ABSTRACT

No country is self-sufficient in all the resources. For bringing about growth and development in its economy it has to rely upon international trade. If each country trades according to its comparative advantage than it brings about dynamic gains for the economy. It 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

In Indian economy foreign exchange had been under constant pressure throughout the planning period. In the initial stages of development India had to rely heavily upon imports. This led to widening of gap between imports and exports resulting in large deficits in most of the years.

A radical change in the economic policy of India took place following the economic crisis in July 1991. India switched over to export promotion from import substitution policy. Since India has a distinct advantage in the production of many agricultural commodities therefore boosting of agro-exports could lead to greater benefits for India.

The research work has been planned to study:

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 agro exports.
The factors that affect India's agricultural exports - to understand the obstacles that are there in the path of rapid growth of agricultural products. To understand and thus find measures to tackle the problems of infrastructure and low investment in agriculture sector.

To highlight the role that agricultural exports can play in earning foreign exchange for the country in future.

To study the major agricultural policies that have been initiated after liberalization. To analyze the impact of new agricultural policy on exports of agricultural products. To identify the policy that will help in further increasing the exports from agriculture sector.

The direction of India's foreign trade to find out the thrust market for India's agricultural products.

To find the problems associated with agricultural exports. Measures to tackle them and thus help in increasing the exports of agricultural commodities.

The research work basically covers a period of twelve years i.e. 1991-92 to 2002-03. It tries to analyze the structural changes that have taken place in India's agricultural exports during this period.

Research is based on secondary data. Data is collected from published sources such as:

1. Reports and official publications of
   (a) International bodies such as – United Nations Organization, World Trade Organizations etc.
   (b) Central and State governments e.g. Economic Survey of India, DGCIS, 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. Indian Institute of Foreign trade. The Journal of this institute is Foreign Trade Review.
(b) Financial and Economic journals such as Reserve Bank of India Bulletin. The Indian Economic Journal. Journal of Agricultural Economics etc.
(c) Publications brought out by various autonomous research institutions e.g. National Council of Applied Economic Research New Delhi. Indian Council of Agricultural Research.

Reference has also been taken from journals like Economic and Political Weekly. Yojana and papers read out in various conferences e.g. The Indian Economic Association Conference etc.

Apart from this data has also been taken from CMIE issues.

Agriculture has always been the most dominant sector in terms of the dependence of the people, for their livelihood. Around 61.71 percent of the labour force was found to be employed in agriculture and allied activities in 1999-2000. Agriculture, forestry and fishing accounted for 23.32 percent of NDP in 2002-03 (National Income Statistics, CMIE. 2004).

India has been gifted with diverse agro-climatic conditions, which allows it to be a world leader in the production of many products. India is the largest producer and consumer of tea in the world accounting for about 28% of world production and 14% of world trade. India has emerged as the largest producer of coconut. arecanut, cashewnut, ginger, turmeric, black pepper and the second largest producer of fruits and vegetables. India ranks first in the production of mango, banana, sapota and acid lime, and in recent years recorded the highest productivity in grape. All these things
give a comparative advantage to India in the exports of agricultural products.

In terms of value agricultural exports from India are increasing. They have increased from US $ 596 million in the year 1960-61 to US $ 644 million in 1970-71. It increased to US $ 3521 million in 1990-91 and stood at US $ 6734 million in 2002-03. There has been a fall in the percentage share of agricultural exports in total exports of India from 17.9 percent in 1991-92 to 12.8 percent in 2002-03.

Agricultural products are basically exported in three forms raw materials, semi processed products and ready to consume products. Raw products exported are essentially of low value high volume nature, while semi processed products have intermediate value and limited volume, and processed ready to consume products have high value but are low in volume. During the initial years of our planning period tea and mate contributed to major share in our agricultural exports value. The share of fish and fish preparations export was just US $ 10 million in 1960. Till the close of 1960 the export of Indian marine products mainly consisted of dried items like dried fish, dried shrimp, etc. Till the end of 1980s fish and fish preparations had occupied a dominant place in agricultural exports.

The composition of India's agricultural export has thus undergone a marked change. Apart from the traditional items such as tea, spices, tobacco, coffee etc a whole range of new items have been added in the export list. Fish and fish preparation, fruits, vegetables, floriculture products and processed items are worth mentioning which have now acquired a prominent position. Tea and mate, sugar and molasses, cashew kernels, spices, tobacco, oil cakes and raw cotton together contributed to 81.2 percent in share of the total
agricultural exports from India. In 2002-03 marine products, tea, coffee, rice, wheat, sugar and molasses, tobacco, spices, cashew, oil meals, fruits and vegetables and meat and meat preparations accounted for more than 85 percent share in agricultural exports of India. If we look at the values of agricultural exports from 1991-92 to 2002-03 then we find that the value of marine products exports had been the highest except for the years 1995-96 and 1998-99. In both these years export value of rice had been the highest i.e. US $ 1366 million and US $ 1493 million respectively. In 2002-03 exports of agriculture and allied products experienced positive growth of 14.1 percent. During this period except for tea, coffee and oil meals all other major products i.e. unmanufactured tobacco, spices, cashew nuts, marine products, raw cotton, cereals etc showed positive growth rates.

During the 1980s major importers of our agricultural products were USSR, GDR, Poland, Czechoslovakia and Saudi Arabia. During the 1990s large share of our agricultural products were destined to USA, Japan, Saudi Arabia and UK. In 2002-03 with a share of 14.05 percent USA was the largest importer of our agricultural products.

Agricultural exports had to face the problem of supply constraints in many products during the pre reform period. Being dependent upon monsoon agricultural production had to face problem of large fluctuations. This resulted in unevenness in the supply of agricultural products to the international market. Many countries therefore did not consider India as a reliable partner for their imports. Despite experiencing green revolution in mid 1960s, India could not afford to rely heavily upon food grains exports due to food security reasons. In the event of shortage, exports of food grains
were often banned. Trade in agricultural products, in particular food grains was highly regulated and often subjected to quantitative restrictions. Trade in tea, raw cotton, sugar and molasses etc often had to suffer due to these constraints.

During the 1990s agricultural exports faced obstacles more from the demand side. Now the international market is being dominated by demand conditions. There is a situation of oversupply in world market for many products such as coffee.

Exports of coffee have often been influenced by world coffee prices. International prices have been determined by the demand and supply situations. Brazil had remained a major player in world coffee market. A decline in Brazilian coffee crop led to increase in international prices and vice versa. For a number of years export of coffee was regulated by quota restrictions. In 1996, trade in coffee was totally deregulated. Since the late 1990s there has been a sharp fall in international coffee prices due to surplus coffee supply, which has adversely affected the Indian coffee exporters.

In the early 1980s international trade in tea was suffering from a situation of oversupply and falling prices. Kenya, China and Sri Lanka were giving stiff competition to Indian tea. Apart from this in certain years India had to face shortage of exportable surplus due to drought conditions. Export quotas were determined by the government, which depended on the domestic availability of tea. During the 1990s and early 2000 Indian tea continued to face problems of increasing cost of production, declining export volume and low price realization.

Rice exports often faced a fall due to a shortage in rice production in the country. Rice has an important role in food
security, as it is the staple diet of most of the people of the country, so it is subject to much government intervention. Developing countries are major players in world rice trade. Recently with the increase in production of rice in the world there has been a fall in its international prices.

Similarly almost all agricultural exports had to face the problem of either a short fall in production or a shortage of demand. Some of the agricultural products became uncompetitive in price due to their higher cost of production. Low level of technology and low investment in agricultural sector affected the quality of its products. Conflicting domestic policies often resulted in poor performance of Indian agriculture. This naturally affected the exports from this sector.

During the second half of 1990s share of agriculture in total exports continued to fall. Among the domestic factors that continued to hinder growth of exports were infrastructure constraints, low quality products, quantitative ceilings, lack of consistent agricultural export policy and frequent supply constraints.

Earlier EXIM policies were restrictive and basically inward looking import substitution-oriented policies. Such policies laid greater stress on protection of the domestic industries and believed more in self-sufficiency rather than relying on international trade as an engine of growth.

In the early 1980s India began to liberalize trade but the process was very slow. It was only since 1991 that EXIM policies with major thrust on export promotion and liberalization were formed which basically aimed at:
- Removing licensing on most of the imports
- Bringing out quantitative restrictions on imports and exports
- Bringing a drastic cut on the tariff rates
- Elimination of exports subsidies etc.

With the changing economic scenario in the world, there have been many changes in the economic policies of India. Realizing the importance of international trade and finding no escape from liberalization and globalization, India too has brought about radical changes in its EXIM policies since 1991. With the outward looking EXIM policies it was hoped that there would be an increase in exports from India and the share of India in world trade would increase in the near future. It is in this light that the export performances of agricultural products since 1991 have been analyzed.

This research work also analyses the effect of WTO guidelines on the exports of India.

Agreement on Agriculture (AoA) covers three broad areas of agriculture trade policy: market access, domestic support and export subsidies. Market access involves opening of one’s market to the exports of other countries. This involves removal of quantitative restrictions on exports and imports of agricultural products and reduction of tariff rates. WTO guidelines required a reduction in domestic support if it is greater than 10 percent of the total value of agricultural products for developing countries and 5 percent for developed ones. While calculating Aggregate Measure of Support (AMS) certain relaxations in form of green box and blue box measures have been allowed by WTO.

If a country fears that the import of agricultural products from a particular nation may pose threat to the health and environment
then it may ban imports from that country subject to such claims being made on scientific grounds. Measures to protect public interest such as health, safety and environment are termed as technical barriers to trade (TBT). Imposition of TBT and sanitary and phytosanitary measures have brought about an element of subjectivity in WTO guidelines. Though it is expected that these measures are not imposed to restrict the imports from a particular nation, but the imposing nations often deliberately set higher norms to protect their domestic producers. Because of these measures developing nations in general and India in particular are facing problems, as there is high cost involved in adhering to it.

India has maintained zero or low tariffs on most of the imported products as compared to the WTO permissible rates. This has provided market access to developed nations. Developed nations on the other hand have manipulated WTO provisions to serve their interests.

One encouraging feature of India's agriculture trade is that despite the removal of quantitative restrictions on agricultural imports there has been not much increase in the import value. The percentage share of agricultural imports in total imports of India had been 3.7 percent and 4.5 percent in 2000-01 and 2001-02 respectively.

With the signing of AoA, it was expected that it would lead to a decline in developed countries exports of agricultural commodities and an increase in the volume and prices paid for agricultural exports from developing countries. In reality this did not happen and commodity prices underwent a long run decline. Even after implementation of AoA; developed countries tend to gain more.
During the period 1990 to 2001 share of India’s agricultural exports to world agricultural export remained more or less constant at around 1.1 percent. India’s share in world exports of meat and meat preparations had been around 0.44 percent to 0.57 percent during 1990 to 1996. From 1997 to 2002 it has been 0.4 percent to 0.7 percent. Thus India’s share is too small to influence the world trade. Trade reforms initiated in 1990s helped in improving the exports of these products.

Share of India in world exports of fish crustaceans and molluse and preparations had been around 2.5 percent during 1997 to 2002. Though India does not have a substantial presence in its world trade, yet opening up of India’s large fisheries sector to world trade can have much effect on world prices. India currently faces the problem of high cost of investment and dictatorship of buyers while exporting its marine products.

India has an impressive presence in world trade of rice. It has increased its share to 18.1 percent in 2002 in international market.

India has been showing a decreasing trend in its share in world tea trade for most of the period 1990 to 2002. Major reason for this fall is the decrease in demand for Indian tea in Russian market.

In the first half of 1990s world demand of coffee was higher than its world production. Soon production started increasing putting a downward pressure on the international coffee prices. India is only a small player in the world coffee market. In 2002 the share of coffee and coffee substitutes exports from India in world export was 2.3 percent. An encouraging feature of Indian coffee is that its Robusta variety is considered to be the best in the world.
Around 30 percent of the world production of tobacco is traded in the world market. India's share in world tobacco market had been quite small. Exports from India often faced problems because of its difficulty in confirming to higher sanitary and phyto-sanitary standards been set by the developed importing nations.

For most of the years in 1990s sugar economy continued to be a highly controlled one. In many years India's share in world exports of sugar, sugar preparations and honey had been quite negligible. Recently even with the rise in sugar production India cannot hope to increase its share in international market due to global glut, which has resulted in low global prices. The cost of producing sugar in India is quite high which makes its export highly uncompetitive.

India occupies an important place in world trade of spices. For most of the years in the period under study (1990 to 2002) the share of Indian spices export in its world export had remained around 10 percent or more. Recently India is being hit hard due to fall in international prices of pepper, which is the single largest item among spices to be exported by India.

Due to its diverse agro-climatic conditions India has become a natural home for the production of fruits and vegetables. Though India's share in world trade is small yet it can hope to increase it manifold because of the continuous increase in the production.

To identify the items having great potential of exports, RCA has been calculated for major agricultural products exported from India. This study covers nine agricultural product groups: meat and meat preparations, rice, vegetables and fruits, sugar, sugar preparations and honey, coffee and coffee substitutes, tea and mate, spices and tobacco and tobacco manufactures. Of the nine products...
groups selected for study only three products groups i.e. meat and meat preparations, sugar, sugar preparations and honey and tobacco and tobacco manufactures indicated comparative disadvantage for most of the years during the period under study. All the other six products groups revealed comparative advantage.

The emergences of globalization and WTO guidelines have posed high challenges to the Indian agriculture sector. India needs to frame its policy to face this challenge more efficiently. There is a need to join the group of like-minded nations to put pressure on the developed nations to form policies suited to developing countries' needs. At the domestic levels India needs to work on increasing the productivity level of the agricultural sector and bring about a fall in the cost of production. Problems related with infrastructure and research and development needs to be highlighted.

Though the percentage share of agriculture in total exports of India has fallen but foreign exchange earnings from this sector has increased. Agriculture sector has a low import content, which makes it a net foreign exchange earner. New products like floriculture products vegetables and fruits are emerging which have large world demand. India needs to focus on those products to increase its share in the global market.