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TRADE PERFORMANCE OF EXPORT OF INDIAN AGRICULTURAL PRODUCTS

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Abstract

The recognition of India has always remained as a agro-based country and on the other hand till 2011 all the allied activities of agriculture have contributed around 17% to the GDP of the country. Till the recent past i.e. in 2018-19 total agriculture export has reached to a new height of USD 34 billion. But still there are certain fluctuation in the CAGR of total exports and agro-based exports. There are a number of reasons for the same i.e. from policy reforms to domestic consumption. This present study will evaluate the reasons of these fluctuation and try to present a clear view of growth related to Agro-exports and relation of the same to total exports. The researcher has considered a period of around 10 years for analysis i.e. 2010-2019, secondary data is used in the study and Correlation is used as a model of analysis.

Keywords: Agro-Exports, fluctuations, total exports.

Introduction

At international level India is recognized as agriculture based economy, since the recent past to the age old prehistoric era any of the state or province that

was rich on agriculture was supposed to be the strongest among others. With the second highest population i.e. just after China, India has survived on the basis of its agriculture. On the other hand the export of agricultural products from India to other countries can be traced back to 16th century, when textile and related items were exported to other countries. At that time Gujarat was the center of export business and Arab and China were the main customers. Then after Mughal invasion India became the center of exports for precious stones and Ivory. After this, during the British rule, exports from India stopped for around 200 years as East India company was having the hold over all kind of business, including exports. Even till the recent past i.e. from 1951 to 1991 India was having a focus on agriculture and related products. Then after the announcement of industrial policy 1991, scenario of Indian exports changes forever as FDI and Public-Private partnership came into action and orientation of exports from India reached new heights.

In the 21st century i.e. from 2005 to 2018, the overall export basket of India increased by 19.5% and from 2018 to 2020 it reached to a new height of 23%. Here it is important to mention that all the goods and commodities are not having same ratio of exports i.e. some products like cotton, jute, tea, coffee, rice, wheat and even some of the related products have extracted maximum foreign currency for India. Rather the exports of other items like IT and ITES related products, leather goods, etc. have always remained under turbulence. As a matter of fact most of the export items are related to agriculture or are the byproducts of the same. Some of the major customers of Indian agro-based products are USA, China, European countries, United Kingdom, Belgium, etc. **trade-in (2017).**

In terms of foreign currency i.e. USD, the 4% increase in the last two years have amounted to USD 24 billion and here the major contributors are organic and inorganic agro based products, petroleum, gems and jewelry, etc. products other than agriculture have shown a slow growth and agriculture based products have reached new heights of 13.8% on annual basis. The credit can be given to liberal policies of Indian government and related authorities i.e.

export promotion have brought a great amount of foreign currency in the country and have raised the flow of the same to substantial level. **tradingeconomics(2017).**

Growth of Agriculture exports in India

As far as exports are concerned, India has remained a party for last 500 years but in the post-independence era major turnaround came after the announcement of new industrial policy, 1991. Here the concept can be understood in the sense that earlier Indian farmers have always concentrated on non-cash crops i.e. they use to grow the crops that they can consume and some portion can be sold in the open market. Even crops like Mentha, Rice, Sugarcane, wheat, etc. used to be exported. Then in the late 60s' the policies of Indian government were focused on the overall development of domestic industries and in lieu of the same major part of agricultural products were consumed in the country itself. Though some part of the overall agricultural produce was exported but then again restriction on exports and even quantitative restrictions have prevented the producers and even farmers to take affirmative steps in this regard. This was the time when the Indian Rupee was overvalued to a certain extent and apparently the demand for imports was increasing at a high rate, as the main focus was on developing the domestic industry. Then on the other hand, there were minimum number of industries that are having exemptions in documentation and related issues, this include some of the manufacturing industries and exclusive agricultural products.

As far as basic orientation of agriculture and growth of the same is concerned, it is supposed to contribute around 17.2% in GDP of the country and holds around 11.7% in total exports of the country. As a matter of fact India is just second to USA in terms of available agricultural land i.e. 60% for total landscape is covered by agriculture. Some of the major crops are grown with a export view like Wheat, Rice, Potato, Cashew, Cotton, Jute, beans and many others. In present times India is third largest country known for food production and 4th largest country in production of various products related to health and wellness, as most of these products are based on agriculture

produces. Then India is second largest producer of fruits and vegetables in the world and as of now 69% of the total industries in the country are based on agricultural products, may be directly or indirectly.

Policy orientation for Agriculture Export

- From 1947 to 1969 some of the major changes were brought about in the basic export orientation of agricultural products. During this period the respective governments were following the strategy of closed market and public sector was having a major role to play in the same. During this time period most of the international business was running under highly restrictive environment and efforts were made to make India a self-sufficient country in food, in general major thrust was given on imports. Gradually the performance of government owned companies started to lose their share in international market as there was minimum competition at the home ground and India was isolated from the international market.
- Then during the period of 1970 to 1990 some of the major changes were brought about in the policy matters and some other related issues emerged like BoP imbalance, hike in international oil prices, etc. and in order to meet these issues high amount of foreign exchange was required. Hence the respective government started to promote exports, but still major thrust was on developing SSI and related industries, as a matter of fact some of the agricultural products also fall under this category and by default they received some amount of benefits.
- Economic reforms of 1990 and amended industrial policy of 1991 had changed the fate of Indian economy forever, though the basic orientation of these reforms were non-agricultural but then again related industries were benefitted by the same. Though some of the restriction and tariffs were removed and some leverages were given to the industries of Indian origin.
- Then came 1995, this was the time when trade liberalization became the talk of the town and benefit of the same was given to agricultural exports as well. The famous WTO agreement in 1995 had eliminated a number of quantitative restriction on many of the agricultural and consumer goods.

- Then in the next few years i.e. 1997-2005 export subsidies were provided to the agro-based products and more incentives were added to the same for promoting the exports. Like in 2009 and 2010 the overall agro-exports amounted for around 90, 000 crores and this was 11% more than the previous period.
- Establishment of Agriculture export zones have taken the agro-exports to new heights and this had also motivated the farmers and related companies to have a positive view in regard of the same, as this was an end-to-end approach for export of agricultural products.

Literature Review

Sahni (2014) this study was based on the evaluation of Indian exports in the post reforms period, and findings of the study stated that the overall export portfolio of India has significantly improved in the post reform period i.e. in terms of value, composition and even volume. On the next level researcher has also explained that in spite of corrective and important measures taken by the respective governments in the recent past and increase and volume of exports, still it has not reached to a desired level i.e. the proportionate growth is not sufficient enough. Apart from this, products other than agriculture are increasing at a higher rate i.e. petroleum products, different consumer products, IT and ITES related products and even non-traditional products coming from MSME of the country. The researcher stated that in the next 20-25 years agro-based products will lead the export basket of the country and emerge as leader in open market.

Mukherjee (2015) evaluated the export orientation of East-Asian countries and also evaluated the export development model of the selected countries in the said region. Findings of the study stated that overall service sector is showing a high growth and subsequently growing since the recent past, as far as manufacturing sector is concerned the growth is comparatively slow. The researcher also stated that in the domestic market manufacturing sector is showing a high growth but export orientation of the same is not that good. Researcher also compared the employee skills and relation of the same with

the overall outcome in different sector. In most of the East-Asian countries the number of skilled workers is more as compare to India and even in India the number of Semi-skilled and unskilled workers is more, the variation can be sensed in the growth of domestic as well as export market.

Sinha (2016) stated that there have been major turbulence in policy related matter of exports in India and overall export market have been affected by the same. Then agriculture export is one sector that is least affected by this policy turbulence. After 2010 major reforms were brought in this sector and post WTO reforms have boosted the agro-exports. As a result Agro-exports have contributed around 19% to total GDP in last 5 years. Many of the policies were related to the wellbeing of farmers, infrastructure development and other related facilities.

Kumar M. (2018) conducted a study on the foreign trade of India and stated that there are substantial changes in the foreign trade of India in the recent past, and these changes are the result of major liberalization and globalization measures taken by the respective governments. Apart from the major conventional exporting goods i.e. engineering products, petroleum related products, various chemicals and some of the allied products constitute around 80% of the total export basket and remaining 20% is cover by agricultural and allied products.

Ambidattu (2019) this study is based on the evaluation of export of cashew nut in Kerala. The study has considered two very important components i.e. reduction in production and reduction in exports. As a matter of fact Kerala is one state of India that is popular for the cultivation and production of cashews. Till the recent past the cashews were the main source of income for a number of workmen in the state, especially for people from low income group. The main reason for decline is the shifting pattern of crop in the country at large and brain-drain to other countries, then on the other hand most of the cashew farmers are shifting to other more profitable crops.

Objective

The main objective of this present study is to evaluate the export orientation of agriculture based goods from India and also to compare the same with that of in the recent past.

Research Methodology

Type of Study

The basic orientation of this study is based on secondary data hence this can be considered as exploratory research. In practice secondary data is used to prepare a base for descriptive studies i.e. to prepare the frame, deciding on components, formulating survey and number of other allied components.

Sources of Data

This is the first and foremost requirement of a secondary data based study that the sources of data are authentic and approved by competent authorities. Then on the other hand a high amount of reliability should be there in data. In this present study the researcher has taken both the components into consideration and consulted the following sources of secondary data:

- Websites
 - Reports from World Trade Organization
 - www.indiantradeportal.in
 - www.Worldstoexports.com
 - Reports from world bank
 - www.tradingeconomics.com
 - Annual reports in the form of government publications
 - Agriculture portal of Indian government
- Published sources
 - Research journals
 - Indian and Foreign magazines on international trade

Period of Study

As far as period of study is concerned the researcher has considered last ten years i.e. 2010 to 2019 as this period can be considered as the golden period for the growth of agricultural exports.

Data Analysis and Interpretation

A trend of fluctuations in India's agricultural exports during the two decades from 2009-10 to 2019-20 is observed. Further a trend of decline in agricultural exports as percentage of total exports from India during the corresponding period is indicates. The data obtained from the publication by the Director General of Commercial Intelligence and Statistics, Ministry of Commerce has revealed these significant trends. The following table provides the details.

Table 1: India's Exports of Agricultural Commodities vis-a-vis Total National Exports

Sl. No.	Year	Agriculture Exports	Total National Exports	Percentage Agriculture Exports to Total National Exports
1	2010-11	29728.61	209017.97	14.22
2	2011-12	34653.94	255137.28	13.58
3	2012-13	37266.52	293366.75	12.70
4	2013-14	41602.65	375339.53	11.08
5	2014-15	49216.96	456417.86	10.78
6	2015-16	62411.42	571779.28	10.92
7	2016-17	79039.72	655863.52	12.05
8	2017-18	85951.67	840755.06	10.22
9	2018-19	89341.33	845533.64	10.57
10	2019-20	120185.48	1148169.56	10.47

Source: Director General of Commercial Intelligence and Statistics, Ministry of Commerce, Kolkata

As can be seen from the above table 1, from the year 2010 to 2019 the agricultural export is showing a declining trend. Rather in terms of

agricultural exports alone there is an increasing trend i.e. from 2010 to 2019 the total exports have grown to around 75%, this means that the government and related agencies are taking all the necessary steps to promote the export of agricultural products from India, apparently there is high demand of organic food in different countries and also the goods exported from India are good on quality and low on prices. Then on the other hand it is also true that in most of the cases, respective cost of food processing is less as compared to other items and the advantage of the same is taken by the exporters in terms of selling prices. At certain points of time there is a comparative loss i.e. where the commodity exchange treaty is working because the modulation is done in terms of actual prices but such modulations are less in number.

Then on the other hand, total export value in terms of percentage is less i.e. if it is compare in terms of percentage with that of agricultural exports then it can be seen that overall growth in ten years of study period is just 55% with a variation of $(\pm)5\%$ to $(\pm)10\%$ on annual basis. Hence it is proved that in terms of percentage exports of agricultural products is more as compared to total export from the country.

Table 2: Comparison of Agricultural and Non-Agricultural Exports from India

Year	Total Exports (Million USD)	Agriculture and Allied Products Export (Million USD)	Percentage Share of Agricultural Export	Percentage Share of Non-agricultural Export
2010-11	36822.4	5608	15.2	84.8
2011-12	44560.3	5973.2	13.4	86.6
2012-13	43826.7	5901.2	13.5	86.5
2013-14	52719.4	6710	12.7	87.3
2014-15	63842.6	7533.1	11.8	88.2
2015-16	83535.9	8474.7	10.1	89.9
2016-17	103090.5	10213.8	9.9	90.1
2017-18	126361.5	12683.5	10.0	90

2018-19	159006.7	19398.8	12.2	87.8
2019-20	173865.3	17774.5	10.2	89.8

Then on the other hand, total export value in terms of percentage is less i.e. if it is compare in terms of percentage with that of agricultural exports then it can be seen that overall growth in ten years of study period is just 55% with a variation of $(\pm)5\%$ to $(\pm)10\%$ on annual basis. Hence it is proved that in terms of percentage exports of agricultural products is more as compared to total export from the country.

The above given table two is also showing the same components in terms of USD (million), this again shows that the percentage share of agricultural products is just like a roller coaster during the study period i.e. it has declined to years 2016 and again started to increase in the subsequent period. As a matter of fact these fluctuation are appearing because of some natural calamities, turbulence in crop cycles and even at time high price of imports in certain years.

Table 3: Commodity wise CAGR of Agricultural Exports

Sl. No.	Commodities	Compound Annual Growth Rate	
		From 2000 to 2009	From 2010 to 2019
1	Cereals and Cereal Preparation	10.7	15.5
2	Fresh and processed Vegetables	-2.5	18.4
3	Fresh and processed Fruits	17.3	21.0
4	Pulses	22.5	-1.8
5	Floriculture products	-8.7	9.8
6	Tea and coffee	2.7	4.6
7	Spices	11.2	12.8
8	Tobacco	4.1	15.9
9	Cotton	14.6	-16.1
10	Marine Products	7.8	3.8

11	Meat and meat Preparations	8.1	16.1
12	Dairy & poultry products	9.6	18.5
13	Oil cakes, oil and oil seeds	5.7	13.1
14	Sugar and Molasses	-20	12.1
15	Total Agriculture Export of India	5.5	11.6

Source: CMIE Publication of Various Years

As can be seen from the above table 3, the CAGR of annual growth rate is mentioned. All the commodities mentioned above are related to agriculture in one or the other way. Evaluation shows that CAGR in both the decades is fluctuating to a great extent, comparison shows that the respective CAGR of the period from 2010 to 2019 is higher as compared to the CAGR of the period from 2000 to 2009. For some of the commodities like Pulses, Cotton, etc. the CAGR in the period 2010 to 2019 is less or negative this is because of increased domestic consumption and increased cost of imports for related items.

Data Analysis

Model

$$Y^t = ab^te^u$$

Where,

'Y' states the dependent variable i.e. value of trade

'a' states the intercept

't' states the time variable i.e. 10 years

'u' states the fluctuation

'e' states the base

Correlation Analysis

Base Statistics (Values in Cr.)

	Average	S.D.	N
Growth of Trade	34250.00	277796.538	4
Policy Reforms	1498075.00	127027.051	4

Correlations			
		Growth of Trade	Policy Reforms
Growth of Trade	Pearson Correlation	1	.682
	Sig. (2-tailed)		.528
	Sum of Squares and Cross-products	231512.0	499641.000
	Covariance	771709.210	166549.236
	N	10	10
Policy Reforms	Pearson Correlation	.682	1
	Sig. (2-tailed)	.671	
	Sum of Squares and Cross-products	499647.0	484076.0
	Covariance	166549.449	161358.62
	N	10	10

Interpretation

As can be seen from the above table of correlation analysis that the value of Pearson correlation is 0.682, this shows that there is moderate degree of positive correlation between the growth of exports for agricultural products and outcomes of various policy reforms brought in this regard. On the other hand the value of deviation and intercept is not negative or above the average value, this is an indication that in the span of 10 years most of the fluctuation

are because of the reasons other than policy related matters i.e. increase in domestic consumption, increased cost of imports for allied products, etc.

Conclusion

As stated in the above given matter that the export of agricultural commodities from India is based on the components of adequate supply, appropriate quality, time bound processing, etc. and this happens because of decentralized integration of related task, then on the other hand major role is also played by the available support from infrastructure in the form of transport facilities, internet, related means of communication and other related facilities.

Being a developing economy self-sufficiency of India has always remained a big question, but in the recent past i.e. after 1991 the self-sufficiency of the country has increased and surplus has boosted the export of same in different countries. Then the focus of traditional view of professional farmers has shifted from food crops to commercial crops, this has also changed the cropping pattern and even agri-cycles. As a result the sufficiency of the country has increased for a number of items i.e. tea, cotton, tobacco, fruits, flowers and even medicinal herbs.

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