



“AGRICULTURAL EXPORTS OF INDIA IN THE NEW ECONOMIC ENVIRONMENT AFTER 1991”

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Abstract

The performance of agriculture sector influences the growth of the Indian economy, which contributes about 17.8 per cent of gross domestic product (GDP) and provides and provides employment to around 52 percent of the total population. Apart for being the provider of food and fodder, its importance also stems from the raw materials that it provides to industry. Agriculture sector has been the most crucial sector of Indian economy Agriculture has been supporting the Indian economy in each and every respect (Goyal Pandey and Singh, 2000). Economic development is one of the main objectives of every society in the world and economic growth is fundamental to economic development. Agricultural exports have been the backbone of India's export efforts and it is expected that its contribution would increase in the future earnings they are sustainable and their potential to grow is very high (Dattatreyalu, 1994). Agricultural exports plays a significant role in employment generation both directly and indirectly particularly in the rural areas. The low import intensity of exports further enhances the significance of agriculture exports. Agricultural exports contribute to increase the income of the rural marginal framers and improve the quality of the life of rural masses. The issues of rural development and agricultural exports are intertwined and reinforce each other.

Keywords: gross domestic product (GDP) , economic development. Agricultural exports.

INTRODUCTION

Before the policy measures taken during 1990s by the Government of India, most of agricultural exports were subjected to controls of one kind or the other. Earlier, agricultural policy aimed primarily at achieving self-sufficiency in agriculture with little emphasis on agricultural exports. About 60 percent of agricultural and livestock products were subjected to some form of export control till the end of 1992. (Pursell and Gulati, 1993). The main factors behind the export control have been to maintain the domestic prices at reasonable levels as the export can affect domestic prices by reducing the domestic supply particularly of those commodities whose supply falls short of demand. The protection of agricultural exports has been resulted in high protection to some commodities such as oil seeds and sugar (domestic prices being higher than international prices). This created uncertainly for exporters and importers,

discouraging them from investing in the long-term marketing facilities and relationship (Pursell et al, 1993).

The importance of trade in agricultural products cannot be over emphasized in the context of economic growth especially in less developed countries (LDC's). Many LDCs have comparative advantage in the production of agricultural products. The export of these products can pay for the import of capital goods, technology and other manufactured products necessary for sustained growth in LDCs. In effect the market for developed countries (DCs) will expand and the trade in agricultural products will be of mutual benefit to both DCs and LDCs. However, the mutuality of interest is not so obvious in real world mainly because of the poor bargaining power of LDCs in world market and tariff and non-tariff protection strategy followed by DCs (Pal, 1992).

Violent and sudden fluctuations in prices, quantum and total proceeds of exports have a serious adverse impact on the overall growth of less developed countries. It is argued that LDCs face a lighter degree of instability in export earnings, which in turn affect their level and efficiency of investment (Mac Bean and Nguyen, 1980). But export instability is important for its effect on the level of living, internal economic stability the rate of economic growth and on the distribution of the income and wealth. It is also significant because of its effect on internal and external policies of many countries.

In the light of these facts, the present study is an attempt to analyse the issues of growth of India's principal agricultural exports in the new economic environment. The specific objectives of the study are: (i) to analysis of agricultural exports of India and its growth; (ii) to examine the Indian agriculture under the new economic environment; and (iii) to identify the major challenges for future.

ANALYSIS OF AGRICULTURAL EXPORTS OF INDIA.

(A) Composition of India's exports:

In India, the major exportable products are classified into five main groups, namely agriculture & allied products, ores & minerals, manufactured goods, crude & petroleum products, and other unclassified items. It is found that the share of manufactured goods was highest in total exports followed by agricultural & allied products, ores & minerals. The composition remained almost the same but proportion of different items has changed over the years. For instance, the share of agricultural & allied products was 18.7 percent in 1991-92, which increased up to a maximum of 20.4 percent in 1996-97 and then started declining over the years; it was accounted 9.9 percent in 2005-06 and become 11.3 percent in 2007-08. In case of manufactured goods, the share was 74.2 percent in 1991-92 with little fluctuation it reached to maximum 80.7 percent in 1999-2000 and subsequently declined to 70.4 percent in 2005-06 and 63.6 percent in 2007-08. The share of ores & minerals to total exports was 4.6 percent in 1991-92 with declining trend it reached to 2.5 percent in 1990-2000 and after then it increased and reached at 6.0 percent in 2005-06 and then again declines at 5.7 percent in 2007-08. The share of crude oil and petroleum products has declined from 2.4 percent in 1991-92 to 0.3 percent (minimum) in 1998-99, after that it subsequently increased and reached at 11.3 percent in 2005-06 and finally it was 15.7 percent in 2007-08. The share of other unclassified items to total exports was 0.1 percent in 1991-92, which in the subsequent years has increased and stood at 2.5 percent in 2005-06 and reached at 3.7 percent in 2007-08.

The relative contribution of exports for each group at different points of time is presented in a table -1.

Table – 1

Years	Item Agriculture and allied products	Ores and minerals	Manufactured goods	Crude and petroleum products	Others	Total
1991-92	18.7	4.6	74.2	2.4	0.1	100
1996-97	20.4	3.5	73.4	1.4	1.3	100
2005-06	9.9	6.0	70.4	11.3	2.5	100
2007-08	11.3	5.7	63.6	15.7	3.7	100

Source: Government of India, Ministry of Finance (New Delhi), Economic Survey, Various issues, and Foreign Trade & Balance of Payment, CMIE, August, 2008.

Table – 1 presents the share of agriculture & allied products exports in total exports. The share of agriculture & allied products in total Indian exports was 18.68 percent in 1991-92, which reached a maximum 20.40 percent in 1996-97 and subsequently declined to 9.9 percent in 2005-06 and it was 11.3 percent in 2007-08. Among the agriculture & allied products, the share of Marine product (fish & fish preparations) was 3.27 percent in 1991-92, which touched the highest level of 4.28 percent in 1994-95. After that it declined to 3 percent and finally settled at 1.07 percent in 2007-08.

Table – 2

Share of Agricultural exports in total exports: 1991-92 to 2007-08 (in percentage)

Year s	A&A p	1	2	3	4	5	6	7	8	9	10	11	12	13
1991-92	18.68	0.76	2.75	2.09	0.86	1.53	0.90	0.36	0.69	1.71	3.27	0.53	0.80	0.69
1998-99	18.68	1.24	1.62	1.39	0.54	1.16	1.16	0.01	0.14	4.33	3.12	0.56	0.66	0.39
2007-08	11.3	0.29	0.31	1.24	0.29	0.34	0.65	0.84	1.24	1.87	1.07	0.58	0.68	0.20

Source – Calculate from various issues of Economic Survey, Govt. of India, Ministry of Finance (New Delhi), and Foreign Trade & Balance of Payments, CMIE, August, 2008

Note: A & AP – Agricultural & Allied Products, 1-Coffee, 2-Tea, 3-Oil cakes, 4-Tobacco, 5-Cashew, 6-Spices, 7-Sugar, 8- Raw cotton, 9-Rice, 10-Marine Product, 11-Meat & meat preparations, 12-Fruits and Vegetables, 13-Misc. processed foods.

The share of tea in India’s exports was 2.75 percent in 1991-92, which subsequently declined to 0.87 percent in 1996-97, its share improved and reached at 1.19 percent in 1997-98, which in subsequent years declined and stood at 0.31 percent in 2007-08.

Coffee is the commodity whose share in total exports was 0.76 percent in year 1990-91, which increased and stood at 1.24 percent in 1998-99, subsequently declined and reached 0.29 percent (minimum ever) in 2007-08. The share of rice in India’s export was 1.71 percent in

1990-91, its share increased and reached 4.33 percent in 1998-99, subsequently declined and reached 1.82 percent in 2007-08. The commodities whose share in total exports either remained more or less stable or increased are sugar and rice and meat and meat preparations. Oil cakes, tobacco, cashew, spices, raw cotton, fruits & vegetables and miscellaneous processed foods are the commodities whose share in total exports remained more or less stable or declined.

(3) Share of principal agricultural exports to total agricultural exports:

Share of principal agricultural exports (commodity-wise) in total agricultural exports is shown in table 3. Among the various agricultural commodities the share of Marine products (fish & fish preparation) was highest i.e. 17.52 percent in 1991-92. Therefore, the share of fish & fish preparations in total agricultural exports increased to 25.78 percent in 1994-95, but it declined sharply to 15.99 percent in 1995-96 then it showed an increasing trend and reached 20.56 percent in 2002-03 and it was 9.11 percent in 2007-08. Tea ranked second in respect of its share in total agricultural exports, which was 14.70 percent in 1991-92, it declined to a minimum level i.e. 4.27 percent in 1996-97. Therefore, it increased to 8.67 percent in 1998-99, and then it declined to 2.68 percent (minimum ever) in 2007-08. The share of oil cakes in total agricultural exports was 11.20 percent in 1991-92; it reached the highest level of 17.85 percent in 1993-94. Thereafter, it declined to 7.44 percent in 1998-99, and 5.43 percent in 2002-03 but after then it increased to 10.71 percent in 2007-08. The share of rice in total agricultural exports was 9.16 percent in 1991-92, it increased to the highest level of 23.19 percent in 1998-99 in total agricultural exports and then sharply declined to 12.48 percent in 1999-2000, which increased and finally stood at 15.46 percent in 2007-08.

Table – 3
Share of agricultural exports commodities to total agricultural exports
(1991-92 to 2007-08) (In percentage)

Year s	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Tota l
1991-92	4.04	14.70	11.20	4.50	8.20	4.79	1.91	3.71	9.16	17.52	2.81	4.28	3.71	9.47	100
1994-95	7.67	7.12	13.12	1.85	9.09	4.46	0.45	1.03	8.79	25.78	2.93	4.41	2.06	11.24	100
1996-97	5.88	4.27	14.42	3.11	5.31	4.96	4.45	6.50	13.09	16.72	2.92	3.41	4.01	11.14	100
1999-00	5.73	7.13	6.54	4.03	9.83	7.06	0.15	0.31	12.48	20.49	3.27	4.98	2.66	15.35	100
2007-08	2.46	2.68	10.71	2.54	2.94	5.53	7.45	11.66	15.46	9.11	4.93	5.33	2.81	16.39	100

Source: - Calculated from various issues of Economic Survey, Government of India, Ministry of Finance (New Delhi).

Note:- 1-Coffee, 2-Tea, 3-Oil cakes, 4-Tobacco, 5-Cashew, 6-Spices, 7-Sugar, 8- Raw cotton, 9- Rice, 10-Marine Product, 11-Meat & meat preparations, 12-Fruits and Vegetables, 13-Misc. processed foods, 14-Other unclassified items.

The share of cashew in total agricultural exports was 8.20 percent in 1991-92, which increased to 9.09 percent in 1994-95, but declined to 5.31 percent in 1996-97, and increased to the highest level of 9.83 percent in 1999-2000, and then again declined to 2.94 percent in 2007-08. Spices, sugar, raw cotton, rice, meat & meat preparations, fruits & vegetables and other

unclassified items are the commodities whose share have increased in 2007-08 and the share of coffee, tea, oil cakes, tobacco and cashew has declined in 2007-08 as compared to 1991-92.

Share of agricultural exports of India in word agricultural exports:

Share of India's agricultural exports in world agricultural exports is shown in table – 4. India's share in world exports remained very low, i.e. in between 0.5 percent in 1991-92 to 1.0 percent in 2005-06. However, the exports of some of the commodities have increased while those of others have decreased over the period 1991 to 2005. For instance, among the various agricultural commodities, the share of tea in world export was the highest i.e. about 18.6 percent in 1991 but it declined to 13.5 percent in 1994. Thereafter, it increased sharply to 18.5 in 1997, and then it subsequently declined and reached 9.4 percent in 2005. The sharp decline in tea export particularly in early nineties could be because of decline in overall world exports particularly in tea.

Table – 4
India's share of agricultural exports commodities in world agricultural exports (Selected Years)

(Value: US\$ million)

Years	1	2	3	4	5	6	7	8	9	10	11	12
1991												
World	8473	2614	16501	19152	1395	14795	4021	39705	36214	54393	43712	3179309
India	135	486	376	153	121	0	307	579	94	370	391	17383
% share	1.6	18.6	2.3	0.8	8.7	0.0	7.6	1.5	0.3	0.7	0.9	0.5
1994												
World	13883	2277	18646	22085	1693	14940	6207	44099	40259	61724	48107	4139600
India	335	307	582	81	149	22	384	1115	125	649	430	26330
% share	2.4	13.5	3.1	0.4	8.8	0.1	6.2	2.5	0.3	1.1	0.9	0.6
1997												
World	17187	2686	24586	26152	2351	18749	7264	46792	46881	70969	60712	5363038
India	445	496	944	247	285	743	907	1198	214	748	919	34240
% share	2.6	18.5	3.8	0.9	12.1	0.4	12.5	2.6	0.5	1.1	1.5	0.6
2001												
World	9945	2978	21574	21270	2440	15946	7530	49654	46656	70126	55393	5535028
India	255	415	452	142	252	0	631	1340	312	825	755	36528
% share	2.6	13.9	2.1	0.7	10.3	0.0	8.4	2.7	0.7	1.2	1.4	0.7
2005												
World	15729	4159	22888	24759	2295	24042	9841	71559	73937	114274	72416	10306710
India	363	393	319	232	281	196	1411	1590	620	1586	1753	103404
% share	2.3	9.4	1.4	0.9	9.4	0.8	14.3	2.2	0.8	1.4	2.4	1.0

Source: - economic survey, Government of India, Ministry of Finance (New Delhi), various issues

Note: - 1-Coffee, 2-Tea, 3-Oil cakes, 4-Tobacco, 5-Spices, 6-Sugar, 7-Rice, 8-Marine Product, 9-Meat & meat preparations, 10-Fruits and Vegetables, 11-Cereals & cereal preparations, TE – Total exports.

Spice ranked second in respect of its share in world exports, which was 8.7 percent in 1991, it increased to 12.1 percent in 1997, then subsequently declined to 9.4 percent in 2005. The share of marine products was 1.5 percent in 1991; it increased to 2.7 percent in 2001 and then declined to 2.2 percent in 2005. Coffee, tobacco, meat & meat preparations, fruits & vegetables, cereals & cereals & cereal preparations and oil seeds are the commodities whose share in world exports although is low, yet increasing over the years. These commodities have the potential to increase in future in world exports.

The share of rice in world export was 7.6 percent in 1991 it increased to 14.3 percent of world export in 2005. Coffee, meat & meat preparations and fruits & vegetables are the commodities whose trial to increase to increase in future in world exports.

Indian agriculture under the new economic environment:

The thrust of development policy since mid-1991 has been integration of Indian Economy with the rest of the world in the wake of an almost complete breaker with the past, from a physical control regime to the market driven one (Sharma and Mehta, 1997). The economic reforms initiated in 1991 largely focused on fiscal adjustment, foreign trade and investment, industry and financial sectors (Vaidyanathan, 2000). Government of India's new economic policy is a bold attempt to restructure the economy. In many sided structural adjustment programmes being implemented in India as from July 1991, which purpose to be a virtual overhaul of the entire economy there is no serious consideration of agriculture (Kaushik 1997). The new economic development covers measures that move the trade regime towards a more liberal foreign trade regime. A neutral framework is one that does not distinguish between exportable and importable, between sale to domestic and export markets, or between tradable and non-tradable. Liberal trade policies are those, which reduce government controls and replace direct intervention such as quantitative controls, with price mechanism such as tariffs.

As a matter of fact, in 1991, when the main features of economic reforms (i.e. the new economic policy) were announced, it appeared that the agriculture sector was not covered by these reforms. This was especially the case so far as the structural adjustment in the agricultural sector were concerned. It was only in 1995 that the draft farm policy envisaging some structural change in agricultural sector was announced. The states adopted the draft agricultural policy resolution only on February 19, 1997. (Soni, 2002)

In India the economic reform in agriculture sector has three aspects: (1) liberalization agriculture in India is synonymous with equalization of domestic prices i.e. interstate parity in prices of agriculture products. (2) Removal of various restrictions, which are imposed on the domestic interstate marketing and procession of agriculture produce. It is noticeable that Indian agriculture is still subjected to a number of controls as well as interventions by the state governments. These mainly include procurement levies. (3) Oils and poultry feed manufacturing which are reserved for small scale sector. (Singh, 2003)

An examination of the principle developments in agriculture since 1991 raises issues that have a bearing on the standard of living of the rural masses and their welfare. Some have argued that the economic reforms since 1991 have not targeted the agriculture sector directly, and hence not much may be expected of it under the new policy regime. One might say "not much" because even the purveyors of such a view would recognize that trade liberalization, when it does materialize in full could affect agriculture prices even if it might not immediate affect production (Bal Krishnan, 2000)

Pressure for liberalization and globalization of agriculture is however, growing partly as a result of India's acceptance of the treaties which emerge from Uruguay round negotiations. The focus is now on three major issues: (1) further reduction, and eventual elimination, of restriction on both internal and external trade in agricultural products, (2) reduction and eventual elimination, of input subsidies and (3) putting in place an intellectual property rights (IPR) regime for seeds and plant varieties and allowing transactional agribusiness corporations to operate freely in the country (Vaidyanathan, 2000)

SOME CHALLENGES FOR FUTURE:

1. In spite of the WTO agreements, many government still place barriers on the entry of farm products in their markets on one pretext or the other the national government can deal with other government for relaxing such trade barriers.
2. The demand for food in total and for most of the individual food groups is price as well as income inelastic showing that the future increases in real disposable income will not result in proportionate increase in expenditure of food. Also, the demand for more convenient food preparation and services would increase in future. Therefore, the marketing strategies need to be in conformity to these facts.
3. The supply needs to be attuned to effective domestic as well as export demands.
4. There is a strong need for innovation in evolving new markets.
5. There is a need for streamlining the delivery system. The ability of agriculture trade to expand its market share depends on its ability to delivery consistently high quality at a competitive price. Therefore, the constraints for the delivery system pertaining to capacity, technologies, incentives and public polices need to be relaxed appropriately at all levels i.e. farm, internal market and export market.
6. There is a big need to create adequate infrastructural facilities for collection, transportation, storage, processing and marketing of the high value farm products.

CONCLUSION:

For the above discussion, it may be safely conclude that the composition of Indian exports indicates the high share of manufactured exports and the decline of agriculture exports. The export earnings from agro based commodities have increased substantially during 1990-91 to 2007-08 but its share in total Indian exports has declined during this period of the various agriculture and allied products like coffee, tea, tobacco and cashew were the dominant exportable agriculture items during 1990-91 but there share later on has declined. Further it was found that during 1990-91 to 2007-08, sugar, raw cotton, rice and fruits and vegetables have potential for export earnings. The share of India's agriculture exports in world exports although is very little yet it is increasing over the years. Especially in case of sugar, raw cotton and rice, the share of these commodities were 1.91, 3.71 and 9.16 percent respectively in 1990-91 which becomes 7.45, 11.66 and 15.46 percent in 2007-08. India's exports of principle agriculture products have shown variations in exports due to compound result of fluctuations in export demand, variation in domestic production and varying international price of these products.

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