of green revolution during the mid 60s the industries like fertilizer and pesticides have developed to remarkable extent. The capital goods industries like tractor industry, thrashing machines, power pumps etc. which are used as agricultural implements, have expanded over the period under study. It has also helped in the development and growth of agro-based industries like food processing industry, beverages etc by providing them the needed raw-materials. Other consumer goods industries have also been developed due to agriculture as it has provided the purchasing power to the rural households thus creating a market for their products.

Agricultural exports have contributed significantly to the export trade of India. Tea, coffee, cashew kernels, marine products, oil cakes, rice, raw cotton, tobacco, sugar, meat and meat preparations are the principal agricultural commodities exported from India. In 1988-89 the first six commodities (tea, coffee, cashew kernels, marine products, oil cakes and rice) accounted for more than 75% and 12% of India’s total agricultural and India’s total export earnings respectively. Till late seventies agricultural exports accounted for 30% to 40% of the total India’s export earnings. However this share came down to a level of 16% during 1988-89 despite the fact that total agricultural exports increased considerably over the years. In 1988-89 exports of agricultural commodities raised Rs. 3315 crores as a foreign exchange, which was nearly 15 times higher than the figure Rs. 222 crores obtained during 1960-61. Total
earnings of India from the exports of agricultural products have also registered an overall rise of nearly 4 times during 1960 to 1988.10

1.2.3 Agriculture in India’s Economic Developments in Post-reform Period

Agriculture dominates the Indian economy. Although the share of agriculture in national income has come down, it still contributes about 25% in GDP and provides livelihood to more than 60% of labour force. Gains in agricultural productivity have direct impact on the living conditions of the majority of Indian population. Increase in agricultural productivity can help in lifting the standard of living of many poor rural households and will also help in providing greater savings in the economy. This will also help in creating a market for industrial products and in creating more employment opportunities. “Modeling of the linkages between agriculture and industrial growth has shown that a 10% increase in agricultural output would increase industrial output by 5% and urban workers would benefit by both increased industrial employment and price deflation.” (Rangarajan, 1982; De Jaivry and Subba Rao, 1986)

The share of agriculture in the NDP of India has ranged 32.93% to 26.68% during the 1990s. Though it has decreased since the 1950s but it still reflects the dependence of Indian economy on agriculture. As is evident from table 3 that from 1990-91 to 2002-03 the absolute share of agriculture and allied sectors in NDP of India has increased from Rs. 212556 crore in 1990-91 to Rs 272421 crore in 2002-2003: though the percentage share of agriculture and allied activities has fluctuated in between 34% to 23%. Table-4 shows the relative importance of agriculture in NDP has decreased which reflects the expansion in industrial and tertiary sector, which is must for economic development to take place.
### TABLE-3

Absolute Share of Agriculture and Allied Sector (1990-91 to 2002-03)

<table>
<thead>
<tr>
<th>Year</th>
<th>At Current Prices (Rs. Crore)</th>
<th>At Constant Prices (Rs. Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>151775</td>
<td>212556</td>
</tr>
<tr>
<td>1991-92</td>
<td>176160</td>
<td>208589</td>
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<td>2001-2002</td>
<td>494197</td>
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<tr>
<td>2002-2003</td>
<td>480244</td>
<td>272421</td>
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</table>

Source: National Income Statistics, CMIE, October 2004, Economic Intelligence Services
TABLE-4  
Percentage share of different sectors in NDP of India  
(at constant prices)

<table>
<thead>
<tr>
<th></th>
<th>Agriculture &amp; allied</th>
<th>Industries</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>34.10</td>
<td>25.17</td>
<td>40.72</td>
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<td>33.21</td>
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<td>23.32</td>
<td>24.06</td>
<td>52.62</td>
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</tbody>
</table>

Agriculture & allied includes: agriculture, forestry, fishing etc.

Source: National Income Statistics, CMIE, October 2004, Economic Intelligence Services
Since the beginning of the planning era agriculture has provided employment to majority of the labour force of India. During the early 1950s around 70% of the population of India was engaged in agriculture. There has been only a small fall in the percentage share of agriculture in employment but the absolute number of population dependent upon agriculture has increased over the years. It is only in the last year of the 1990s i.e. in the year 1999-2000 that the absolute number of people employed in agriculture has come down. In the year 1999-2000, number of people employed in agriculture sector was 237.56 million as against 242.46 million in 1993-94. This still represents a sizable proportion of Indian population (Economic Survey 2001-2002). Even during the 1990s the share of agriculture and allied activities in employment has fluctuated 62% to 65%.

Agriculture provides food to the population. The average annual growth recorded in agriculture and allied sector (agriculture, forestry and fishing) during the post reform years 1992-93 to 1999-2000 was 3.6%. Though the growth in food grains, the most dominant segment of crop agriculture, decelerated from 2.9% to 2 percent in the post reform period, there has been maintenance of high growth in wheat (3.6 percent) and even rice (2.2 percent) leading to excess stock of food grains. One of the remarkable features is that the growth of 2% in food grain production during the post-reform period is higher than the population growth of 1.6 percent during the same period (Economic Survey, 2000-01). The food grains production increased from 176.4 million tones in 1990-91 to 208.9 million tones in 1999-2000.
Agriculture is helping in the growth of industries in the economy. Agro-based industries have flourished because of increase in agriculture production. Farm mechanization has helped in expansion of capital goods industry like tractor industry and all the other agricultural implements industry. During 1993-94 to 1999-2000 over 1.47 million tractors were sold in the country. The number of power tillers sold was over 85 thousand in the same period (Economy Survey, 2000-01). Since the deregulation of the food industry under the new industrial policy of 1991 there has been a spurt in filing of Industrial Entrepreneurs Memoranda (IEMs) in various sub-sectors of the food processing industry. Till December 2000, a total of 6427 IEMs have been filed in the food processing sector envisaging an investment of Rs. 53819 crore (Economic Survey, 2000-01). Apart from this increase in farm income has helped in increasing demand for industrial products thus providing a boost to it.

Agricultural and allied products exports have shown annual average growth rate of 8.1% in the period 1992-93 to 1999-2000. The percentage share of agricultural and allied products' exports in total exports of India has been 18.3% in the period 1992-93 to 1999-2000. The major agro-exports of India are cereals (mostly rice-basmati and non-basmati), spices, cashew, oilcake or meals, tobacco, tea, coffee and marine products. Marine products alone contributed about 21% (in 1999-2000) in total agro-exports. Table 1 shows that in the year 1990-91 agricultural and allied exports of India fetched US$ 3521 million. In 1993-94 it increased to US$ 4151 million, in 1996-97 it increased to US$ 6828 million and in the year 2000-2001 it went up to US$ 6246 million. "Exports of agricultural commodities in addition to providing the much needed foreign exchange for the
country add to the competitiveness of production, productivity and quality in relation to other exporting countries. This enables realization of economies of scale and thus benefits domestic consumers as well. Sustained exports help to modernize production, post harvesting, processing and marketing system and thus taking advantage of most recent technological advances in the network planning process.\textsuperscript{12}

Agriculture has a much wider role in the economy providing bio-diversity, maintaining a pastoral life style, providing landscape and rural development by ensuring a high level of farm income to avoid migration to cities. India feels that agriculture provides the key to food and livelihood security of majority of Indian population.\textsuperscript{13}

Liberalization of world trade in agriculture has opened up new vistas of growth. India has a competitive advantage in several commodities of agricultural exports because of near self-sufficiency of inputs, relatively low labour costs and diverse agro-climatic conditions. If India is able to exploit these advantages to the fullest it will go a long way in increasing agricultural exports and in increasing India's share in world trade.

1.3 FOREIGN TRADE AND ECONOMIC GROWTH

"Trade policies are referred to those principles which guide trade transactions between two or more trade partners of the world. Theoretically, free trade maximizes production and welfare of the people by allowing specialization in those lines of production where resources are most suitable. But, historically there has always been oscillations from and to free trade."\textsuperscript{14}
According to Adam Smith free trade leads to maximum welfare of world economies through specialization and division of labour.

"The role of foreign trade in the process of economic development is widely recognized. Trade brings variety of static and dynamic benefits and thus increases the capacity for development. Larger the volume of trade, greater should be the potential for development. Economic history finds success stories of various countries, which were relatively under developed at one time but shifted to the category of developed countries through trade. Further trade benefited the countries which exported not only industrial products but also primary products."

"The 19th Century pattern of growth through trade was altogether different and it played a significant role in transmitting growth from the British economy to the group of recently settled and predominantly rich countries. This took place through the rigorous expansion in British demand for the primary products of underdeveloped countries. Besides the trade was extremely helpful in the sense that it provided (a) comparative advantageous employment to any increase occurring in the domestic labour force and capital stock, (b) opportunities attracting idle resources into productive activities required for the purpose of exports and (c) adequate inducement for the inflow of foreign private capital to these countries. All these favorable tendencies led to a large expansion of capital and improvement in the techniques of production, which accelerated the rate of growth of their economies and constituted a pattern of 'growth through trade'. This was the peculiar feature of the 19th century international trade between the center and the outlying areas."
Between whatever places foreign trade is carried on, they all of them derive two distinct benefits from it. It carries out that surplus part of the produce of their land and labour for which there is no demand among them and brings back in return for it something else for which there is a demand. It gives a value to their superfluities, by exchanging them for something else, which may satisfy a part of their wants and increase their enjoyments. By means of it, the narrowness of the market does not hamper the division of labour in any particular branch of art or manufacture from being carried to the highest perfection. By opening a more extensive market for whatever the part of the produce of their labour may exceed the home consumption, it encourages them to improve its productive powers, and to augment its annual produce to the utmost and thereby to increase the real revenue and wealth of society.\(^1^7\)

Two theories of international trade emerge from this passage. First vent for surplus theory of international trade, which means that the country has surplus produce time capacity over the domestic requirements and the international trade overcomes the narrowness of the home market and provides an outlet for this surplus. Second the productivity theory of international trade which emphasizes that by widening the extent of the market, international trade improves the division of labour and raises, in general, the level of productivity of the country.\(^1^8\)

Foreign trade adds to the productivity of investment by enabling the underdeveloped countries to specialize according to the comparative cost advantages and affecting the growth in the associated branches in the economy. The expansion of exports increase national income and provides foreign exchange for
importing the goods needed for country's development. They should diversify and industrialize their economies taking into consideration the rate at which their productive resources increases.19

According to Ricardo when a country specializes in the production of that commodity in which it has comparative advantage and imports that commodity in which it has comparative disadvantage then it leads to higher level of income, consumption, investment and higher output. In this situation no country losses and in fact each country gains from international trade.

When a country lacks the basic raw-materials to produce a commodity or when the cost of producing it is too high, a country can definitely gain from cheaper imports.

Trade increases employment opportunities specially because it leads to widening of the market. The whole world becomes the market for the product of a country and thus provides an incentive to the country to produce more and in the process more and more productive resources are employed which otherwise are left ideal.

Economies of scale are enjoyed when a country operates in the international market. Greater production because of greater demand in the international market increases the specialization, decision of labour and more efficient use of labour and capital. This leads to increasing returns.

The most important of all dynamic gains is import of ideas embodied in technical and managerial know-how or educative effect of trade. A deficiency of knowledge is pervasive handicap for development than is the scarcity of any other factor. Contact with more advanced economies provide an expeditious way of overcoming...
this deficiency. Importation of ideas in general, is potent stimulus to development (economic, political, socio-cultural). By providing the opportunity to learn from the achievements and failures of more advanced countries and by facilitating selective borrowing and adaptation foreign trade can help considerably in speeding up a poor country's development.

Trade provides forward and backward linkages. Export sector growth also induces investments, innovation, employment and income increases. This also helps in increasing the demand for the products in the domestic economy as well. Increased demand leads to more production and more consumption in the economy.

Trade leads to structural changes in the economy. It helps in building the infrastructure of the economy. Most important gain from trade may be utilized when there is flow of capital from the developed countries to the developing countries, which often suffer from capital constraints. When foreign direct investment takes place it helps the domestic country to take advantage of not only the increase in the level of capital but also of the better technology brought to them by the advanced countries; FDI results in better quality, increase in production, consumption and also increase in employment opportunities. It widens the choices of the consumer and many products become available to them at cheaper price than before. A whole new variety of products are produced in the economy. Competition among the producers leads to increase in quality and reduction in prices of the products, which leads to too much gains for the consumer.

Economic history finds success stories of various countries like Taiwan, Singapore, Hong Kong, Brazil, Turkey, Philippines, Ivory
Coast, Columbia, Malaysia, Sweden etc: wherein trade has played vital role in economic development without foreign trade, rise in standard of living and rates of growth of these nations could have been impossible. Before these countries became important trading nations, these countries were relatively underdeveloped at one time. It is therefore, agreed that in many less developed countries, comparatively low share of exports in GDP acted as hindrance to economic development.  

Trade even helped in the economic development of the countries, which were basically exporters of primary commodities. Robertson D. claimed trade as an “engine of growth” thus stressing that without trade growth is not possible to achieve.

Kravis is of the opinion that trade is only “a handmaiden of growth”. It helps the countries, which have conducive environment. Where socio-economic structure is showing only there it helps in further growth. Even Prebisch Singer Thesis explains the most damaging effect of trade is terms of transfer of income from poor to rich countries through secular deterioration in commodity terms of trade.

The great debate between trade optimists and trade pessimists continues. To the optimists trade is an engine of growth in the sense that it brings dynamic gains of changing factor proportions and comparative advantage and provides better opportunity to deal with the problems of poverty, unemployment and under-development. To the pessimists, trade locks under-developed countries into an inferior and worsening position and is to be opposed due to unequal exchange, backwash effects, unfavorable terms of trade and immiserizing growth etc.
1.4 OBJECTIVES OF THE STUDY

- To highlight the trends of India’s agricultural exports so that the relative importance of agricultural exports in total exports of India can be reflected. This also helps in finding the products that have the potential of boosting agricultural exports.

- To identify the factors that affect India’s agricultural exports. To understand the obstacle that there are in the path of rapid growth of agricultural products. To understand the problem of food security. To understand and thus find measures to tackle the problems of infrastructure and low investment in agriculture sector which comes as a major hurdle in the progress of exports of agricultural products. To understand the problem of domestic prices of these products. Many of the agricultural products that are exported from India are also consumed domestically, so their large exports are bound to affect domestic prices. Therefore, it also aims to find suitable measures to tackle this problem as well.

- The exports of agricultural products in percentage terms are falling over the years. Since India has comparative advantage in the export of many of the agricultural commodities therefore it is even more essential to study the prospects of India’s agricultural exports. Therefore this study aims to highlight the role that agricultural exports can play in future in earning foreign exchange for the country.

- This study also highlights major agricultural policies that had prevailed in India before liberalization and the policies that have been initiated after the liberalization. This aims in analyzing the impact of new agricultural policy on the exports of agricultural
products. To identify the policy that will help in further increasing the exports from agriculture sector.

- It aims to study the direction of India’s foreign trade to find out the thrust market for India’s agricultural products. This also aims to find the problems associated with agricultural exports e.g. the problem of quality of agricultural products. Last but not the least it aims to find measures that can help in increasing the exports of agricultural commodities.

1.5 RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. There are basically two approaches to collect relevant data for the study. These are primary sources and secondary sources.

Data collected personally by the researcher either through direct personal interviews or indirect oral interviews or information from correspondents or mailed questionnaire method or schedules sent through enumerators are termed as primary data. Primary data is original in character and is often collected by government organizations and also by many researchers. Primary data though is more accurate but suffers from some limitations. Often it is not possible to collect data personally due to time and resource considerations. Since the topic of my research is “Export Performance of India’s Agricultural Products since 1991”, therefore it is more appropriate to use secondary data for this purpose.
This study is based on secondary sources of data. It would be too time consuming to collect primary data on this topic. Secondary data is based on two sources they are published sources and unpublished sources. Most of the data is taken from published sources such as:

1. Reports and official publications of (a) International bodies such as the World Bank, United Nations Organization, World Trade Organization etc. (b) Central and state governments e.g. Economic Survey of India, Census of India, EXIM Policy announced from time to time.

2. Publications of autonomous and private institutions, such as (a) Trade and professional bodies e.g., Federation of Indian Chambers of Commerce and Industry, the Institute of Foreign Trade. The journals of these institutions are economic trends and foreign trade review. (b) Financial and economic journals such as Indian Economic Review Reserve Bank of India Bulletin, the Indian Economic Journal, Journal of Agricultural Economics, Journal of Development Economics etc. (c) Publications brought out by various autonomous research institutes e.g., National Council of Applied Economic Research New Delhi, Indian Council of Agricultural Research etc. Reference has also been taken from journals like Economic and Political weekly, Yojana and papers read out in various conferences. Reference has also been taken from books like Economic Liberalization and Indian Agriculture etc.

1.6 LITERATURE REVIEW

This chapter critically reviews the existing literature on exports and agricultural exports from India. The study reveals that much
study has been done in regard to agricultural performance in India. Though much work has been done in relation to exports of agricultural commodities and problems associated with India's agricultural exports. Yet more work is needed to be done to tackle the problems related with this so that the ground problems related with agricultural exports from India and the solution to these can be made widespread.

B. Bhattacharya in his article “Towards Speedier Growth of Exports” discusses the EXIM policy 2000-01. In the article the author shows his concern regarding low performance in global exports by India. India's share in global exports continues to be around 0.6 percent during the last decade. He is of the opinion that globalization is beneficial only when the economy progresses towards an increasingly higher level of economic efficiency. He highlights that to make the state governments participate more effectively in national export efforts a scheme has been developed to grant assistance to the states for development of export related infrastructure. This grant can be utilized for projects such as roads connecting production centers with ports, research and development for ethnic products originating in the states, development of cold chain for agro-exports, development of minor ports, setting up export promotion industrial park etc. In the end the author concludes that with the economic reforms taking place in India as well as because of the obligation to the WTO as a member country, there has to be a paradigm shift in the thrust and contents of the EXIM policy. The objective of the export import policy should be to ensure that transaction costs are minimized through simplification of systems and procedures as well as mechanization.
In other article "Global Competitiveness of Indian Agriculture" Prof. B. Bhattacharyya analyses the competitiveness of Indian agriculture exports in the post liberalization scenario. He is of the opinion that in a liberalized trade regime the country, which is more competitive, will obviously stand to gain most. First it will be able to take advantage of the market access provided by trading partners by exporting more. Second it will be able to hold on to its market share in the domestic market, as it will be able to compete with imported products. A less competitive country will stand to lose because its domestic market may be captured by cheaper imports while it will not be able to export to other countries because of its relative uncompetitiveness. The key to survival in a liberalized trade regime is therefore competitiveness.

To have an idea about the competitiveness of India’s agriculture products Prof. Bhattacharyya has reviewed the export performance of the major agricultural products since 1995, when the WTO system became operative. The commodities, which are recording a high positive growth in exports, are by definition competitive. A detailed statistical exercise carried out on the trade performance of Indian agriculture as a part of research project conducted by the Indian Institute of Foreign Trade has been discussed. The study shows that more than 70 percent of India’s agricultural exports has shown positive growth trend during 1995-96 to 1999-2000, while only 27 percent of agro exports has shown a negative trend. Indian agriculture especially those, which enter the export trade, is fairly competitive in global terms.

Another positive feature of India’s agro exports was observed in that exercise. This relates to introduction of new items in the
export basket. Marine product is a classic example. It has emerged as the largest earner of foreign exchange in recent years while it hardly had any presence two decades back. Similarly a good beginning has been made with floriculture, poultry and dairy products. Another positive feature is the upward movement along the value chain. In quite a few product categories such as tea, fruits, vegetables and spices, more and more value-added processed products are being exported.

The competitiveness in global market is a multidimensional concept. It involves not only price competitiveness but also the ability to deliver the contractual quality consistently at the appropriate time and place. India’s infrastructural inadequacies which also include pre and post harvest practices quite often limit the ability of Indian exporters to satisfy the needs of foreign buyers. The WTO regime has brought into operation the Agreement on Sanitary and Phytosanitary Measures. The agreement allows an importing country to set the quality standards at any level it feels necessary in the interest of public health. Even assuming that the importing country does not set the standard deliberately at a high level only to restrict import there is no doubt that India’s agricultural exports cannot be sustained in future only on the basis of price competitiveness. Quality assurance will emerge as the single most important determinant of export success.

Chadha G.K. in his article “New Economic Policy and Indian Agriculture: Some Reflection on Emerging Trends”, discusses the nature of economic reforms in India and its likely impact on Indian agriculture. He is of the opinion that GATT provisions, relating to agriculture, stipulate more market access in the developed world in
respect of agricultural export from the developing country. He has also highlighted the fact that new type of trade barriers put by many developed countries may have adverse effect on India's agricultural exports to these countries, e.g. Germany put trade barrier as regards to the export of Indian tea, coffee and other plantation products. they insisted on limit to DDT residue. He emphasizes that if India wants to increase its share of agricultural exports, then besides assuring quality of its agricultural exports it has also to adopt aggressive marketing strategy.

He also makes suggestions regarding framing viable export strategies under multilateral trade regimes. He emphasizes on the need to frame production and cost efficiency strategies so as to generate a secure base of exportable surplus. Horticulture and vegetables are also quite promising, especially from income and employment growth point of view.

He emphasizes that special care should be taken before throwing up wheat, rice and other food grains to export market especially on account of its food security considerations.

India requires investment in measures such as cold storage network efficient transport system and containerization.

Data K. Samar\(^1\) in his article "India Agriculture Retrospects and Prospects" discusses the performance of Indian agriculture. He is of the opinion that India has gone a long way in the field of agriculture. It has conducted several revolutions - green, blue, white and so on and so forth, but none of these has been taken to their logical ends - namely, applying them to the length and breadth of the country. Indian agriculture suffers from various constraints in the supply, demand, factor market and external sector. In spite of high
expectations of growth in India’s agricultural exports, the evidence so far is very modest if not altogether disappointing. Agricultural exports suffer from two major problems. First international prices fell instead of rising, as predicted by most quarters, not necessarily due to genuine competitive forces, but more so due to continuing high subsidies to agriculture in various direct and indirect forms by the developed nations. The second and more important hurdle is quality barrier, called non-tariff barriers of one kind or the other, which the developed countries are imposing at progressively higher levels and sometimes quite arbitrarily, to prevent entry of developing countries exports into their countries. Lack of awareness, appropriate farmer organization, technology, R & D support, and infrastructure—all these add to the worries of Indian agribusiness exporters. Thus, the external or trade sector, instead of providing a strong source of demand for Indian agriculture, seems to have posed further challenges to its existence and growth.

The author concludes that India must confront the problems and convert them into opportunities rather than threats to the future. He has attempted below some of the possible strategies for the future.

First, India must apply her own efforts as well as combine efforts of like-minded nations to further its interests in WTO.

Second, as India has to depend almost exclusively on her own efforts and resources, she must not depend too much on external markets in the short run. She must economize on resources in all fronts and channel them towards building up R & D, technology and knowledge base to strengthen agriculture. India must aggressively set standards if she has to win over world markets in the longer run to achieve higher growth rates. To go beyond the retarded growth path
of the past, India must put up concerted efforts to confront the monopoly powers of world capitalism, not by staying away from it but by becoming a part of it and challenging and moulding it from within the system.

Dr. Khan\textsuperscript{23} in his thesis entitled "Export Performance of Spices since third Five Year Plan", examines the export performance of spices since third five-year plan. It also lays stress on the significance of international trade and the role of exports in economic development. He highlights the growth in Indian exports and India's export policy in brief during the plan period. The trends in India's agricultural exports with special reference to export of spices from India, the composition and direction of agricultural exports of India during the period under this study. It also analyses the trends in world and India's exports of spices, trends in relative share of India in world exports of spices. It further analyses the trends in exports of spices (Q & V) from India and the trends in relative share of exports to production of spices between 1960-61 and 1988-89.

In this thesis an attempt has been made to highlight the major constraints affecting the exports of spices from India at length.

He also suggests measures to remove these constraints so that exports of spices may be increased which will not only help in increasing exports but also help in the economic growth of India. It also deals with the future prospects of India's exports of spices by 2000 AD. He emphasizes that if sincere efforts in regard to development of production, productivity and raising sufficient exportable surplus are taken it will go a long way in increasing
India's exports of spices and thus will help in the process of economic growth and development.

Mr. Kumar Ranjit in his article "Export Performance of Agricultural Commodities in India" discusses the performance and problems of India's agricultural exports. The author emphasizes the importance of foreign exchange earnings from agricultural exports especially because of the growth of more import intensive sectors such as industry. Though India has distinct position in the world agricultural production, still the share of Indian agricultural products in the world export is less than one percent (Economic Survey, 1998-99). The author indicates that rice and coffee has come up most promising exportable commodities and recently India has also entered in the export market of floricultural products. He also highlights that exports of agricultural products suffer from various constraints because of which its exports have slowed down. These constraints include pressure of domestic demand on slow growing or even stagnant production especially in case of tea, tobacco, spices and oil cakes etc. In general infrastructural constraints such as inadequate and inefficient transport facility, unavailability of cold chain etc are the main constraints in agricultural exports. He suggests that building infrastructure is essential if we want to continue with the advantage enjoyed by India in exports. He suggests that commodities with large fluctuations in the supply or in price (cotton, sugar) should be traded with caution. He is of opinion that the commodities where we have dynamic comparative advantages such as fruits and vegetables (because of diverse climate and soil condition) and dairy product should receive special attention. He concludes that there should be some consistency and long term thinking, while
designing the export policy. Surrender to vested interests can do severe damage to our export prospects.

An article published in 1995 by Singh H.P. entitled “Fruits and Vegetable Processing Industry in India” discusses the export performance of processed fruits and vegetable products in India. It reflects that processed fruits and vegetables products valued at Rs. 332.37 crores were exported from India in 1991-92. It also states that the export of processed fruits and vegetables during 1994-95 was confined to a very few countries like Kuwait, Saudi Arabia, Germany, UK, USA, France etc. It also indicates that the share of India accounted for only 1.1% in international trade (during 1994-95) on account of high multilevel taxes, relatively costly raw material due to comparative low productivity, poor designing and high cost of packaging material etc.

It also suggests the need to develop integrated farmers organizations to undertake various post harvest operations of fruits and vegetables with professional approach on economic basis and at a commercial scale in order to reduce the existing high marketing cost, enhance the producers share in consumers rupee and supply the fresh fruits and vegetables and their processed products to the consumers at a comparatively low price.

Dr. Singh\(^2\) in the article “Agriculture Prospects and Challenges” discusses the importance of agriculture in Indian economy. The author is of the opinion that to take advantage of globalization in agriculture, we need to ensure reduction in cost of production so that our prices may be competitive in the international markets. He further comments that value addition through agro-processing and knowledge of international quality standards for
various agri-commodities will help the farmers in fetching higher
prices in international markets. He suggest that complex issues
involved with globalization of agriculture need to be addressed
promptly by government so that interest of Indian peasantry
including unorganized agricultural labourer may be safeguarded and
their social security may not be endangered. He lays stress on the
fact that Indian farmer is an important human resource and vital link
of agricultural production therefore it is necessary to take caution so
that globalization in agriculture may prove beneficial to 90 percent
of our small and marginal farmers.

Srivastava L.S. in his article “Need for Post Harvest
Technology in Fruits and Vegetables” highlights that the share of
fruits and vegetables is 34.5% of total value of agricultural products
(in 1999) in India. India accounts for about 2% and 13% of world
production of fruits and vegetables ranking first and second
respectively. The availability of these is very low due to post harvest
loss to the extent of 30% to 40% worth about Rs. 23000 crore
annually. Hardly one percent of fruits and vegetables are processed
and preserved in India. Therefore, our exports of these items are also
significantly low (Rs. 350 crore). It also emphasizes the need to
produce 600 lakh tones of fruits and 1300 lakh tones of vegetables by
the year 2002 to bridge the demand supply gap and maintain the price
equilibrium. In addition it also lays stress on the urgent need to
provide post harvest services to bring down the post harvest losses.
For the application of appropriate technology, the author emphasizes
that investment in required for which banks and financial institution
have a role to play. He also indicates that Agriculture Processed
Food Product Export Development Authority (APEDA). National
Horticulture Board (NHB) State Horticulture Departments are already channeling their resources and expertise towards post harvest process, which are precisely called development of cold chain or cool chain. It also emphasize that APEDA is on the look out for joint venture partners to set up integrated post harvest handling facilities (pack house) for perishable commodities. It emphasizes on the urgent need and ample scope for development of post harvest infrastructure in our country especially for fruits and vegetables. It lays stress on the fact that taking account of preservation, processing, storage and transport of the commodity would not only avoid huge storage loses but also make available healthy fruits and vegetables to our Indian consumers. This will also go a long way in boosting exports of fresh and processed fruits and vegetable to a growing and demanding world market.

Yvas V.S.29 discusses the economic reforms in agriculture in his article "Agriculture: Second Round of Economic Reforms". He suggests that the criteria to judge the export potential of agricultural commodities could be:

(a) The place of the commodity in the consumption pattern of the people, especially the poorer sections.

(b) Supply and price elasticity.

(c) The ratio of export price and domestic price.

(d) Future demand/ supply prospects in the international markets.

According to him until recently, agricultural trade policy was designed to pursue the objectives of food selfsufficiency and promotion of exports of commercial crops. For the export of agricultural commodities the author suggests the need for
infrastructure support in terms of communication, transport, cold storage etc. The development of economic and social infrastructure e.g. adaptation of banking facilities, insurance facilities, pricing policies and development of appropriate information systems are equally important. He also stresses on the participation of smallholdings especially in case of fruits and flowers. He also recommends progressive decanalisation of exports of agricultural commodities and removing other irritants. He concludes that we can make agriculture contribute substantially to foreign exchange earning and can introduce 'value added' agriculture even on the small and marginal holding by a determined bid to orient agricultural production to exports in commodities in which we have a comparative advantage.

It also highlights some cases where the developed countries have deliberately set high standards in order to restrict the imports from India.

1.7 PLAN OF RESEARCH WORK

The study is divided into six chapters including introduction as the first chapter. This chapter highlights the topic of my study. This shows the significance of agricultural exports in Indian economy. This also discusses the balance of trade position since 1991. This chapter highlights the contribution of agriculture in India's economic development during the period 1951 to 1991 i.e. the planning period before liberalization of the Indian economy as well as from 1991-2001. This shows that agriculture has contributed significantly to India's development by providing income to the rural households, food to the population of India, helped in the expansion of industries by provide raw-materials and also constituting a major market for
industrial products. Apart from this agriculture also helps the economy in reducing the foreign exchange crisis by exporting its products in the world market. Section 1.3 of chapter one highlights the role played by foreign trade in economic growth and development of an economy. This section discusses how foreign trade can lead to increase in consumption and income levels through participation in external trade.

Chapter 2 discusses the trends of India's agro-exports during the pre-reform period. This shows the structural changes that have taken place in the composition and direction of India's agro-exports. Section 2.5 of chapter 2 discusses the major factors that have affected the agro-exports in general. It also highlights the problems of major agro-products exports such as coffee, tea, oilcakes, tobacco, cashew kernels, spices, sugar, raw cotton, rice and marine products. Focus is on the products which constitutes a major share in total agro-exports.

Chapter 3 highlights the trends of India's agro-exports during the post-reform period. This shows the structural changes that have taken place in composition and direction of India's agro-products exports during 1990-91 to 2002-03. This also discusses in detail the direction of major agro-products exports during the post-reform period. This highlights the constraints that are faced by our agro-exports. Focus has been made on performance and problems of coffee, tea and marine products exports.

Chapter 4 discusses the implication of WTO on agricultural trade in general and India's agricultural exports in particular. It also highlights the major obstacles that are faced by India in agro-exports because of its obligation to WTO. It also discusses some cases where
the developed countries have deliberately set high standards in order
to restrict the imports from India.

In chapter 5 a comparative analysis of India’s agricultural
products exports has been done. Chapter throws light on the share of
India’s agricultural products in world trade of agricultural
commodities. Nine products/ groups have been selected to indicate
the comparative advantage or disadvantage of India in their export.

Chapter 6 gives conclusion and also makes suggestion to over
come the problems associated with the exports of agricultural
products of India. This also gives suggestions on how India can
increase its share in the world trade by increasing the exports of
agricultural products.

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