PROMOTING AGRICULTURAL EXPORTS FROM INDIA – NEED OF THE HOUR

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With the changing global scenario, the Indian agriculture is at the cross roads. It is high time now that India should redesign its agricultural strategies so as to become competitive internationally. The New Agricultural Policy encompasses four dimensions viz., commercialization, diversification, value addition and export orientation. The same agenda figures in World Trade Agreement (WTA) which places emphasis on trade liberalisation and globalisation. It calls for introducing measures for export promotion through devaluation, relaxation of export quotas, introduction of export subsidies etc., because export-led growth is now the most important strategy in the free trade regime. The Government of India has announced a number of liberalisation policies since July 1991 to boost the agricultural exports. As a collorary to this, attempts have also been made to reverse the unfavourable terms of trade faced by the agricultural sector in the pre-liberalization period (during 1972-73 to 1988-89). In July 1991, Indian Rupee was devalued by 18 to 19 per cent against major currencies in the foreign exchange market. Later, the devaluation of Rupee has been increased to 21.4 per cent and the total convertibility has been introduced on trade account. All these measures were essentially taken up to boost the exports in the international market. In this paper an attempt has been made to analyse the growth in agricultural exports from the country, to work out commodity-wise shares of agricultural exports in world's exports and in India's total exports, trade performance of Indian agriculture, export competitiveness of agricultural commodities in the international market and to suggest suitable measures for boosting the agricultural exports from the country.

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India's share in world trade of agricultural commodities

According to an estimate (UNCTAD, 1991), although India produced around 10 per cent of the world's agricultural output in 1989, its share in world trade of agricultural commodities in that year was only around 0.6 per cent. These estimates further reveal that, India's share in world agricultural trade has been declining over the past 25 years (1966-1989), whether it is compared with the world's agricultural trade or India's international trade or India's Gross Domestic Product. During the post-liberalisation period also, the expectations of increasing the agricultural exports could not be fully realised. This is well explained in terms of the share of agricultural exports in the total value of India's exports, commodity-wise India's share in world agricultural exports, growth rates of volume and value of India's agricultural exports by major commodities and growth rates of value of total agricultural exports.

Though India has been importing food grains for quite sometime after Independence, it has also been exporting the primary agricultural products or the products of agro-based industries, thereby helping the country not only to pay for the food imports, but also for other imports which includes capital goods also. The table 1 shows the contribution of India's agricultural exports to India's total exports.

Table 1: Share of agricultural exports in the total value of India's exports (Rs.Crores)

Year	Agricultural Exports (A)	Total Exports (B)	% share (A/B)
1960-61	284.0	642.0	44.2
1965-66	334.9	805.6	41.6
1970-71	487.0	1535.2	31.7
1980-81	2057.0	6710.7	30.7
1985-86	3018.0	10895.6	27.7
1990-91	3521.0	18143.0	19.4
1991-92	8228.0	44041.0	18.7
1992-93	9457.0	53688.0	17.6

Year	Agricultural Exports (A)	Total Exports (B)	% share (A/B)
1993-94	13021.0	69751.0	18.7
1994-95	13710.0	82674.0	16.6
1995-96	21136.0	106353.0	19.8
1996-97	24241.0	118817.0	20.4
1997-98	23690.0	126290.0	18.8
1998-99	NA	NA	18.5
CAGR (%)			
1990-91 to 1997-98	**28.72***	**28.04***	

Note: * - Significant at 1% level.
Source: CMIE-Various Issues

It is clear from the table that, in terms of value, the exports of agricultural commodities from the country has increased from Rs 284 crores in 1960-61 to Rs 23690 crores in 1997-98. Compound growth rates were worked out to study the trends in value of agricultural exports and total exports from India for the period 1990-91 to 1997-88. It is heartening to note that, both agricultural exports and total exports were showing increasing trend at 28.72 and 28.04 per cents respectively (significant at 1% level). However, the performance of export of agricultural products can be best analysed with the help of their share in total exports from the country. As evident from the same table, the share of agricultural exports in total exports during 1960-61 was as large as 44.2 per cent, which marginally decreased to 41.6 per cent during 1965-66. Since then, there has been a substantial fall in the proportion of agricultural exports to total exports of the country. Over the period, 1990-91 to 1998-99, the share of agricultural exports varied between 16.6 per cent (1994-95) and 20.4 per cent (1996-97). This reveals that the performance of agricultural exports during structural reforms period has not been very satisfactory.

The export performance of Indian agricultural commodities in terms of their share in world agricultural exports was also studied and the details are shown in table 2. A close perusal of the table reveals that, there has been a mixed trend showing both the increasing and decreasing tendencies in a majority of the agricultural commodities over the period, 1970 to 1996. The most potential items namely tea, spices, tobacco and fruits and vegetables have shown a declining trend. India's share in oilseeds exports has increased to 0.8 and 0.7 per cent in 1990 and 1994 from 0.3 per cent in 1980. However, it rose to 1.2 and 1.1 per cent in 1995 and 1996. Similarly, the share of rice exports has steadily increased from 0.6 per cent in 1970 to 18.9 per cent in 1995, but declined to 12.0 per cent in 1996. On the whole, the analytical results of India's share in world agricultural exports indicate that it has only an insignificant position in almost all agricultural commodities.

Table 2: Commodity-wise India's share (Value) in World agricultural exports (Per cent)

Commodity	1970	1980	1990	1994	1995	1996
1. Tea and mate	33.4	27.7	21.1	14.3	11.2	11.1
2. Spices	20.5	14.5	7.7	9.0	8.3	11.2
3. Tobacco & its manufacturers	3.5	4.4	0.8	0.3	0.3	0.3
4. Coffee & its substitutes	1.0	2.1	1.7	2.5	2.4	2.7
5. Meat & its preparations	0.1	0.4	0.2	0.3	0.1	0.3
6. Fish & its preparations	—	2.0	1.6	2.7	2.6	2.3
7. Cereals & their prep.	0.1	0.5	0.6	0.9	0.6	1.6
8. Fruits and vegetables	1.2	1.1	0.8	1.1	1.0	1.0
9. Sugar & its prep, honey	1.0	0.3	0.1	0.1	0.2	2.0
10. Oilseeds	—	0.3	0.8	0.7	1.2	1.1
11. Rice	0.6	3.7	6.4	6.4	5.3	12.0

Source: Economic Survey, 1996-97 and 1998-99.

The shares of different commodities in total exports of India were worked out and the details are presented through table 3. It is clear from the table that, the shares of commodities like sugar, processed fruits and juices, fresh vegetables and sesame and niger seeds showed increases in 2000 over the figures in 1999. The traditional export items such as rice, coffee, tea, spices and cashew showed a decrease in 2000 compared to their levels in 1999.This might be due to several reasons like low export surplus, increase in cost of production of these commodities, poor quality and the perception of the policy makers that increased exports of these commodities may pose difficulties to the domestic consumers.

Table 3: Commodity-wise share of agricultural commodities in India's total exports

Commodity	April - November			
	$ Million		% share in total exports	
	1999	2000	1999	2000
Basmati Rice	274.0	318.6	1.15	1.12
Non-basmati rice	187.9	101.4	0.79	0.36
Wheat	NA	0.1	NA	NA
Other cereals	1.1	5.3	NA	0.02
Pulses	70.1	75.5	0.30	0.27
Sugar	2.0	42.1	0.01	0.15
Cashew	409.0	283.8	1.72	1.00
Coffee	215.8	140.8	0.91	0.50
Tea	303.2	249.3	1.28	0.88
Processed fruits & juices	59.8	75.0	0.25	0.26
Fresh fruits	45.4	48.2	0.19	0.17
Processed Vegetables	28.7	32.0	0.12	0.40
Fresh Vegetables	44.9	61.1	0.19	0.22
Groundnuts	54.1	30.8	0.23	0.11
Castor oil	171.7	132.6	0.72	0.47
Sesame & niger seeds	44.3	70.8	0.19	0.25
Spices	283.5	220.2	1.19	0.78

Source: CMIE-Monthly Review-March, 2001

The growth in export performance of major agricultural commodities both in terms of volume and value was studied and the results are shown in table 4. The results clearly show that, the growth performance in India's exports both in terms of volume and value, of major agricultural commodities was satisfactory except in case of wheat and non-basmati rice during the reference period. This analysis further suggests that the establishment and strengthening of agro-processing sector in the country often plays a significant contributory role for the export-led agricultural growth in the future.

Table 4: Compound annual growth rates of Volume and Value of India's export trade with reference to major agricultural commodities (1990-91 to 1994-95)

Product		Compound Annual Growth Rate(%)	
		Volume(M.T.)	Value(Rs.Crore)
1.	Flowers	NA	27.82
2.	Total vegetables (incl. onions)	9.97	17.51
*3.	Total fresh fruits	13.95	26.11
4.	Pickles and chutneys	NA	27.92
5.	Mango pulp	NA	22.65
*6.	Total processed fruits & veg.	17.57	27.34
7.	Buffalo meat	12.84	24.85
*8.	Sheep/Goat meat	13.35	24.52
9.	Poultry products	NA	37.17
10.	Dairy products	57.57	56.70
11.	Jaggery and confectionary	22.03	36.59
12.	Total cereal preparations	34.51	30.25
*13.	Basmati rice	21.33	30.74
14.	Non-basmati rice	0.21	9.41
15.	Wheat	-92.20	-66.06
16.	Total Cereals	NA	22.19

Note: *- Calculated by the Authors

Source: APEDA, New Delhi - Various Issues

Trade Performance of Indian agriculture

Trade performance of Indian agriculture was studied with respect to agricultural exports, imports and net exports and the results are presented in table 5. It is evident from the table that, Indian agricultural trade is moving in the right direction as the ratios between net agricultural exports to GDP at factor cost(both Total and Agriculture) were positive during the last decade period (1992-93 to 1996-97), while the same were negative in 1980-81 and 1990-91. The total imports (Rs. 3475 crores and Rs. 4299 crores respectively) was more than total exports (Rs. 2057 crores and Rs. 3521 crores respectively) of agricultural commodities during 1980-81 and 1990-91 respectively. Another positive indication is that these ratios are showing an increasing trend during structural reforms period (1992-93 to 1996-97) except during 1994-95.

Table 5: Trade Performance of Indian agriculture (1980-81 to 1997-98)

Year	Per cent					
	Ae/Tg	Ae/Ag	Ai/Tg	Ai/Ag	Ne/Tg	Ne/Ag
1980-81	1.68	4.84	2.84	8.18	-1.16	-3.34
1985-86	1.29	4.31	NA	NA	—	—
1990-91	0.74	2.60	0.90	3.18	-0.16	-0.58
1991-92	1.49	5.16	NA	NA	—	—
1992-93	1.24	5.31	0.83	2.96	0.41	2.35
1993-94	1.62	5.83	0.68	2.44	0.94	3.39
1994-95	1.45	5.25	0.75	2.74	0.70	2.51
1995-96	1.92	7.34	1.01	3.88	0.91	3.46
1996-97	1.89	9.79	0.72	3.76	1.17	6.03
1997-98	1.66	6.59	NA	NA	—	—

Note: Ae-Agricultural exports, Ai- Agricultural imports, Ne- Net exports (Exports-Imports), Tg- Gross Domestic Product at factor Cost (Total), Ag- Gross Domestic Product at factor cost (Agriculture)

Export competitiveness of major agricultural commodities

Nominal Protection Coefficients (NPCs) have been worked out to determine the export competitiveness of major agricultural commodities in the selected countries and the results are presented in table 6. In order to find out the export competitiveness, the exportable hypothesis which is more relevant, was taken into consideration. Under this, the commodities are deemed to be competitive with the selected countries at Mumbai and Chennai ports.

It is clear from the table that, basmati rice (UAE, South Africa, Germany), non-basmati rice (UAE, Bangladesh, S. Africa), jowar (Saudi Arabia, UAE, Kuwait), maize (UAE, Bangladesh, Malaysia), soya cake (Singapore, Indonesia, Thailand), jaggery (UAE, UK), cotton (Germany, Japan, UK, Hong Kong), castor oil (S. Africa, Japan), groundnut kernel (Singapore, Germany, Japan), apples fresh (UAE, S. Arabia), grapes fresh (UAE, Germany), mangoes fresh (UAE, Saudi Arabia, Germany, Singapore), marine fish (Japan), poultry birds eggs in shell (Bangladesh, Saudi Arabia) and Frozen Shrimp Scamp (Japan) are the major export earning commodities of India in the international market as their NPC values are less than one. These commodities seem to be promising for exports being competitive in the international market. Among these commodities, basmati rice (UAE, South Africa, Germany), maize (UAE), soya cake (Indonesia), jaggery (UAE), cotton (Germany, Japan, Hong Kong), grapes fresh (UAE, Germany), mango fresh (UAE, Germany, Singapore), marine fish (Japan), poultry birds eggs in shell (Saudi Arabia) are considered to be highly competitive as their NPC values lie below 0.75. Commodities like non-basmati rice (UAE, Bangladesh, S. Africa), jowar (Saudi Arabia, Kuwait, UAE), maize (Bangladesh, Malaysia), soya cake (Singapore, Thailand), cotton (UK), castor oil (S. Africa, Japan), groundnut kernel (Germany, Singapore, Japan), apples fresh (UAE, S. Arabia), mangoes fresh (S. Arabia), poultry birds eggs in shell (Bangladesh) and Frozen Shrimp Scamp (Japan) are moderately competitive as their NPC values are ranging between 0.75 to less than one. The commodities with their NPC values greater than one are less competitive in the selected countries. Yet, they were exported in those countries. The reason for it may be the differences in the quality of the products for whom the domestic and export prices were compared. Another reason may be that the exporters may, sometimes, export even at a loss in order to keep up the agreements.

The major advantage in working out the NPCs is that, they indicate the comparative advantage of exporting the commodities to different countries. The countries may plan to produce and export more of the commodities for which the NPCs are lower. This helps to exploit the advantage of the market access of the importing countries and thus facilitates to earn more foreign exchange. Apart from this, it helps in planning for the setting up of requisite infrastructure in the country to meet the requirements of the international market.

Major export markets and competitors for Indian agricultural products

India has been exporting agricultural commodities to a large number of countries. In items like spices, India is exporting to more than 110 countries. In traditional items of export such as tea, coffee, raw tobacco, cashew etc., CIS countries have been the important markets. Appendix I shows the major export markets and competitors for India's agricultural exports.

Suggestions for promoting the agricultural exports from India

From the foregoing analysis, two conclusions emerge in respect of exports of agricultural commodities. First, the performance of agricultural exports in terms of their share in total exports of the country and in terms of their share in world trade is unsatisfactory. However, when their annual growth rates are measured in terms of volume and value of exports of major agricultural commodities, they appear to be quite satisfactory. But the potential to boost their exports as measured by their export competitiveness (NPCs) in the international market needs to be exploited. Following are some important suggestions that may be looked into to boost the agricultural exports from the country.

1. A long term policy is essential to promote the agricultural exports on a sustainable basis. Lack of long term policy is creating problems. This policy should call for studying the export competitiveness of

agricultural commodities from time to time across the countries under the changing scenarios of agricultural prices, food security concern etc. Proper selection of commodities for exports based on the needs of other countries should assume greater significance in the long term policy as the frequent switch on and switch off of trade policies adversely affected India's reputation in the international market (ie., as an unreliable supplier).

2. India's expenditure on agro-products export promotion is very low when compared to trading giants like USA and European Union. The USA and European Union are spending \$33.5 millions and \$365 million respectively exclusively on export promotion. Hence, the export promotion activities should be strengthened in India as they do not go against the spirit of WTA, because they come under Green Box provisions. The developed countries as per the WTA, are reducing direct subsidies to farm exports on one hand, but they are actively spending and co-operating with the exporters in developing foreign markets. Hence, the Government of India should take the export promotion activity very seriously in order to increase the country's share in the world market.

3. Contract farming should be encouraged to diversify the agricultural production and hence to enhance agricultural exports. The experience of Pepsi foods with contract farming in Punjab for tomatoes, groundnut, chillies, potatoes etc., is worth emulating. It provides all the requisite inputs and scientific technology to the farmers to boost the agricultural production and also purchases the produce from the farmer at a remunerative price. This benefits both the farmer as well as the company. Since the company is able to supply good quality products on time, it is gaining popularity in the international market. Hence, the Government should encourage such private sector agencies to take up contract farming for promoting the agricultural exports.

4. There is a need to invest substantially for infrastructure development such as cold storages, grading facilities, processing facilities, market

information network etc., which will have positive impact on export marketing.

5. Export Promotion Organisations should be established / strengthened in each state. They should be entrusted to collect market information on international trade, production, prices, quality, seasonality, marketable surplus etc., for analysing and disseminating information among the producers and exporters. The export competitiveness of different agricultural commodities should also be studied from time to time so as to encourage the export of the commodities which are having more comparative advantage in the international market. It also facilitates full exploitation of market access opportunities provided by the WTA.

6. Agricultural research, extension and education system should be totally re-oriented to meet the new requirements in the light of WTA. The major focus should be on the significant reduction in the cost of production of crops, increasing the yield and improvement in the quality of produce, as they directly contribute to the enhancement of exports of agricultural commodities in the international market. The application of bio-technology for evolving pest and disease resistant varieties in short period of time, organic farming, encouraging private sector investments etc., are to be given special attention.

7. WTO cells should be established and strengthened in each state comprising members from Ministries of Agriculture, National Institutes of Agriculture, APEDA, NABARD, State Government etc., to thorougly assess the impact of WTO commitments on Indian agriculture and to suggest steps to safeguard the interests of the sector, while exploiting the oppurtunities offered by this Agreement.

Conclusions

In absolute terms, the Indian agricultural exports have shot upto to Rs. 23690 crores in 1997-98 from Rs. 284 crores in 1960-61 and are expected to show increasing trend in the coming future. However, the share of agricultural exports in total exports of the country does not indicate any significant acceleration even during the structural reforms period. Hence, it is high time to encourage the agricultural exports from India so as to earn major share in total exports of the country and also in world's exports as the export-led growth is the key to achieve progress in the free trade regime. If India has to emerge as a major player in the international agricultural market, its attention has to be concentrated on those commodities which are having more comparative advantage. Similarly, other measures such as setting up of agro-processing industries, packaging technology, market information network, development of pests and disease resistant varieties through the application of bio-technology, proper advertisement in the international market etc, needs to be given their due attention. Export Promotion Organisations and WTO cells should be established in each state of the country and they should to be entrusted the responsibilities of studying the export competitiveness of agricultural commodities periodically, impact of WTA commitments on Indian agriculture, drawing safe-guard measures to protect the interests of Indian farmers from time to time etc. All these measures would go a long way in building up the India's innate strength in the global agriculture.

Reference

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Appendix I: Indian agricultural products - Major export markets and competitors

Sl. No.	Products	Major Export market	Major Competitor
1.	Basmati rice	S.Arabia, Kuwait, UAE, UK, USA, B'desh, Indonesia, Iran, Phillippines.	Pakistan
	Non-basmati rice	Countries in Sub-Saharan Africa	Thailand, USA and Vietnam
2.	Wheat	B'desh, Yemen, Kenya, Turkey and Netherlands	Canada, USA, Australia and Argentina
3.	Tobacco	Russia, Yemen, B'desh, Vietnam, Sri Lanka and Nepal	Brazil, USA, Zimbabwe, China and Argentina
4.	Spices	East Asia, West Europe, West Asia and North Africa	Thailand, Indonesia, Brazil, China, Sri Lanka, Vietnam, Nepal, Bhutan, Spain, Mexico and Morocco
5.	Cashew	Australia, Germany, Hong Kong, Netherlands, Singapore, UK, USA and UAE	Brazil, Vietnam, Mosambique, Ivory coast and Guinea Bissau
6.	Niger seeds	USA, EU	Myanmar
7.	Oil meals	Republic of Korea, Singapore, Indonesia, Philippines and Japan	USA, Argentina and Brazil
8.	Shellac	USA, Indonesia, Germany and UK	Thailand and Malaysia
9.	Sugar	Indonesia, Pakistan, Sri Lanka, EU, USA and Russia	Cuba, Brazil, Thailand, Australia and France
10.	Fruits	Middle East, UK, France, USA and Netherlands	Chile, Pakistan, Philippines, Columbia, S. Africa, Australia and Israel
11.	Vegetables	Sri Lanka, Russia, USA, UK, UAE, Germany and S.Arabia	China, Turkey, Thailand, Philippines, Israel and S.Africa
12.	Meat and meat products	Malaysia, UAE, Mauritius, Jordon, Turkey and S.Arabia	China, Thailand, Rep. of Korea and Israel
13.	Floriculture	USA, Netherlands, UK, Germany, Japan and Italy	Kenya, Israel, S.Africa, Netherlands and Denmark

Source: Annual Report, Ministry of Commerce, 1997-98