Chapter – 6
Chapter - VI

Summary and Conclusions

We are now in a position to summarise the study and bring together its main conclusions.

The policy of economic liberalisation pursued in India since 1991 and the inclusion of agriculture in WTO in 1995 have effected great changes in India's attitude towards agricultural trade. It has come to be regarded as something which should be given primary importance so that India could emerge as a significant player in international trade in the field of agriculture. Accordingly, the plan for the development of agri-trade has come to occupy a pivotal importance in the overall development strategy of the Indian economy.

Objectives of the study

In this background our objective in this study has been primarily to examine the impact of opening up of the agricultural sector and its inclusion in the WTO on India's trade of agricultural goods over the period 1991-92 to 2005-06. Within the framework of this broad objective the specific objectives set out for this study have been:
(i.) To study as to how have India’s trade policies in agricultural sector shaped over the years 1991-92 to 2005-06.

(ii.) To examine the impact of India’s liberalisation efforts since 1991 and joining the WTO in 1995 on her agricultural exports and imports.

(iii.) To identify factors that constrains India’s agricultural trade and prevents them from settling down to a trend.

(iv.) To suggest an appropriate strategy which should be adopted to realize the full potential of agri-trade in the years to come.

**Hypotheses**

Following hypotheses have been tested in the study:

(i) Despite the liberalisation of agricultural trade in India since 1991 and the so-called improvement in the world agricultural trade environment under the WTO since 1995, there has been limited dynamism in India’s agricultural trade over the period 1991-92 to 2005-06.

(ii) The liberalisation of agricultural imports both by lowering tariff and dismantling quantitative restrictions (QRs) on them has not resulted in any significant surge of agricultural imports.
(iii) India’s trade efforts in the field of agriculture have been constrained both by external and internal factors.

**Data and Methodology**

The study is mainly based on secondary data, which include publications of various authors as well as the publications of the government. Other sources of data include publications of Economic Intelligence Service, Mumbai, the RBI and other sundry publications. Due acknowledgement has been given to them at appropriate places.

The study has as its period of reference the years from 1991-92 to 2005-06. This period has witnessed marked changes in India’s attitude and policy towards foreign trade.

The methodology used is simple, analytical and involves calculations of percentages, arithmetical averages year-to-year and compound annual growth rates. Yearly growth rates are computed as under:

\[ G_t = \frac{Y_t - Y_{t-1}}{Y_{t-1}} \times 100 \]

Where, \( G_t \) = Growth rate for period \( t \)

\( Y_t \) = Value of the Variable in period \( t \)
\[ Y_{t-1} = \text{Value of the Variable in period } t-1 \]

The compound annual rate of growth has been worked out by estimating the function:

\[ Y = AB^t \]

Where,

- \( Y \) = Value of exports of commodity
- \( B \) = Growth rate or \((B-1) \times 100\)
- \( t \) = time variable

The significance of the growth rates has been tested by applying \( t \)-test and estimating \( R^2 \).

**Plan of the Study**

The study is divided into 6 chapters, including the present one. Chapter 2 is devoted to review of literature. Chapter 3 gives a brief account of the Indian agriculture trade policy as it has evolved over the period since independence. Chapter 4 gives an account of India's agricultural trade performance over the years 1991-92 to 2005-06 and evaluates the same on different criteria. Chapter 5 analyses the problems and prospects of agricultural trade and suggest a strategy to be adopted to realize the full potential of agricultural trade in future. Finally Chapter 6 summarizes the study and derives conclusions.
Major findings of the study

Following are the main findings of the study:

(i) India’s experience of agricultural trade over the period of fifteen years since 1991 bears out all the hypothesis of this study.

(ii) During 1991-2006, world trade in agricultural goods did not increase as fast as merchandise trade as a whole. The rate of growth in world exports of agricultural goods was a little more than half of the rate of growth achieved by world exports of all merchandise (at 4.0 percent and 7.3 percent respectively). As a result, the share of agricultural goods in world exports of merchandise declined steadily over the period. This indicates that the world trade in agriculture goods continued to be distorted despite WTO agreement on agricultural trade.

(iii) India’s agricultural trade recorded some dynamism by registering an increase in their value considerably above that in the world agricultural trade. In dollar terms, India’s agricultural exports and imports increased at the annual rate of 7.0 percent and 11.8 percent respectively. These rates were much higher than the world agricultural trade which grew at a rate of 4.0 percent approximately. Consequently the share of
India’s agricultural trade in world agricultural trade increased over the period of study.

(iv) India’s agricultural exports in rupee terms increased at a rate lower than that for total exports. Imports of agricultural goods on the other hand, grew at faster rate than that for total imports. As a result while share of agricultural exports in total exports declined, the share of agricultural import in total imports increased over the period.

(v) India’s import of agricultural goods increased at a higher rate than that for exports of agricultural goods. But despite a lower increase exports were more than able compensate for and maintain the agricultural trade surplus in all the years under study.

(vi) India’s agricultural trade had a declining impact on the external sector situation in the country as the sum of exports and imports of agricultural goods as a ratio of total exports and imports declined over the period. This decline was mainly due to the declining share of agricultural exports in total exports. The share of agri-imports in total imports had a rising trend.
(vii) Agricultural trade intensity, measured as the sum of agri-exports and imports as a ratio of agri-GDP was 5.46 percent in 1991-92. It increased to 12.69 percent in 2005-06. Thus agricultural trade had a rising influence on the India's agricultural sector.

(viii) Though India by and large was a marginal player in the world trade in agriculture but this share was greater than the country's total export's share in world total exports for all the years under study.

(ix) With the initiation of the process of liberalisation in agriculture and its linking with the WTO it was feared that the Indian market would be flooded by cheap agricultural imports from across the world. This did not turn out to be true as there was no sudden spurt in imports of agricultural commodities during the period of study.

(x) There were wide variations in the pattern of growth of individual commodities and as a result the share in total agricultural exports and imports varied over time. Broadly, the trend was more in favour of some traditional products such as cashew and oil cakes and few non-traditional items such as fish and fish preparations, meat and meat preparations, fruits
and vegetables on the export side. On the import side, two commodities, edible oils and pulses accounted for the bulk of Indian agricultural imports.

(xii) Exports of agricultural goods from India faced two sets of problems: (a) external such as tariff escalation, tariff peaks, dirty tariffication, hefty subsidization (domestic as well as export) of agriculture in developed countries, stringent and often overprotective SPS norms in some countries etc; (b) internal that includes the declining productivity, declining agricultural research and extension activities, distorting markets due to government intervention, Lack of intensive research on crops other than cereals, Use of low farm technology, Low yield, Fluctuating output, Rising domestic demand, Lack of fuller cooperation and involvement by the State Governments, Poor Marketing Techniques, Lack of cohesive, pragmatic and bold export strategy and slow development of agro-processing units.
India has great prospects for trade in agricultural goods provided the difficulties enumerated above are removed and a planned, coordinated and sustained efforts is made in this direction.

**Strategy for India’s agricultural trade:**

On the basis of the findings of the study the strategy to be adopted to realise the full potential of agriculture trade in future is suggested as follows:

(i) Public policy support and funding for agricultural research and development and extension-education system should be strengthened;

(ii) There is a need to encourage commercial and corporate farms to take full advantage of the integrated farming systems linking production, processing, and marketing;

(iii) The traditional agricultural system should be replaced with scientific agricultural system which results in less input cost and high quality yielding;

(iv) To acquire high growth rate, sound production base should be developed with increased public investment, research and technology;
(v) Contract farming involving export-oriented units of corporate sector could be a key to success in efficient transferring modern technology and remunerative prices to the farmers;

(vi) Diversification of agricultural exports towards commodities of higher value.

(vii) Linkage between the nodal agencies at the center and states and the marketing committees at decentralized levels has to be firmly established.

(viii) To encourage public-private partnership in building adequate infrastructure, particularly cold storage facilities and transportation and ensuring their proper maintenance.

(ix) Export-oriented agriculture is going to be fairly capital intensive. The encouragement to private sector for investment in infrastructure facilities is needed, and the handicaps faced by the private sector in these areas have to be removed.

(x) India should launch genetic and legal literacy movements immediately to sensitive panchayats and rural families on the implications of the protection of plant varieties and Farmers Rights Act 2001 and Biodiversity Act 2002.
(xi) Removal of procedural restrictions like requirement for registration, packaging, etc. is also important to boost agricultural exports.

(xii) The EXIM bank, in consultation with APEDA and the Ministry of Agriculture, may set up Farm Export Promotion Cells in each AEZ and provide necessary technical support and guidance to the exporters.

(xiii) At the international level, India should continue her efforts to influence the developed countries of the world to open up their markets for her agricultural products and reduce their subsidies.

Concluding Remarks:

To conclude, India, which was considered as a third world country only a few years ago, is now on the brink of being a superpower. India is endowed with a rich and diverse agricultural resource base. It could emerge as a significant player in the field of agricultural trade provided the constraints faced by this sector are removed and the strategy, as suggested above, is adopted.