

WTO AND EXPORTS OF AGRICULTURAL PRODUCTS

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INTRODUCTION

India has now entered a new era of globalisation and economic liberalization. The possibilities of increased trade in the global markets demand that the country becomes efficient, competitive and innovative both in production and marketing. It is time that we stopped being preoccupied only with increasing production: attention to marketing is equally important. In fact, it is worth remembering that marketing is as critical an input for production as are seeds, irrigation, fertilizer, etc.

The agricultural marketing scenario in the country is fast changing and will need to be restructured and reoriented to fully meet the need arising from the globalization process. The areas where new initiatives and measures are required need to be identified and attended to. Much smaller countries, by adopting strong and effective marketing strategies, have been able to export to competitive areas and thus have not only strengthened their economic position but have also contributed to the general welfare of the farming community of these countries. India needs to emulate such countries and adopt effective and aggressive marketing policies so that its export of agricultural commodities is enhanced.

The importance of an efficient agricultural marketing system has been recognized in India since long. The setting up of a central organization, known as the "Office of Agricultural Marketing Advisor to the Government of India" in 1935, was the first step taken by the government to bring about an integrated development of marketing of agricultural produce with a view to safeguarding the

economic interests of producer-sellers as well as consumers. Over the years, a number of organizations and institutions have come to be established with a mandate for one or more areas of marketing such as procurement, storage ;and warehousing, credit, cooperative marketing, exports, food processing, agricultural prices, agricultural produce markets, research and agricultural statistics. As a result, agricultural marketing responsibilities Today are diffused among several departments and agencies, which often tend to work in isolation without coordinating their activities ;and programmes.

In the farm sector, marketing has been receiving a lower priority than production, there was a tendency to be preoccupied with increasing production without a matching concern to improve and strengthen marketing. The governments investment in agricultural marketing has been an insignificant proportion of the total investment in agriculture and allied sectors at the central and state levels, even though the potential contribution which an efficient marketing can make to the overall development of the farm sector has been realized.

The basic purpose of this paper is to develop a micro perspective of the export performance of agro-food products from developing countries in order to understand the dynamics of international marketing by agri-business firms. It is emphasized that the micro issues bear greater influence on the export performance because new developments in international food and agri-business markets are responsible for making defunct the macro generalizations about consumer behaviour towards food and food products.

AGRICULTURAL MARKETING IN INDIA

AGRICULTURAL PRODCUTION

Agriculture is the mainstay of the Indian economy and represents one-third of the country'GDP. During the last four decades, it received a very high priority. There are 35 agro-climatic regions in the country with wide variations in agricultural production patterns and practices. The application of scientific

techniques, coupled with government policies and programmes in the agricultural sector, has helped in increasing the production of several commodities including foodgrains and the resultant marketable surplus has touched new heights, transforming Indian agriculture from a subsistence to a near commercial enterprise. The production of foodgrains during 1994-95 is expected to touch an all-time high of 185 million tonnes, which is 3 million tonnes more than the production during the previous year. Foodgrains production during 1965-66 was a mere 72 million tonnes. Sugarcane production is likely to rise to 245 million tonnes in 1994-95 against 233 million tonnes in 1993-94 compared to 120 million tonnes in 1965-66. Production of oilseeds almost tripled from 6.35 million tonnes in 1965-66 to 19.2 million tonnes in 1992-93. Production of kharif oilseeds alone was estimated at 12 million tonnes during 1993-94. Production increase in the case of fibres such as cotton, jute and mesta was also witnessed. So also in the case of fruits and vegetables.

The growth rate of agricultural production has accelerated from 2.48 percent per annum during the period 1970-71 to 1981-82 to 3.24 per cent per annum during the period 1981-82 to 1992-93. The growth rate in the case of foodgrains production increased from 2.40 per cent per annum during 1981-82 to 2.78 per cent per annum during 1991-92. It was the growth of productivity of land at the rate of 2.96 per cent per annum that mostly contributed to the growth of production. The improvement in yield was observed not only for wheat, rice and cotton but also for coarse cereals and oilseeds. Between 1981-82 and 1992-93, the growth of yield per hectare increased from 1.55 per cent for wheat and from 1.89 per cent to 2.61 per cent for coarse cereals. The increase in the case of oilseeds was from 0.79 per cent to 2.48 per cent per annum. The productivity of most commodities has been growing at about 3 per cent. This is hardly adequate to meet the domestic demand given the rising levels of incomes and the need to achieve higher nutrition levels.

Agricultural marketing is broadly concerned with developing new products to satisfy emerging needs of the consumers and to capitalize on newly identified market opportunities. It also includes reappraising and modifying existing products in the perspective of changing requirements of the modern society.

In India, much of the agricultural produce freely moves through private trade operating in the organized markets as well as through shanty markets and village fairs where the head loaders and peddlers sell their produce. Apart from modern marketing, the country scene is also marked by traditional barter system. Realizing its limited but vital role, the Government has been endeavoring to promote organized marketing of agricultural commodities in the country. To achieve these objectives, most of the states and union territories have enacted necessary legislation governing agricultural produce markets. The number of regulated markets in the country has increased from 2,481 in December 1978 to 6,772 in March 1993. During the last two decades, marketing of farm produce is also encouraged through a network of cooperative society.

Increase in Agricultural produce from 176 MT in 1990-91 to 203 MT (1990-91) to 47 MT (1996-1997), increase in total agricultural exports by 25 percent, rising productivity of agricultural resources, development of new bio-technologies etc. are the main positive impacts of globalisation on Indian agriculture.

SOME SIGNIFICANT DEVELOPMENTS IN AGRICULTURAL PRODUCTION SCENE.

The desirability of continuing the existing marketing and trade policies needs to be examined not only from the point of view of the impact of economic reforms on the agricultural sector but also owing to a perceived qualitative change that has taken place in Indian agriculture during the last decade.

The growth of agricultural production has accelerated from 2.48 percent per annum during the period 1970-71 to 1981-82 (PE 1981-82) to 3.24 percent per annum during the period 1981-82 to 1992-93 (PE 1992-93). In the case of

foodgrains also, the growth of production accelerated from 2.40 percent during Period Ending (PE) 1981-82 to 2.78 per cent annum during PE 1991-92. Further, almost the whole of the growth of production during the latter period was contributed by the growth of productivity of land at the rate of 2.96 per cent per annum. The improvement in yield per hectare was observed not only for wheat, rice and cotton but also for coarse cereals and oilseeds. Between PE 1981-82 and PE 1992-93 the growth of yield per hectare accelerated from 1.55 percent to 3.15 percent per annum for rice, 2.45 per cent to 2.99 per cent per annum for wheat and from 1.89 percent to 2.61 percent for coarse cereals. In the case of oilseeds, the yield per hectare during PE 1992-93 increased at the rate of 2.48 per cent per annum whereas during PE 1981-82 it had increased at the rate of only 0.79 per cent per annum.

FRUITS AND VEGETABLES

In India, which is the world's second largest producer, production of fruits and vegetable occupies a prominent place. Its diverse climate, ranging from tropical to temperate, makes the cultivation of a wide range of fruits and vegetables possible. Fruits and vegetables, being eco-friendly and most suited for marginal waste dry land and hilly regions of the country, are being widely adopted by owners of small landholdings from marketing point of view.

There is a vast potential and scope for the marketing of fruits and vegetables, both fresh and processed. The internal marketing is expanding and export prospects are immense. However, only a meagre quantity is exported (see Table 1). The data presented in the total exports has been extremely low, i.e. less than 1 per cent during the period 1960-61 to 1992-93, though there were temporary spurts in the years 1980-81 and 1985-86 when this percentage rose to 1.19 and 1.14 respectively. The ratio of the exports of fruits and vegetables to exports of agricultural and allied produce varied between 2.11 to 3.87 per cent over the same period.

India's share in world trade of fruits and vegetables ranged between 1.5 and 0.6 per cent during the period 1970 to 1991. Over the years, the trends has been coming down. The declining trend in alternate quinquennium is evident from

Table –1

Export of Agricultural Produce

(Columns 2,3,4 in crore Rs)
(Columns 7,8,9 in millions US \$)

Year	Total export	Argi & Allied	Fruit, Veg & pulses	% share of fruits & Veg to		Total exports	Agri & Allied	Fruits, veg & pulses	% share of fruits & veg to	
				Total Exports	Agri Exports				Total exports	Agri & allied Export
1960-61	642	284	6	0.93	2.11	1346	596	13	0.97	2.18
1970-71	1535	487	12	0.78	2.46	2031	644	16	0.79	2.18
1980-81	6711	2057	80	1.19	3.89	8486	2601	101	1.19	3.88
1985-86	10895	3018	124	1.14	4.11	8904	2475	101	1.13	4.09
1988-89	20232	3723	170	0.84	4.57	13970	2571	118	0.84	4.59
1989-90	27658	5021	203	0.73	4.04	16612	3016	122	0.73	4.05
1990-91	32553	6317	216	0.66	3.42	18143	3521	120	0.66	3.41
1991-92	44041	8228	352	0.80	4.28	17865	3338	143	0.80	4.28
1992-93	53688	9457	366	0.68	3.87	18537	3265	126	0.68	3.86

Source : Economic Survey of India (1993)

Table –2

India's share of Fruits and Vegetable in world Export

Year	%share
1970	1.2
1976	1.5
1980	1.1
1985	1.4
1990	0.6
1991	0.7

Source :- Economic Survey of India (1992)

The performance of fruit and vegetable products has significantly improved due to changes in the export-import policy and exchange rate adjustment. This industry in India is expected to generate more employment ,

reduce post-harvest losses , increase farm income, contribute substantially to the gross domestic product and reduce rural –urban migration.

IMPACT OF LIBERALIZATION ON THE MARKETING OF FRUITS AND VEGETABLES

As a result of liberalization measures and free market move, a distinct changes in the marketing of fruits and vegetables in the form of discernible strategies for development and new techniques of marketing have emerged. What is important now is to take advantage of the new wave. Its essence is to redefine goals , choose new market-oriented strategy and to absorb new technology.

AGRICULTURAL EXPORTS

World trade in agricultural products I estimated to be about US \$ 300 billion in value. Within this overall trade, it is estimated that about 22 percent consists of bulk commodities (cereals, soyabeans, unmanufactured tobacco, cotton, plant seeds and pulses), while 24 per cent consists of principally semi-processed products (Wheat flour, feeds and fodders, hops, oil meals vegetable oils, refined sugar, live animals, etc.). the remaining products which dominate world trade in agricultural commodities and account for about 53 per cent of the total are consumer- oriented products, i.e., products that require little or no additional processing for consumption. These includes fresh and processed horticulture products, fresh and processed meat and dairy products, table ;eggs; and bakery products. The fastest growth in world trade is in consumer products.

India's share in the global trade has declined in the recent decades. The share of agricultural exports in the total exports of India has also come down India's share in world trade in agricultural commodities is less than one per cent. The agricultural sector contributes amount 30 per cent of the GDP, but the contribution to exports which at one time accounted for nearly 31 per cent of all exports (1980-81) ;has come down to 11 per cent (1991-92).; The decline of agricultural exports as percent ;age of India's ;total exports reflects partly ;a ;diversification in the Indian economy.

EXPORT OF FRUIT AND VEGETABLE PRODUCTS

India is the home of a wide variety of fruits and vegetables. It is the second largest producer to fruits and vegetables in the world. India offers the foreign visitors fruits of the choicest delicacy which captivate the heart. Yet India's share in the world trade of horticulture products is miniscule-less than 1 per cent.

The world fruit production is estimated at about 370 million tonnes ; out of which India accounts for about 30 million tonnes (FAO production year book of 1992). It has the highest production of mango and banana, estimated at approximately 10 million tonnes and 7 million tonnes respectively. India also occupies the fourth position in the world in production of pineapples and the fifth position in oranges. Its share in production of apples, pears, peaches, plums, grapes and guavas is also significant.

In processed foods also, our performance in world trade has been very poor. Although India has over 4,000 units licensed under FPO with an aggregate installed capacity of more than 1.1 million tonnes per annum, most of the units are in cottage and tiny sector and use outdated technology. The industry is also plagued by the lack of capacity utilization. As a result , the percentage of total fruit and vegetable production, which is commercially processed in India, which is less than 1 per cent. This compares very unfavourable with countries like Malaysia (83%) , Philippines (78%), Brazil (70%) and USA (70%).

EXPORT PROJECTIONS

The APEDA had commissioned a study in 1991 to determine the export potential of selected horticulture products in India , taking into account the level of current exports, various constraints faced by the exporters, the world trade, market demand and India's competitiveness vis-à-vis other suppliers. An estimate was made of the potential for export of these products. It was estimated that the country could achieve export of over Rs.1,850 crore by 1996-97 as per summary given below in tabular form :

Table No :-3**Export Potential of Horticulture Produce****(Quantity in MTs : Values in Rs. Crores)**

Product	Estimated Commodities	Exports 1991-92	in	Potential Exports by 1996-97	
	Quantity	Value		Quantity	Value
Fresh Fruits	45000	59		187000	365
Fresh Vegetables	375000	206		530000	415
Spices	97000	338		163000	611
Floriculture	----	12		----	100
Tissue Culture	----	----		----	15
Processed Fruits & Vegetables	45000	107		130000	345
TOTAL	562000	722		1010000	1851

A number of recommendations made at that time to achieve the targeted exports have not yet been implemented. Although some policy changes have been made in the desired direction, the necessary investments have yet to be made in the infrastructure sector. However, one redeeming feature has been the interest shown by the corporate sector including multinational companies to invest in this sector. Indeed a number of reputed companies have already taken the lead and we are on the anvil of 'corporatorization of agriculture'.

EXPORT ORIENTATION TO AGRICULTURE SECTOR

To grow faster, the agriculture sector has to be made export-oriented. However, exports should be encouraged more in value added and processed form rather than in raw form because primary commodity processed in the world markets are unstable and also unremunerative as terms of trade go against them in such markets.

According to the Economics Survey (1993-94), one of the principal objectives of the current export and import policy is to enhance export capabilities of the agriculture sector by promoting productivity modernization and competitiveness. To achieve this objective, definitions of capital goods has been enlarged to cover agriculture sector which will facilitate import of capital goods at reduced duty rates.

Again, the benefits available under the scheme of hundred per cent export-oriented units(EOU) and export processing zones (EPZ) have been extended to the exporters in agriculture , animal husbandry , floriculture, pisciculture and poultry sectors. Also , the units engaged in farm exports can avail of the benefits of duty free imports under the EPZ scheme even if only 50 per cent of their production is exported and remaining 50 per cent could be sold in domestic tariff area.

As a result of these measures, buoyancy in exports of agricultural products is already visible and the value of exports has increased from Rs.8,228 crore in 1991-92 to Rs.9,457 crore in 1992-93.

Table – 4
Exports from India (1960-61 to 1992-93)

(Rs.in crore)			
Year	Value of all exports	Value of agri. Exports	Agri.Exports as % of all exports
1960-61	642	284	44.2
1970-71	2535	487	31.7
1980-81	6711	2057	30.7
1985-86	10895	3018	27.7
1988-89	20232	3723	18.4
1989-90	27658	5021	18.2
1990-91	32553	6317	19.4
1991-92	44041	8228	18.7
1992-93	53688	9457	17.6

Source : DGCI & S

CONCLUSION

India has a natural comparative advantage in agriculture exports because of lower import need of such exports , low labour costs and diverse agro-climatic conditions. This advantage has to be maximized by giving a special thrust to the exports of fruits , flowers, vegetables, poultry and livestock products and thereby substantially raising our share in total exports. To achieve this objectives , a long-term policy of expansion and diversification of agriculture produce has been formulated.

India has 28 per cent share in the world export trade in spices in quantity terms, and 8-9 percent in value terms. The important spices which we are exporting include pepper, ginger, cardamom, chillies, turmeric and seed spices like coriander, cumin, fenugreek and celery. The 1993-94 has been a year of peak performance for Indian spices. We have also been moving from export of bulk spices to value added items like spice oils and oleoresins. India has a wide variety of horticulture products like vegetables, fruits and their products, flowers, processed foods, dairy products, confectionery, biscuits and bakery products. During 1993-94, the export from this sector is likely to be of the order of about US \$600 million. Altogether the growth in the agriculture and allied sector in the current year has been of the order of 45 percent in dollar terms which is the highest growth recorded by any sector in the country. The agriculture exports have thus come to occupy a preeminent position.

To sum up, agricultural exports have a vast potential for development. With the policy initiatives taken by the government on various fronts during the last three years or so, the performance of this sector has been steadily improving. Encouraged by this, the government has now prepared a comprehensive policy on the subject and taken up a programme for action which is being coordinated and monitored at the highest level.

As compared with farming of developed countries, globalization policy is not justifiable in Indian agriculture because there is a danger of entry of multinational companies. Globalization is suitable for few individuals and not for masses in India. Hence we need "Nobel Village" instead of "global village" in the dreams of Mahatma Gandhi. This philosophy has been already appreciated by sixty Noble prize winners in the world. Therefore, policymakers must reconsider the globalization policy.

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