

IMPACT OF WTO ON INDIAN AGRICULTURE DURING 1990-2004

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It was believed that developing country like India will be able to expand its exports of agricultural products. The decade of 1990s witness two significant developments that have profound impact on agricultural trade. The first development relates to liberalization of economic policy as part of the economic reforms programme initiated in 1991. The second development concerns the new international regime following Uruguay round agreement and formation of WTO (Srivastava and Purwar 2007). After the implementation of the WTO agreement, witnessed a major spurt in agriculture exports

Keywords : Agriculture Growth, Agriculture Trade.

INTRODUCTION

The establishment of WTO is an important landmark in the history of international trade and came into existence on 1 January 1995. WTO include all types of countries whether rich, poor, very industrialized or agrarian economies. WTO covers trade in services, traded inventions, creations and designs. The main objectives of WTO are to implementing the multilateral trade agreements, overseeing national trade policies and to resolve disputes. It is a system of rules dedicated to open, fair and undistorted competition. WTO has liberalized agricultural trade through reduction in tariffs and reduction in agricultural and export subsidies. Agreement on Agriculture of WTO recognises free and market-oriented trading system in agriculture. Uruguay round has been the opening of markets for agricultural products as well as a reduction in exports subsidies for farm products in developed countries. This open up the possibilities of exports of several products from low wage agriculture (Pani 1993). It was believed that developing country like India will be able to expand its exports of agricultural products. The decade of 1990s witness two significant developments that have profound impact on agricultural trade. The first development relates to liberalization of economic policy as part of the economic reforms programme initiated in 1991. The second development concerns the new international regime following Uruguay round agreement and formation of WTO (Srivastava and Purwar 2007). After the implementation of the WTO agreement, witnessed a major spurt in agriculture exports (Chand 2007). India share in the world's exports has been 0.8 percent in 2002. The exports of agricultural products from India were more than two times the imports of agricultural products during the year 2002-03 and 2003-04 (Sindhu, Singh and Dhaliwals 2007). India has a competitive advantage for exports of several agricultural commodities because of near self-sufficiency on inputs, relatively low labour and diverse agro-climatic conditions (Kumar 2007). But, Indian agriculture trade has been facing serious challenges under globalize regime. Though agriculture contributes one-fourth of India's GDP, its share in global agro trade has diminished to about 9 percent over the period of time (Madaan 2007).

PERFORMANCE OF AGRICULTURE GROWTH

Agriculture continues to support more than half a billion people providing employment. The share of Indian agriculture in Gross Domestic Product (GDP) show in table 1.

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Table 1**Annual Growth Rates of Real Gross Domestic Product at Factor Cost by Industry of Origin**

Year	Agriculture, Forestry, Fishing, Mining and Quarrying in %age	GDP at factor cost in %age
1990- 91	4.5	5.3
1991- 92	-1.5	1.4
1992-93	6.2	5.4
1993-94	3.2	5.7
1994-95	5.2	6.4
1995-96	-0.2	7.3
1996-97	9.1	8.0
1997-98	-1.6	4.3
1998-99	6.0	6.7
1999-00	2.7	6.4
2000-01	0.0	4.4
2001-02	5.9	5.8
2002-03	-5.9	3.8
2003-04	9.3	8.5

Source: Central Statistical Organization.

This was the era of Rajiv Gandhi with several other Prime Ministers serving for short periods. This phase is best described as one characterized by “policy fatigue”. During 1990s the overall GDP increased at the rate of 5.3 percent, the agriculture sector registered a rate of growth only 4.5 percent (at 1999-2000 prices). During eighth plan (1992-97) high growth of agriculture, the agriculture growth in 1994-95 was about 5.1 percent as against 3.2 percent in 1993-94. On the other hand GDP growth in 1994-95 was 6.4 percent as against 5.7 percent in 1993-94. During 2001 agriculture decline is taking place at a time when international prices of major food grains are going up steeply and GDP growth rate was also decline 4.4 percent in 2001. The rate in agriculture was negative at -5.9 percent in 2002-03 and this jumped up to 9.3 percent in 2003-04. High fluctuations in growth create conditions of volatile prices and concerns regarding food security. Low agriculture growth rate mainly due to structural weaknesses of the agricultural sector reflected in low level of public investment pushing up public investment in agriculture is the basic requirement for growth.

TRENDS IN AGRICULTURE PRODUCTION

Agriculture production has two components- food grains and non-food grains. The most important component in the food grains category is rice followed by wheat. In non-food grains category is oilseeds, sugarcane, cotton etc. trends in agricultural production are presented in table 2.

Table 2
Trends in Agricultural Production During 1980-85 to 2002-07 (in Million Tonnes)

Crops	Years				
	1980-85	1985-90	1992-97	1997-02	2002-07
Rice	54.5	65.1	78.7	87.3	85.6
Wheat	41.2	48.3	62.9	71.3	70.2
Jawar	11.3	10.9	10.7	7.9	7.2
Bajra	6.0	5.2	6.7	7.1	8.2
Maize	7.3	7.6	9.8	11.6	14.0
Other cereals	6.0	5.4	4.9	4.5	3.6
Pulses	11.8	12.5	13.3	13.1	13.3
Total food grain	138.1	155.0	187.0	202.9	202.2
Oil seed	11.4	13.9	21.9	21.2	23.2
Sugar cane	174.9	196.4	258.4	292.4	277.2
Cotton	7.5	8.4	12.2	10.8	16.0
Jute	6.4	8.9	8.1	9.6	10.1

Source: S.K Misra and V.K Puri (2008), "Indian Economy- Its Development Experience " Twenty Sixth Edition, Himalaya Publication, New Delhi, pp-257.

Note:-Data in the table are in terms of million tonnes excepting for cotton and jute. For cotton, data are in terms of million bales where one bale =170 kgs. For jute, data are in terms of million bales where one bale = 180 kgs.

As far as food grains output is concerned, the total production increased from 138.1 million tonnes in 1980-85 to 187.0 million tonnes in 1992-97 and further to 202.9 million tonnes in the 1997-2002. The food grains output in 2002-07 was 202.2 million tonnes even less than the annual average recorded in 1997-2002 (Misra and Puri 2008).

In the non-food grains group, jute and cotton show slow progress. Oilseeds production increased from 11.4 million tonnes in 1980-85 to 21.9 million tonnes in 1992-97. However it fell thereafter and stood at only 21.2 million tonnes in 1997-2002 but rose subsequently to the high level of 23.2 million tonnes on 2002-07. Production of cotton rose from 8.4 million bales in 1985-90 to 16.0 million bales in 2002-07. Sugarcane registered a more or less steady growth during the entire period of 1980-85 to 2002-03 but its production fell sharply in 2003-07.

INDIA'S AGRICULTURAL TRADE

India's global agricultural trade during pre and post WTO period has been given in table 3. India's global agricultural exports were US \$ 3546 million during pre WTO period (1990-95) which increased to US \$ 6583 million during post WTO period (1995-2004). The growth of agricultural exports has been lower during the pre WTO period as compared to the post WTO period. The index of agricultural exports on base 1994-95, increased by 90.7 percent in 2003-04. This is an encouraging trend to India's agricultural exports during the post WTO period.

Table 3
India's Global Agricultural Trade During 1990-2004 (in US \$ Million)

Pre – WTO period				
Years	Agricultural exports	Agriculture export index 1994-95 = 100	Agriculture imports	Agriculture import index 1994- 95 = 100
1990- 91	3351	79.6	672	35.5
1991- 92	3203	76.1	604	31.9
1992- 93	2950	70.1	938	49.6
1993- 94	4013	95.3	742	39.2
1994- 95	4211	100.0	1891	100.0
Average	3546	84.2	969	51.3
Post- WTO period				
1995- 96	6098	144.8	1761	93.1
1996- 97	6806	161.6	1863	98.5
1997- 98	6685	158.8	2364	125.0
1998- 99	6064	144.0	3464	183.1
1999- 00	5842	138.7	3708	196.2
2000- 01	6328	150.3	2633	139.2
2001- 02	6233	148.0	3409	180.3
2002- 03	7161	170.1	3639	192.4
2003- 04	8029	190.7	4765	252.0
Average	6523	156.3	3067	162.2

Source:-Davinder Kumar Madaan (2007), "Impact of WTO on Indian Agriculturl Trade" ,in Thakur Anil Kumar and Sharma Nageshwar (Edited), WTO and India, Deep and Deep Publicationa, New Delhi, pp-360.

Note:- Trade figures have been converted from Indian rupee to US\$ at prevailing exchange rates.

Similarly India's global agricultural imports were also increased from US \$969 million during pre WTO period (1990-95) to US \$ 3067 million during post WTO period (1995-2004) on an average per annum. The increase in global agricultural imports was more than exports during post WTO period. The growth of agricultural imports was 152 percent during the post WTO period as compared to 90.7 percent in case of agricultural exports. The index of agricultural imports on base 1994-95 increased to 152 percent in 2003-04.

Share of Indian Exports in World Exports

Agricultural products exported include meat preparations, sugar, vegetables and fruits, tea, coffee etc. The total India's share in the world trade is less than 1 percent. During 1980-90s

agriculture served as a source of cheap raw materials for the domestic industry, a very large segment of which was inefficient and globally non-competitive. This has dampening effects on agricultural exports and investment on agriculture.

In the shares of selected agricultural commodities in the world exports, the growth rates were positive for the shares of all the items except sugar and sugar preparation, spices and tea and mate. The data regarding india's share in world exports of agricultural products are given in table 4.

Table 4
Share of Indian Exports in the World Exports

Commodity	Years					
	1980	1985	1990	2000	2004	2005
Cereals and cereal preparations	0.5	0.6	0.6	1.5	2.9	2.5
Rice	3.7	5.6	6.4	10.2	16.4	15.8
Vegetables and fruits	1.1	1.4	0.8	1.3	1.1	1.4
Sugar and sugar Preparations	0.3	--	0.1	0.9	0.3	0.8
Spices	14.5	19.3	7.7	10.3	8.2	--
Coffee and coffee substitutes	2.1	1.9	1.7	2.3	1.8	2.5
Tea and mate	27.7	26.2	22.1	14.0	10.4	9.6
Feeding stuff for animals	1.6	1.5	2.2	2.3	2.4	3.7
Meat and meat preparations	0.4	0.4	0.2	0.7	0.6	0.8

Source: M.S Kallur and K.A Rasure (2007), "Impact of WTO on Indian Agriculture", in Thakur Anil Kumar and Sharma Nageshwar (Edited), WTO and India, Deep and Deep Publications, New Delhi, pp-415.

Note: A zero in India's share means no share at all.

The percentage increase in the shares of agricultural commodities in the world exports for vegetables and fruits (1.1 to 1.4), rice (3.7 to 15.8), cereals and cereals preparations (0.5 to 2.5), coffee and coffee substitutes (2.1 to 2.5) during the same period. It shows that the increase in the share was more for rice and cereals and cereals preparations. But the decrease in the share was more for tea and mate in the world exports. Rices had the maximum positive growth and tea and mate had the maximum negative growth in the worlds exports.

Share of Agricultural Exports in India's Total Exports

The share of agricultural exports in the total exports is decline for example from 19.41 percent in 1990-91 to 12.36 percent in 2003-04. Agriculture exports accounted for about 12.36 percent of total annual exports of the country in 2003-04. The commodities whose share in total exports declined since 1990-91 were coffee, tea, tobacco, cashew kernel, raw cotton. Fruits and

vegetables, meat and meat preparation have recently shown strong growth, but they are currently not among the dominant foreign exchange earners.

Table 5
Percentage Share of Agricultural Products in Total Exports of India

Commodity	Years					
	1990- 91		2002- 03		2003- 04	
	Agricultural exports	Total exports	Agricultural exports	Total exports	Agricultural exports	Total exports
Coffee	4.00	0.78	2.94	0.39	2.99	0.37
Tea and mate	16.93	3.29	4.94	0.65	4.51	0.56
Oil cakes	9.63	1.87	5.94	0.72	9.24	1.14
Tobacco	4.17	0.81	3.03	0.40	3.02	0.37
C a s h e w kernels	7.07	1.37	6.09	0.80	4.69	0.58
Spices	3.78	0.73	4.93	0.65	4.26	0.53
Sugar and molasses	0.60	0.12	5.39	0.71	3.41	0.42
Raw cotton	13.38	2.60	0.14	0.02	2.60	0.32
Rice	7.30	1.42	17.31	2.29	12.99	1.61
Fruit and fish Preparations	15.19	2.95	20.57	2.72	16.85	2.08
Meat and meat Preparations	2.22	0.43	4.08	0.54	4.73	0.58
Pulses, fruit and vegetables	3.41	0.66	5.03	0.66	6.50	0.80
Others	3.38	0.66	4.41	0.58	3.87	0.48
Agricultural and allied	100.0	19.41	100.0	13.21	100.0	12.36

Source: K.K Koushik and Sanju Karol (2007), “ WTO and its impact on Indias Agricultural exports”, in Thakur Anil Kumar and Sharma Nageshwar (Edited), WTO and India, Deep and Deep Publications, New Delhi, pp-326.

The percentage share of fisheries exports in total agricultural exports varied from 15.19 percent to 16.85 percent during 1990-91 to 2003-04. India need to develop strategies to enhance exports and prevent possible large scale imports (Koushik and Karol 2007).

CONCLUSION

Undoubtedly, (WTO effected Indian agriculture both positively and negatively. It has provided the opportunity for trade in terms of imports and exports. Unfortunately, India's share in global agricultural exports before WTO witnessed an increased but decline during post WTO period. Liberalization under WTO has not increased the share of agricultural products in India's global

exports). Rather this share has been increased in global imports. The growth of India's agricultural imports was more than exports during post WTO period. This has adversely affected self reliance in agriculture. In recent development, India' and other developing countries which have formed a group of 20 called G-20, demanded substantial reduction in tariffs, elimination of trade-distorting domestic support and export subsidies to agriculture by developed countries. Good governance in agriculture is needed to meet risks, uncertainties and challenges and avoid further crises. Developed countries must look beyond their own interests and bring in agreement that is just and fair to the developing countries and ensure empowerment, efficiency and equity in the agriculture sector of the world. On the basis of above study we suggest that :

- Public investment in agriculture has to be raised.
- Liberalization process in the domestic market should be increased.
- All countries should notify their quality requirements of agricultural produce clearly on the WTO websites.
- The economy in general and agricultural in particular should be geared up to face the challenges from climate change, drought conditions etc.
- There should be a merger of several related departments like irrigation, fertilizers, food, agriculture etc. for better coordination and synergy.

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