Chapter-5
CHAPTER-FIVE
A COMPARATIVE ANALYSIS OF INDIA'S
AGRICULTURAL EXPORTS

5.1 INTRODUCTION

The share of agricultural products in world merchandise trade has fallen down from 12.2% in 1990 to 10.5 percent in 1998 and further to 9.0% in 2000. In 2001 a slight increase in the share of agricultural products in worlds total merchandise trade took place and it increased to 9.1 percent. As far as the share of India's agricultural export to world agricultural export is concerned, it remained more or less constant during 1990 to 2001. India's share in world exports of agricultural products was 0.8 percent in 1990. In 1995 and 1999 it was 1.1 percent; In 2000 it was 1.2 percent. A slight decline was observed in 2001 in which the share fell down to 1.1 percent (WTO International Trade Statistics. 2002). Figure 4 shows the value index of world agricultural exports for the period 1990 to 2001. Barring a few years there has an increase in the index of world agricultural exports.

This chapter basically analyses the performance of India's agricultural exports in relation to world exports. Table-9 highlights the share of India's agriculture exports in total world exports. The share of agricultural products exports in India's total exports has been depicted in table 10. To determine the comparative advantage of India's agro-products exports nine products have been chosen. Revealed comparative advantage has been calculated for these nine products. Data on the value of exports of these products has been taken from international trade statistics year book: United Nations as
given in Economic Survey various issues. In Table-11 revealed comparative advantage of selected agricultural products has been shown for the period 1990 to 2002.

**TABLE-9**

India's share of selected agricultural products exports in world exports

(Percentage)

<table>
<thead>
<tr>
<th>Year</th>
<th>Meat &amp; Meat preparations</th>
<th>Fish crustaceans &amp; mollusc preparations</th>
<th>Rice</th>
<th>Vegetables &amp; Fruits</th>
<th>Sugar, sugar preparations &amp; honey</th>
<th>Coffee &amp; coffee substitutes</th>
<th>Tea &amp; mate</th>
<th>Spices</th>
<th>Tobacco &amp; tobacco manufactures</th>
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<tbody>
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<td>1.9</td>
<td>16.1</td>
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<td>2.2</td>
<td>13.8</td>
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<td>2.8</td>
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</table>

**Note:** A zero means negligible or no share at all.

**Source:** International Trade Statistics Year Book: United Nations.
Value Index of World Agricultural Exports (1990-2001)
(Index, 1990 = 100)

FIGURE-4

Years

Value of Agricultural Exports

Series1
# TABLE-10

Share of selected agricultural products exports in India’s total exports

<table>
<thead>
<tr>
<th>Year</th>
<th>Meat &amp; Meat preparations</th>
<th>Fish crustaceans &amp; molluscs &amp; preparations</th>
<th>Rice</th>
<th>Vegetables &amp; Fruits</th>
<th>Sugar, sugar preparations &amp; honey</th>
<th>Coffee &amp; coffee substitutes</th>
<th>Tea &amp; mate</th>
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<tr>
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Note: A zero means negligible or no share at all.
Calculated using data from International year book, United Nations.
### TABLE-11

**Revealed Comparative Advantage of India in Selected Agricultural Products (1990-2002)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Meat &amp; Meat preparations</th>
<th>Fish crustaceans &amp; mollusc &amp; preparations</th>
<th>Rice</th>
<th>Vegetables &amp; Fruits</th>
<th>Sugar, sugar preparations &amp; honey</th>
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5.2 REVEALED COMPARATIVE ADVANTAGE (RCA)

The Export Performance Ratio (EPR), as suggested by Balassa (1965)\(^1\) has been used to analyze the comparative advantage of agriculture sector. Since this is revealed by observed pattern of trade flows, it is called Revealed Comparative Advantage (RCA). The comparative advantage of selected agricultural products exports of India has been measured by the share of \(i\)'s product in India's total exports \((s_{ij})\) relative to the \(i\)'s share in total world exports \((s_{iw})\):

\[
RCA \text{ or } EPR = \frac{s_{ij}}{s_{iw}}
\]

where \(i\) is selected agricultural product.

If RCA is greater than unity, the country has the comparative advantage and not if RCA is less than unity.\(^2\)

5.3 MEAT AND MEAT PREPARATIONS

Value of world trade in meat and meat preparations has increased from US $ 34707 million in 1990 to US $ 46956 million in 2002. India's share in the value has increased from US $ 78 million to US $ 278 million during the same period. From 1990 to 1996 its share in total Indian exports had been around 0.44% to 0.57%. Its share in world exports of meat and meat preparations had been just 0.2% to 0.4%. From 1997 to 2002 its share in India's total exports had been around 0.60% to 0.85% and in total world exports of this product had been 0.4% to 0.7%. This indicates that though there has been an increase in the percentage share of meat and meat preparations' exports from India to world exports, yet India's share is too small to influence the world trade. Over the years there has been an increase in the population of livestock in India. Now India owns one of the largest livestock populations in the world. Livestock
sector produced 4.94 million tones of meat in 2002-03 (Economic Survey 2003-04). The share of meat and meat preparations constituted about 88% of the exports earnings from livestock sector in 1974-76. The share of meat and meat preparations maintained its dominant position during the last two decades and rose up to 97% percent in 1996-98. Exports of all meat and meat preparations witnessed higher growth in post-liberalization period. The trade reforms initiated in the 1990s might have resulted in a significant improvement in the exports of these products. For instance, the minimum export prices for buffalo meat and mutton were removed in April 1993, which should have encouraged exports of these commodities. Later export quotas were also removed. In the years 2000 and 2001 the share of meat and meat preparations in total exports of India had increased to 0.85% but it fell down to just 0.60 percent in 2002. Similar trend was observed for this period in its share in world exports. During 2000 and 2001 India's share was 0.7 percent in world exports of meat and meat preparations exports, which decreased to 0.6% percent in 2002. As far as revealed comparative advantage is concerned its value had been much less than one for the period 1990 to 1999. This indicated that India did not have comparative advantage in the exports of meat and meat preparations from 1990 to 1999. There was a slight improvement in 2000 and 2001. During these two years the value of RCA was greater than unity but again RCA dropped to just 0.78 in 2002. India can have comparative advantage if it is able to meet international hygienic standards.
5.4 FISH, CRUSTACEANS AND MOLLUSC AND PREPARATIONS

Marine products have recently emerged as an important foreign exchange earner. In the year 1990 fish, crustaceans and molluscs and preparations contributed US $ 524 million in our foreign exchange kitty, their contribution rose to US $ 1384 million in 2002. Now marine products occupy a dominant position among the agricultural products’ export. Share of this group was 3.0 percent of India’s total exports in the year 2002. This has now become the largest foreign exchange earner among the agricultural commodities. Share of India in world exports of fish, crustaceans and molluscs and preparations was 2.6 percent in 2002. As depicted in table-11 India had comparative advantage in exports during all the years under study. India has had a reasonable presence in the world export market of crustacean and molluscs; of which shrimps and prawn constitute the major commodity. In this group, India’s share in the world export market has been around 5 percent in general, which is really commendable. However India’s share in world fisheries export hovered around 2 percent in value terms and 1.12 to 1.86 percent in quantity terms. India thus does not have a substantial presence in the world trade of fishery products. But India’s output is large and it is the seventh largest producer, and an opening up of India’s large fisheries sector to world trade may have considerable effect on the nature of the world equilibrium in terms of prices, and subsequently outputs.

If India wants to increase its competitiveness in the export of marine products then it has to strictly adhere to food quality standards been set by developed nations, which are the major buyers.
from India. There is problem of high cost of investment and dictatorship of buyers, which still come as a major obstacle in exports.

5.5 RICE

Rice's share in total exports of India has remained under 5% during the entire period under study i.e. 1990 to 2002 except 1999 (when the share was 5%). India's share in world exports of rice had been quite impressive, though wide fluctuations in the percentage share may be observed as is evident from table 9. Rice is mainly being produced in developing countries. India and China together account for more than 50 percent of rice production. Rice is produced into various varieties and qualities. Of the total rice produced only about 5 percent is traded in the world market. Because of the thinness of world rice markets, large variation in prices occurs even when small quantities enter world markets. India has recently increased its share to 18.1% percent in 2002 in world rice market. This has been made possible mainly due to burgeoning stocks. Thailand, Vietnam and China are the major competitors of India. In case of non-basmati rice India is facing tough competition from Thai rice, which has led to fall in the export of non-basmati rice in many years. India has to face stiff competition from Pakistan in case of basmati rice. If India is able to supply rice at affordable prices then India can gain much ground in the middle-income countries, which are major buyers of rice. There had been a continuous increase in the export value of rice from 1990-91 to 1993-94. After a small fall in 1994-95 the export value rose to US $ 1366 million in 1995-96. 1995-96 was an unusual year, there was shortage of rice in world market that led to expansion of rice market. India exported over 4
million tones of non-basmati rice during 1995-96. Table 11 shows that India has had high RCA in the export of rice during the entire period under study. From 1995 to 1999 RCA had been quite high. In 1999 RCA was as high as 34.07. Though next two years showed a downward trend, but RCA again rose to 23.90 in 2002.

"Global trade in rice grew at 7 percent a year throughout the 1990s, to reach 25 million tones. Rice has a key role in food security, and so it is subject to much government intervention aimed at supporting domestic rice producers. Trade measures are also widely used to protect domestic rice markets. Although there is considerable scope for liberalization of the rice market, governments are often reluctant to loosen their control over the sector because of its importance for food security, income generation and political stability."

5.6 FRUITS AND VEGETABLES

India’s diverse soil and climatic conditions favour the production of variety of fruits and vegetables. India has become the world leader in production of mango, banana, sapota and acid lime, and in recent years recorded the highest productivity in grape. In vegetables India occupies first position in the production of cauliflower, second in onion and third in cabbage in the world. India’s share in vegetable production is 24 percent, which is the largest share among all countries of the world. According to Economic Survey 2002-03, annual export of fresh processed fruits and vegetables is valued at about US $ 400 million. Most of the fruits and vegetables exported are in raw form without any value addition leading to low price realization less than 2 percent of the fruits and vegetables grown in the country are processed.
Share of vegetables and fruits in total exports of India has remained in between 2 and 3 percent for almost the entire period under study (with the exception of 1990 and 2002). India’s share in world exports of vegetables and fruits had been 1 percent or above from 1993 to 2002. In 1992 it was 0.9 percent. Though its share in world export is small but the encouraging feature is that it has been able to hold on to it. RCA of vegetables and fruits for all years from 1990 to 2002 was greater than unity. This shows that India has revealed comparative advantage in the exports of fruits and vegetables.

India has yet to export its full potential then only it will be able to became a world leader in its export.

5.7 SUGAR, SUGAR PREPARATIONS AND HONEY

For most of the years in the 1990s sugar economy continued to be a highly controlled one. Export quotas were determined by the government and a nominated agency handled sugar exports. Sugar exports experienced periodic shocks because external trade in sugar remained highly regulated and was subjected to quantitative restrictions. During the period under study, in many years India exported very negligible amount of sugar, sugar preparations and honey.

In 1990, 1991, 1994, 1999, 2000 and 2001 share of sugar, sugar preparations and honey in total exports of India was zero or negligible. In the remaining years, except for 1996 to 1998 its share had been less than one. For most of the years (1990 to 2002) share of India in world exports of sugar, sugar preparations and honey had remained either zero or negligible. In 1996 India’s share was 2 percent and in 2002 it was 2.4 percent, which was the highest during
this entire period. In most of the years India had comparative
disadvantage in its exports. RCA for the entire period as depicted in
table 11 indicates a fluctuating trend. India had a comparative

In certain years India could not export at all due to shortage of
sugar in the country. For the last four years of the period under study
India was faced with the problem of high sugar production. India had
to face many problems due to global glut. This was caused because of
heavy subsidies provided by EU countries, which encouraged
production even in places like Sweden and Finland. The problems
faced by sugar exports are of rise in global production but stagnant
consumption resulting in low global prices. This resulted in India’s
exports being confined to neighbouring countries. India mostly
exports white plantation sugar, which has a much smaller market.
The cost of production in India is quite high which has made sugar
highly uncompetitive. India is facing stiff competition from Brazil
and Thailand. 6

To increase price competitiveness India has to make sincere
efforts to bring down its cost of production. Modern technology and
further research in this field may help India in bringing down the
cost of production.

5.8 COFFEE AND COFFEE SUBSTITUTES

Around 80 percent of the coffee produced in the country is
exported. Share of coffee and coffee substitutes in India’s total
exports had been around 1 percent for most of the years during the
period under study. In the year 2002 its share slipped down to just
0.44 percent. From 1990 to 1992 its share in world exports had been
less than 2 percent. After that, its share had increased and for most of
the years it had been a little less than 3 percent. In 1999 its share was 3.4 percent in world exports. In the first half of 1990s world demand was higher than world production. It was situation of high global prices. Soon the supply of coffee in the international market started increasing which put a downward pressure on the prices. India being a small player in the world market accounting for about 4 percent of production is a price taker rather than a price maker. Most of the coffee growers are small farmers who have been hit hard because of the decline in world coffee prices.

India exports two varieties of coffee: Robusta and Arabicas. Indian robusta is considered to be the best in the world. Vietnam gives stiff competition to India, as it is able to produce low-cost Robusta. In the exports of Arabicas India has to face competition in terms of quality from central American producers like El Salvador, Costa Rica, Guatemala, Mexico and Honduras.

Coffee is largely grown in developing countries, but consumed mostly in industrial nations. The prices are therefore dictated by the buyers, especially now when there is over supply of coffee.

India had RCA in the export of coffee and coffee substitutes during the period 1990 to 2002. From 1995 to 1998 RCA was greater than 4. For 1999 RCA was 5.71, which was the highest during 1990 to 20002.

In the situation of oversupply India can increase its share in the global coffee market by banking on its Robusta, which is the best in the world. Because of growing consciousness among the rich-country coffee consumers we can hope to get remunerative prices if proper advertising of our coffee is done.
5.9 TEA AND MATE

India is the largest producer and consumer of tea in the world. But the Indian tea industry is facing the problems of declining prices, stagnant demand, increasing production, and falling exports. Apart from this rising production costs, low productivity and lack of uniform high quality is adding to the worry of the tea industry.

India’s share in world tea and mate trade had been showing a decreasing trend for most of the years under study (i.e. 1990 to 2002). In 1990 India’s share in world exports of tea and mate was as high as 21.7 percent but from 1991 to 1993 it showed a fall and reached 13.8 percent. After a small improvement in 1994 to 1995, once again its share dropped to just 11.1 percent. After showing some increase it again fell down to 12.6 percent in 2002. The reason for this gradual fall during the early 1990s was the increase in domestic demand for tea. Recently factors responsible for a fall in India’s share in world export of tea are weak demand from Russia, UAE and UK. Russia had been the major market for India’s tea exports. Recently Russia has started buying cheaper tea from Sri Lanka. This is of great concern to Indian exporters as Russia accounts for about 50 percent of total tea exports from the country. China is also giving stiff competition to India as far as exports to Russia are concerned. Both factors i.e. price and quality are affecting India’s tea exports. Earlier when Russian economy collapsed, Russia started switching to Sri Lanka and other countries in search of cheaper varieties. With increase in purchasing power of Russian consumers, they started experimenting with better quality new aromas and new blends.

Basically there are two varieties of tea, which are sold by India: Orthodox tea and CTC tea. Recent fall in exports has been due to low
orthodox tea production in India as most of the buyers currently prefer orthodox tea to CTC tea. Kenya, Viet Nam, Indonesia, Sri Lanka etc are the major competitors of India. India has failed to capture Pakistani market as its tea was not cost competitive compared to the Kenyans.

Table 11 highlights RCA of India in tea and mate export. Throughout the period under study India had much comparative advantage. During 1990 to 1992 RCA was greater than 30. It was around 40 in 1990. Except for 1996 and 2002 RCA had remained greater than 20. Still for these two years RCA of 16.82 and 16.63 respectively is quite impressive suggesting the high RCA for tea and mate.

Now the export of tea is being dominated by the buyers. As given by Kutty, demand factors that determine the export performance of a country in a competitive international environment are:

(i) the comparative export price (the ratio of country’s prices to competitor’s prices);
(ii) the real income of the importing country;
(iii) the exchange rates;
(iv) the commercial policies abroad and
(v) non-price factors such as designing quality, marketing etc.

To regain its past glory India has to produce quality tea, as quality has become the deciding factor.

5.10 SPICES

The agro-climatic conditions have made India the home of spices. Varieties of spices are found in its basket. For all the years
under study the share of spices export in total export of India had remained below 1 percent. Pepper is the most important spice exported from India, which occupies prominent position both in terms of volume and value of spices exports.

India occupies an important place in trade of spices in the world. For most of the years under study the share of India in world exports of spices had been around or more than 10 percent. In 2002 a fall in India's share in world exports of spices was observed. India's share fell down to just 8.5 percent. Exports of almost all spices products suffered in both volume and value terms. A fall in international prices of pepper was observed. Since pepper is the single largest item among spices to be exported by India. The fall in prices has hit the Indian exports badly. This situation has emerged due to a fall in demand in the international market and keen competition being posed by the rival producing countries. Major competitors of India are Vietnam (in pepper), Guatemala (in cardamom), China, Brazil and Indonesia (in garlic and chillies). Major threat for India is the competition from Vietnam in pepper export. Vietnam's pepper output was negligible five years ago but it rose to second largest in the world at 55000 tons in 2001. The only way out for India is to raise the quality and productivity of spices.  

Table 11 highlights the fact that India had high comparative advantage in the exports of spices in all the years under study. Though some fluctuations in RCA may be observed, yet there is no denying the fact that India had been able to maintain its advantage during this entire period. In the year 1999 the RCA was as high as 20.30. RCA fell down to 11.23 in 2002, yet this is an impressive figure.
5.11 TOBACCO AND TOBACCO MANUFACTURES

Tobacco and tobacco-based products had been an important item in our exports. In 1970s its share in total exports of India was as high as 2 percent; over the years its share gradually fell down and it reached 0.33 percent in 2002. Since 1998 to 2002 there has been a fall in its share. For most of the years under study the un-manufactured tobacco gave around 90 percent of the value of tobacco exports.

There are various varieties of un-manufactured tobacco. The varieties used in the manufacture of cigarette (especially flue cured virginia) have a worldwide demand. India primarily produces FCV variety. A study conducted by Brajesh Jha on India's tobacco exports\(^\text{10}\) worked out the price competitiveness of FCV tobacco. The Nominal Protection Coefficient (NPC) for FCV tobacco for all the reference years (1990, 1993, 1995 and 1998) using price in Zimbabwe as border price was less than one which indicated that Indian FCV tobacco was price efficient as compared to Zimbabwe. NPCs was found to be increasing over the years which reflected gradual decline in price competitiveness of Indian FCV tobacco as compared with Zimbabwe. In 1993, NPC declined over the previous reference year, as Indian FCV became cheaper in the world market due to steep devaluation of the rupee during the year 1992-93. Main factor responsible for this trend was the policy of support price been followed by the government. Support price was increased by 50 percent during 1990 to 1998 but the international price for FCV tobacco remained almost constant.
Around 30 percent of the world production of tobacco is traded in the world market. Important competitors of India in FCV tobacco exports are China, USA, Brazil, Zimbabwe and Indonesia.

India's share in world exports of tobacco had been quite small during 1990 to 2002. Except for 1998 when the share of India in world exports of tobacco was 1 percent; its share has remained below 1 percent. India often faces problems in increasing its share in world trade due to higher Sanitary and Phyto-sanitary Standard (SPS) set by the developed importing countries.

In table 11 export performance ratio has been calculated for the period 1990 to 2002. There has been a fluctuating trend in RCA. From 1990 to 1993 RCA was greater than unity, which reflected that India had comparative advantage in tobacco exports. RCA fell down to below unity during 1994 to 1996 indicating a comparative disadvantage. From 1997 to 1999 again India had comparative advantage but it eroded during 2000. In 2001 RCA was found to be greater than one but again it fell down to 0.96 in 2002.

Many factors had contributed to such a performance: an increase in domestic price to international prices, to some extent explains the unsatisfactory performance. Quality of Indian tobacco is another major determinant of exports. Because of the growing awareness among the consumers, of tobacco (especially Europe and US) about the ill effects of tobacco, its consumption is likely to fall in these regions. India been the third largest producer and the sixth largest exporter can retain its share in the shrinking tobacco market by an improvement in tobacco quality and fulfilling SPS standards.
Of the nine products/ groups selected for study six products/ groups showed revealed comparative advantage in all the years under study.

Only three products/ group i.e. meat & meat preparation; sugar, sugar preparations & honey; and tobacco & tobacco manufactures indicated comparative disadvantage for most of the years during the period under study.

REFERENCES


4. Ibid 2.


