



## TRADE LIBERALISATION, GROWTH AND COMPOSITION OF AGRICULTURAL EXPORTS IN INDIA – SOME EMERGING TRENDS

M. GIRIBABU\* AND V. SUBRAMANYAM

Department of Economics, Nagaland University, Lumani

### ABSTRACT

The present study explores the growth performance of India's agricultural exports from 1970-71 to 2010-11, using compound annual growth rate and percentage share in total exports of India. The study also examines the changing dynamics of the contribution of individual group of commodities in the basket of agricultural export.

**KEY WORDS:** Trade liberalization, Agricultural trade

### INTRODUCTION

In the wake of liberalization and globalization, agricultural sector in most of the developing countries are inward looking in nature and mostly insulated from the global economy. Indian agriculture has greatly contributed to foreign trade even in its traditional form. However, Indian products have been facing stiff competition from Asian countries for quite some time. Due to globalisation and liberalised regime, this competition is likely to increase further and new initiatives in agricultural development shall have to meet the emerging challenges. The performance of agriculture after integration with the world markets is linked to the success of exports. The developing countries, like in India have a large proportion of small and marginal farmers. These countries face severe problems of inadequate investment, underdeveloped public infrastructure, labour intensive technology, low agricultural export subsidies, lack of information about international competitiveness, high volatility of global prices, foreign protection of tariffs, non-tariff barriers, anti dumping regulations etc.,

In the scenario of free trade in agriculture as mandated under WTO the internal market mechanism of price formation in world market have a crucial bearing on food security for the developing countries (Chand, 2002) and a decline in agricultural exports in the late nineties is probably due to sharp reduction in the international prices of agricultural commodities (Bhattacharyya, 2003). It is pointed out that the price volatility in the international commodity market was high and tariff rate adjustment can work quite effective. In this framework an attempt is made to assess the performance

of Indian agricultural exports during the pre and post reforms period and the determinants.

### DATA AND METHODOLOGY

This study employs the annual data over the period of 40 years for analyzing the determinants of agricultural exports in India. The data are collected from National Account Statistics (NAS) and Economic Survey, Ministry of Agriculture, Government of India, covering the period from 1970-71 to 2010-11. The trends in the agricultural exports during study period have been analysed by employing compound annual growth rates. In order to identify the differences in the growth trend during pre and post reform period, data on the exports of 13 major agricultural and allied commodities have been divided into two segments covering the periods from 1970-71 to 1990-91 and from 1991-92 to 2010-11.

### RESULTS AND DISCUSSION

#### Performance of Indian agriculture exports and its share in total national exports

India's share in the world agricultural exports was very low in many items. Until the beginning of the early seventies India has been an importer of a number of agricultural commodities. With the exception of a few commodities like rice, cotton, tea, coffee, oilseeds, oil cakes, tobacco and spices, the share of agricultural exports of India in total world trade was very insignificant. The share was particularly low in the world trade of fish, meat, chicken, vegetables and fruits. During the study period the gap between agricultural exports and non-agricultural exports has increased. Agricultural exports experienced

\*Corresponding author, E-mail: girihaug@gmail.com

**Table 1. Performance of Indian agriculture exports and its share in total national exports**

Year	Total exports (₹ crore)	Agricultural exports (₹ crore)	Percentage share of agricultural exports	Percentage share of non-agricultural exports	Ratio of agricultural to non agricultural exports
1970-71	1,535	487	31.73	68.27	1:2
1980-81	6,711	2,057	30.65	69.35	1:2
1990-91	32,553	6,317	19.41	80.59	1:4
1994-95	82,673	13,223	15.99	84.01	1:5
2000-01	2,03,571	28,582	14.04	85.96	1:6
2004-05	3,75,339	41,603	11.08	88.92	1:8
2005-06	4,55,617	49,217	10.80	89.08	1:8
2006-07	5,71,774	62,411	10.92	89.08	1:8
2007-08	6,40,172	77,769	12.15	87.85	1:7
2008-09	8,40,075	81,710	9.73	90.27	1:9
2009-10	8,45,534	85,211	10.08	89.92	1:9
2010-11	11,42,922	1,11,393	9.75	90.25	1:9

**Source:** Directorate General of Commercial Intelligence and Statistics, and Economic Survey 2012-13  
Government of India

very slow rise compared to the total exports. India's exports in absolute figures have increased since the reforms in 1991 whereas, in percentage share declined.

Table 1 shows that the share of agricultural exports in the total exports was 31.73 in 1970- 71 and thereafter the share was continuously declining and it reduced to

**Table 2. Commodity-wise compound annual growth rate of agricultural exports**

Commodity	1991-2000	2001-2010	1991-2010
Coffee	18.95	5.54	10.98
Tea	5.20	5.11	5.17
Oil cakes	10.11	14.37	13.47
Tobacco	14.39	20.25	15.05
Cashew	18.60	3.26	9.66
Spices	22.42	14.30	17.79
Sugar	1.94	-12.69	6.48
Cotton	-12.65	45.70	12.81
Rice	21.66	14.40	17.60
Fish	18.23	4.51	12.37
Meat	19.24	15.64	20.91
Vegetables and fruits	19.85	14.32	18.41
Miscellaneous	26.02	10.15	19.19
<b>Total Agri. exports</b>	15.34	11.54	13.89
<b>Total exports</b>	17.19	15.43	17.69

Source: Reports of economic survey

9.75 per cent in 2010-11. Between the year 2006-07 and 2007-08 there was an increase of 1.23 per cent and again fall in 2008-09 to 9.73 per cent. The slow rise in agricultural export in the above said period calls for the change in strategic approach of Indian agriculture in a big way to achieve higher levels of production in crops in which India has comparative advantage and generate surpluses for exports. There is an increase in the volume of agricultural export from ₹ 6, 317 crore in 1990-91 to 1,11,393 in 2010-11.

#### Growth rates of agricultural exports

The compound annual growth rate for these 20 years was 13.89 per cent (Table 2). The export of tobacco and oil cakes have increased after liberalization period and at the same time the growth rates of coffee, tea, cashew, rice, fish and other miscellaneous products decreased during the post liberalization period. The growth rate of export of sugar decreased enormously during the post liberalization period.

A comparison of CAGR values of all the commodity groups between the two periods viz 1991 to 2000 and 2001 to 2010 showed that only oil cakes, tobacco and cotton registered higher values of CAGR for the second period. For the total agricultural export there was a declining trend in the CAGR from 15.34 in first period to 11.54 in second periods. The CAGR value for total

## Emerging trends in Agricultural Exports in India

agricultural export for the entire period under observation was 13.8 per cent.

### CONCLUSION

The growth analysis showed that there was a high fluctuation in the exports of agricultural commodities during the study period. Though India placed in the top list of agricultural production in the world, it failed to achieve advantage in its export performance due to heavy competitiveness in the global market. The growth of agricultural exports did not differ much between pre and post reform period.

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