CHANGING SCENARIO OF AGRICULTURAL EXPORTS IN INDIA SINCE 1991

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ABSTRACT : India has a large and diverse agricultural forte and is one of the world's leading producers of agricultural product. It is also a major consumer, with a growing population to feed. For this reason and because of its agricultural and trade policies, its presence in the world market has been modest in relation to the size of its agriculture. While it has been a small net agricultural exporter overall since 1990, in recent years there have been many changes in its agriculture and trade policies and significant changes in its net trade position for many individual products.Of late, development of exports of non - oil products have become one of the main objectives of economic development in India. Exports of agricultural products are the main part of exporting non - oil products in India, so agricultural products play a crucial role. It is necessary to consider sustainable development of all the sectors in India. Promotion of export of agricultural products is important in creating jobs and is a source of: income in the agricultural sector.

INTRODUCTION : Agricultural development is critical to developing countries, especially to the least developed of them. Although agriculture still remains the largest employer, the largest source of exports and foreign exchange earnings for the most developing countries its contribution to GDP is declining gradually. About 75 percent of population below poverty line in the worldwide resides in rural areas and most of them are dependent on agriculture. While agriculture declines relative to the rest of a growing economy as incomes improves, its growth is absolutely critical in the early stages of development and it can often drive export-led growth. But whatever the stage of development is the socioeconomic stability of a nation is determined by prosperity of agriculture sector.

A vibrant agricultural sector is therefore crucial to reducing poverty through economic growth, as well as improving global food security and conserving natural resources. Agricultural trade reform, to better integrate this sector into global markets is equally crucial to developing countries for a number of reasons. Agriculture has the highest levels of trade distortions and therefore has the greatest potential for gains from reform. And domestic reforms are necessary to implement trade reforms to benefit developing countries more than developed countries.

IMPORTANCE OF AGRICULTURAL EXPORT : India has a large and diverse agricultural forte and is one of the world's leading producers of agricultural product. It is also a major consumer, with a growing population to feed. For this reason and because of its agricultural and trade policies, its presence in the world market has been modest in relation to the size of its agriculture. While it has been a small net agricultural exporter overall since 1990, in recent years there have been many changes in its agriculture and trade policies and significant changes in its net trade position for many individual products.

The amount of Indian agricultural export and allied products have increased from $ 596 million in 1960-61 to $ 3,521 million in 1990-91 and to $ 17,963 million in 2009-10, but the share of agricultural and allied products in total exports declined considerably from 44.2 per cent in 1960-61 to 10.00 per cent in 2009-10, while that of manufactured products increased from 45.3 per cent to 67.2 per cent over the same period. The most important Indian agricultural exports are tea, cashew kernels, rice, fish and fish preparations, jute and cotton textile. These products accounted for more than 50 per cent of total export earnings of the country.

EARLIER STUDIES : Narayanan and Reddy (1992), studied behaviour of net export supply function for dominant agricultural commodities in India.

Kathuria (1996) examined the impact of recent policy changes on India 's exports with special reference to export incentives during pre and post reforms periods. Since July 1991, there have been dramatic changes in the trade policy regime in India.

Chand (2005) investigated India 's agro export performance and competitiveness in changed international scenario. Policy of reducing controls over exports and exchange rate adjustments boosted growth of farm exports. Study concluded that despite several odds such as TBT-SPS issues and domestic infrastructural bottlenecks, in the new international trade environment India performed much better in exporting horticultural, livestock, and processed products whose demand is more elastic. India has an advantage and potential for promoting exports of rice, groundnut, soybean, cotton, and sugar, but it is in a disadvantageous position to compete and benefit from wheat. Domestic factors such as improvement in efficiency which includes reduction in production cost as well as other costs and processes which reflect into price like cost of marketing, cost of transport and cost of processing, are key to improve export performance.

TIMELINE OF INDIA'S AGRICULTURAL EXPORT POLICIES : Before India's independence its trade with the rest of the world was determined by Great Britain. Great Britain restricted India's exports to agricultural commodities, primarily jute, tea, and cotton. Its major imports mainly included machinery, chemicals, and basic inputs for production.

After Independence, India pursued a closed market development strategy. This called for the government and public sector to play a large role in guiding the economy. As part of this strategy India imposed highly restrictive trade policies as it pursued self-sufficiency in food and import substitution in industrial development. India also adopted strict controls on exports to discourage trade. Exports were allowed to cover the cost of imports. Government-owned industries faced little competition and became inefficient. As a result India's share of world trade shrunk as India's markets became isolated from world markets.

A need for change, 1970 to 1990

Balance of payments problems due to high oil prices caused India to promote exports in order to meet foreign exchange needs. The government tried to increase exports by encouraging small businesses to manufacture products for the export sector. The small businesses were unable to compete in world markets and India's share of international trade declined further. Most industries in India were still dominated by government-owned businesses.

Non-Agricultural Reforms in the 1990s

In 1991-93, The Indian government introduced fundamental economic reforms to stimulate economic growth. This included the deregulation of domestic industries, the removal of licensing requirements, and reduction of subsidies for domestic products and exports. India also reduced import tariffs and trade barriers on most non-agricultural commodities.

Agricultural Trade Liberalization since 1995

As part of its obligations under the 1995 WTO agreement, India eliminated quantitative restrictions (QRs) on most consumer and agricultural imports. These were largely implemented in 2001. India retains export subsidies and incentives although they are negligible at this point. Nearly all items can be imported subject to tariff and sanitary and phytosanitary restrictions. India maintains high tariff band rates, but lower flexible applied rates for agriculture. Applied tariffs on agriculture products remain high.

Agricultural export liberalization since 1995

In 2009-2010, export of agricultural products stood at 89,523 crore constituting 10.59 percent of the share in national exports. Basmati rice, marine products, oil meals and spices were the prominent items to be exported. In 2001-02 agriculture products valued at US$ 5.9 billion were exported from the country. Rice, Wheat, sugar, oil meals, tea, coffee, cashew and spices were the other prominent products, each of which accounted for about 5 to 10 percent of the country's total agriculture exports. Despite the advantage of diverse agro-climatic conditions, enabling production of a great variety of products in various seasons, India's exports potential has not yet been adequately addressed. Main reasons for this are the following.

1. Poor exports infrastructure. 2. Low level of agriculture product grading. 3. Lack of quality control. 4. Poor branding and packaging.

Agriculture-export Zones

In the EXIM Policy 2001-02, the government announced the proposal to set up Agriculture-Export Zones for the purpose of developing and sourcing raw materials and their processing/packaging leading to final exports. The concept essentially embodies a cluster approach of identifying the potential products and the geographical region in which such products are grown and adoption of an end to end approach of integration of the entire process, right from the stage of production to consumption.

NATIONAL AGRICULTURAL POLICY : A National Agricultural Policy (NAP) was announced in July 2000 with the aim of attaining technologically, environmentally and economically sustainable growth rate in agriculture of over 4 percent per annum. Further, the policy envisages achieving demand-driven growth catering to domestic and international markets, maximizing the benefits from exports of agricultural products in the face of the challenges arising from economic liberalization and globalization. In the context of India's WTO commitments in general and removal of QRs in particular, the policy provides for promoting exports and commodity-wise strategies on imports and arrangements for protecting growers from adverse impact of undue price fluctuations in the world markets. The policy also envisages protection to plant varieties through a sui generis legislation to encourage research and breeding of new varieties, particularly in the private sector, in line with the India's obligations under TRIPS Agreements.

Policy Suggestions : Agricultural exports policy of the government should be accompanied by such policies by which it would reinforce the spread effects and neutralize the backwash effects. This calls for a synergetic approach, integrating and coordinating the policies pertaining to macroeconomic variables towards maximizing the benefit of world trade organization. Such empirical studies would provide the most needed base for policy direction.

The changing scenario of Global agriculture, especially agricultural trade in the post-WTO regime is much challenging for developing countries like India. The Indian agriculture sector as well as world agriculture are in the midst of tumultuous changes brought about by a number of internal and external factors.

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