



# The Continued Necessity to Augment Agricultural Exports from India

**\*Pardeep Kumar**  
Assistant Professor

**\*\*Rakesh Kumar**  
Assistant Professor Economics M.N.S.  
Government College Bhiwani

## Abstract

In India's seven decades of planning and trade policies, the perception of the importance of international trade in economic growth has experienced a number of changes. A large rise in agricultural exports has been seen throughout the era of economic liberalisation. The agriculture sector, which has been driving India's economic development, has seen a stunning transformation from a food-deficit state to the creation of exportable surplus after covering the huge population's internal demands. India has a huge export potential for agricultural products, but this potential has not yet been completely used. Despite the fact that agricultural exports have expanded throughout the era of trade liberalisation, the proportion of agricultural exports to total exports has been steadily dropping over the years. In addition, the growth in agricultural exports varies greatly and is quite irregular from year to year. However, there are several challenges to be addressed, such as weak infrastructure, erratic global pricing, and restricted market access. When properly supported by infrastructure, institutional aid, packaging, freight transportation, connectivity to the internal production system, and market access, agriculture export has the potential to transform the economy. In this context, the present paper provides a premise with a renewed emphasis on the need to continue augmenting India's agricultural export.

**Key Words:** Agriculture, Exports, Export Policy, Trade and Trade Development

## Introduction

Agriculture development is essential for developing countries. In the early stages of development, agriculture expansion is crucial, and it typically supports export-led growth, even as it declines in importance relative to the rest of a rising economy as wages rise (Adelman, 1984). No matter what degree of development a nation is still at, the socioeconomic stability of that nation is largely dependent on the performance of its agricultural sector (Johnston & Mellor, 1961). A healthy agricultural sector is therefore essential for improving global food security, safeguarding natural resources, and reducing poverty via economic growth. For a number of reasons, developing nations must reform the agricultural trade sector to better integrate it into global commerce (Anderson & Martin, 2005). Agriculture has the highest level of trade imbalances, making revamping it the most lucrative. Domestic changes are also necessary to establish trade reforms that benefit developing countries more than industrialized ones. In recent years, there has been an increasing focus on agricultural preservation and how it affects developing countries (Mendelsohn & Dinar, 1999). India's planning approach is incredibly dependent on the agriculture sector. A good yield always aids the nation's projected economic development by improving the business climate for the transportation system, manufacturing industries, internal commerce, etc (Robertson & Pinstup-Andersen, 2010). It is a major source of funding for both the central government and the state governments. India's agriculture contributes significantly to both domestic and global trade. Agriculture exports are crucial to India's economic development. Trade liberalisation rules were implemented as part of economic reforms in 1991 as exports became India's primary focus in order to achieve faster economic growth (Topalova, 2007). Exports were significantly impacted by the implementation of structural adjustment measures in the 1990s. The world landscape has changed as a result of the execution of multiple programmes and reforms, including the founding of the (World Trade Organization) WTO and various trade reforms.

Due to its diverse and broad agricultural sector, India is one of the top producers of cereals, milk, sugar, fruits, vegetables, spices, eggs and fisheries products in the world (Kachru, 2010). Agriculture continues to be the cornerstone of the economy in India, where it provides a livelihood for close to half the population. India houses 17.84% of the world's people and 15% of its animal population on just 2.4% of the planet's land and 4% of its water resources (Team, W. F. P., 2003). To increase production, pre- and post-harvest management, processing and value-adding, technological utilization, and infrastructural development, Indian agriculture must constantly innovate (Sudheer et al., 2021). Consequently, agro processing and agricultural exports are significant industries. India's role in the international export of agricultural products is continuously expanding. Over the past several years, India's share of global agricultural product exports has increased from 1% to 2.2%. Recent growth rates show that the quantity of surplus for export is growing more swiftly and that agri-food output is rising faster than domestic demand. This offers a possibility for farmers to get access to international markets, earn foreign currency, and increase the price of their products.

## Current Agriculture Trade Scenario

The enormous significance of agriculture to the Indian economy has prompted much research into the factors that influence its development. The management of farm inputs, marketing, institutions, irrigation, seeds, fertilisers, credit, investment, technology, productivity, climate change, cropping intensity, post-harvest management, value addition and extension services, among other things, have all been the subject of research to support an increase in the agricultural growth rate, according to the various studies (Kumar, 2005). While agricultural exports have made up 20% on average of India's total goods exports over the past forty years, there aren't many empirical research that examine the inconsistent link between farm exports and India's agricultural growth (Vaidyanathan, 2000). Given that agricultural exports account for a sizable portion of India's total goods exports, it follows that agricultural exports have an impact on agriculture's GDP as well.

Nearly 59 percent of the nation's total revenue in 1950–1951 came from agriculture and allied industries. Even while other industries have expanded more quickly than agriculture, when compared to wealthy countries, agriculture still contributes a sizable portion of GDP. Agriculture, which will contribute 20.19 % of the nation's GDP in 2020–21, is the principal source of income for 50% of Indians (Balkrishna et al., 2022). Since India's independence seven decades ago, the agricultural industry has experienced a wide variety of growth rates. Given that Indian agriculture is predominantly subsistence-based and strongly dependent on the monsoon and other natural variables, the fluctuation was extremely severe. The sector's growth was fueled by the green revolution for almost three decades in the early years after the start of planned development.

Since the Green Revolution, Indian agriculture's organizational structure has altered. Between the early 1970s and the late 1990s, India's annual farm Gross Domestic Product (GDP) rose from around \$25 billion to more than \$100 billion (Govindarajulu, 2011). During this first period, only wheat and rice were included, and the expansion was moderate and mostly centered on grains. But between 2000 and 2014, the nation's agricultural production dramatically grew, going from US\$101 billion to about US\$367 billion, mostly because of high-value sectors including horticulture, dairy, poultry, and coastal aquaculture. India might potentially dominate the world in agricultural commerce since it has the most diversified food and non-food agricultural base of any nation (Paroda & Kumar, 2000). In international commerce, India dominates the market for the aforementioned agricultural goods. The total agricultural exports of the country account for a little more than 2% of the projected \$1.37 trillion in global agro commerce (Runge et al., 2003). The two main objectives of India's strategy, which appears to be inward-looking, are food security and price stabilization (Grochowska & Kosior, 2013). India has remained at the bottom of the global agro export value chain since the majority of its exports is low value, unprocessed or just partially processed, and is sold in bulk. Compared to 25% in the US and 49% in China, less than 15% of India's high value and value added agricultural goods are included in the country's portfolio of agricultural exports (Siddiqui, 2009). India is unable to export its wide range of horticultural goods due to uneven quality, a lack of standardisation, and failure to cut losses along the value chain. Given the globalisation

of value chains, the country must make concerted efforts to enhance exports of high margin, value-added, and branded processed goods. Additionally, in order to achieve the required economic development for the economy as a whole, it is critical to find innovative ways to accelerate agricultural growth, as the Government of India (GoI) correctly observed in the Economic Survey (2012). The approach will include a paradigm change from residual export to targeted export in accordance with preferences of foreign markets after resolving local demand.

### **Direction of India's agricultural products exports**

Foreign trade has a huge impact on a country's economic development. It helps to balance factor prices, which results in more effective resource allocation, and allows an economy to complement its industrial or agricultural structure (Bourguignon & Morrisson, 1990). Increased capital development and investment in an economy are encouraged. It ensures economies of scale and enables the production of goods and services at reasonable costs. Additionally, it increases the opportunities for international commerce and strengthens the political and economic ties between the trading nations. Agriculture exports, which account for 11.2% of all exports, are a key source of foreign currency for the country (Mukherjee & Mukherjee, 2012). Exporting agricultural goods makes a country more competitive in terms of output, productivity and quality when compared to its rivals.

The nations to which commodities are shipped are indicated by the export direction. The export locations are displayed. The size of a country's international markets has an impact on its export performance. The stability and regularity of the export business are supported by a big and diverse global market. India has established a big and diverse global market for its products. The direction of India's international trade in the years leading up to independence was affected by the colonial interactions between India and Britain (Tomlinson, 1996). As the strength of the economic relationships between nations strengthened, so did the international diplomatic developments. As a result, international trade relations improve. India's international commerce has changed since 1991. There have been new export products introduced, and new markets have been researched. The formation of the WTO and the trade policy changes that began in 1991 has had a considerable impact on the situation, and India's export strategy has altered drastically as a result. The environment and the commercial connections have experienced substantial transformation. India now works with the great majority of countries and significant economic blocs on trade.

India exports agricultural goods to many countries throughout the world, including both developed and emerging markets (Hanson, 2012). While non-traditional markets' share dramatically increased, conventional markets' share was sharply declining. Saudi Arabia, Malaysia, the United States, and the United Arab Emirates were the primary markets for India's agricultural exports. Consistent agricultural exports encourage, among other things, modernization of the production, processing and marketing systems. Lowering trade barriers between countries and promoting free trade are the objectives of trade liberalization. Trade barriers including tariffs, quotas, and

non-tariff barriers are all minimized. Economic connection with the global economy will speed up economic development and growth.

### **Agriculture Export Policy: Objective and Vision**

India has risen to the top of the global food supply chain and has developed into a significant consumer market because to its expanding middle class, changing dietary patterns, substantial farming area, diverse agricultural industry, and sizable population dependent on agriculture. It has often been stated that "Make in India" cannot be achieved without "Bake in India," or a renewed focus on value addition and processed agricultural products (Shrimali, 2021). Due to the world's population's rapid growth, dwindling farmland, and shifting socioeconomic, agro climatic, and nutritional trends, scientists and decision-makers are being compelled to reconsider how we produce and feed the residents (Ramankutty et al., 2018). India wants to promote open commerce, harmonious development and sustainable growth. If agriculture export is properly supported by infrastructure, institutional backing, packaging, freight transit, links to the internal production system supported by market access, it will be able to change the agricultural economy. However, there are several challenges to be addressed, such as a lack of infrastructure, erratic global pricing and restricted market access. India has long understood the need for an intentional agriculture export programme. A special policy under the broad jurisdiction of the Department of Commerce (DoC) is required due to the central and administrative organization of the Union and State governments. The Department of Agriculture, Cooperation and Farmer Welfare (DAC&FW) and Department of Animal Husbandry, Dairy and Fisheries (DAHDF) concentrate on production, pre-harvest, and raising farmer income while the Ministry of Food Processing Industries (MoFPI) focuses on value addition, post-harvest losses and job creation. The DoC, on the other hand, focuses on global trade across all sectors. The Indian government is becoming more and more dependent on a stable and predictable agriculture export strategy that aims to revive the whole value chain, from export-oriented agricultural production and processing to transportation, infrastructure and market access (Tantri, 2022). The agriculture export policy must fully outline the present framework for agriculture and surplus agricultural goods. A viable agricultural export policy and a basis for sustainable agriculture are mutually dependent. A strategy must be created to bring in money for farmers through large export potential.

With a focus on export-oriented output, export promotion, increased farmer awareness, and collaboration with other Government of India policies and programmes, the Agriculture Export Policy was created. The overall objectives and vision are to increase farmer income and make India a worldwide pioneer in agriculture by using the export potential of Indian agriculture. The main goal in this direction is to:

- Expand high-value and value-added agricultural exports, with an emphasis on perishables, and diversify export destinations and the export basket.
- Encourage the export of new, unique, organic, ethnic, traditional, and non-traditional agricultural goods.
- Establish a formal framework for pursuing market access and removing obstacles.
- Work to integrate India into the global value chain as soon as possible in order to maximize its share of global agro exports.
- Make it possible for farmers to benefit from export potential in foreign markets.

A "Farmers' Centric Approach" is required for higher income through value addition at the source, which will help to decrease losses across the value chain. If India wants to achieve the dual objectives of worldwide prominence in agriculture exports and food security, it must have a farmer-focused strategy. As a result of the approach, food production will rise much more than it would otherwise, and India's share of processed items with added value in its agricultural exports to other countries would climb as well.

### **Globalizing Indian Agriculture**

The three factors for increased productivity efficiency that guarantee the convergence of projected and actual output, suitable framework facilitating globalization in the context of agriculture is greater agricultural exports and value-added activities, employing agricultural goods and enhanced access to domestic and international markets that are either too regulated or closely controlled (Mahadevan, 2003). These components are interconnected in a number of ways. For instance, improved productivity would benefit agriculture's value-added activities such as agro processing and exports of agricultural and agro-based products. The income and employment of the industrial processing industry would increase as a result. Thus, two potential effects of the globalization of agriculture are the commercialization of subsistence farming and the elevation of living standards in rural areas.

One of the main problems that developing countries face is the erratic nature of export revenues. Volatility in export earnings will have a detrimental effect on a country's economic planning and development efforts. Because it affects the policies of many countries, economic stability is essential (Khalaf, 1976). The extreme fluctuations in export revenues will also impact domestic operations, reducing efficiency and making it harder to forecast the projected return on investment, which will complicate and obscure the intended development process (Agarwal & Ramaswami, 1992). The erratic nature of India's agricultural exports is a major source of concern. A variety of factors make it unfavorable to see India's agricultural exports becoming increasingly

erratic. Farm export stability is essential for macroeconomic stability and economic planning. A multitude of factors, including as altering supply and demand conditions and governmental regulations, are contributing to the increasing instability of agriculture exports.

It is critical to recognize that India, a developing country that has relied on a state-directed and-regulated policy structure for more than four decades, has serious issues as a result of globalization. The government must actively support the process in order to broaden economic players' opportunity sets and lessen the drawbacks of globalisation. Given that the export or even domestic demand for basic agricultural products would decline as incomes rise, India should seriously consider exporting more value-added agricultural products through agro-processing, such as processed vegetables, fruits, fish, and meat products, in addition to increasing the types of exports.

### **Increasing Agricultural Exports**

Under agricultural export regulations, significant organizations that are involved in agricultural production will be compelled to put up additional effort to encourage exports in order to give farmers export-oriented technology and increase their awareness of the possibilities for exports (Subrahmanya, 2011). International trade opportunities have a big impact on the crops and agricultural decisions made by home farmers. A country's imports and exports of agricultural and food items are impacted by its level of agricultural output. The export policies created by various state governments may provide special consideration to agricultural exports. It will be crucial to assess the State's potential in key agricultural regions and to create an action plan to support the development of infrastructure in order to increase exports (Viswanadham, 2006). The agriculture export policy will look at the methods employed by other states and propose some best practices in order to coordinate among the several departments engaged in the export of agricultural commodities. Horticultural exports require substantial volumes of identical-variety, top-notch product that adheres to standard criteria and meets import demands (Saxena et al., 2022). Small landholding patterns and inadequate farmer education in India usually lead to low yields of a variety of crops with little to no regularity. For surplus output to be secured with consistent physical and quality requirements that meet export needs, export-focused clusters must be established throughout states. Domestic factors that are essential to export success include technology, trade facilitation, infrastructure, logistics, regulation, institutions, competitive markets and private trade participation in all stages of the supply chain, including pre-harvest. More private sector involvement in agricultural exports is predicted to bring clarity, better coordination and production that is export-focused (Bala & Sudhakar, 2017; Ahmed & Brennan, 2019; Chand, 2019). Implementing policies that support exports and have a global perspective therefore appears to have the potential to boost agricultural output. These results have policy implications since they show that accelerating India's agricultural growth rate requires promoting agricultural exports.

Without agribusiness expansion, India's agricultural industry would not reach its full potential. The greater focus on export is what has caused the paradigm shift in the Indian agricultural industry. A production-based economy is replacing market-based agriculture in the country. India has a significant potential for agricultural exports, notably in the rice and spice industries, according to Paramsivan and Pasupathi (2017). Encourage healthy competition between the States based on the ease of doing business in agriculture index in order to create a favourable environment for agribusinesses that will encourage increased investment, inventiveness, protection of intellectual property, and other elements. The Transport Marketing Assistance Scheme intends to lower the burden of a higher cost of transportation for export of recognised agricultural products due to transshipment while increasing brand awareness for Indian agricultural commodities in the designated overseas markets. India offers favourable agroclimatic conditions and a wide range of exportable agricultural goods. One of the key causes of India's low export share on the international market is the fact that fewer farmers are active in the export chain. Agribusiness export clusters can thereby bridge the gap between farmers and the industries in charge of exporting agricultural goods. Thus, the creation of export clusters at the district level is a highly beneficial and necessary step. There are various potential factors responsible for low productivity and that ultimately adversely impact on export competitiveness, these factors are land-man ratio, degradation of land, inadequate credit (Maiti, Esson, & Vukovic, 2020) and marketing facilities, modern technologies, traditional methods of cultivation, insufficient irrigation facilities (Maiti, 2017), lack of high yielding variety seeds, small size of farms, lack of good agriculture practices, low investment, basic infrastructure, availability of water. Productivity improvements could be achieved through land reforms, education, land-water resources, microcredit, marketing infrastructure, better irrigation, a supply of high-quality seeds, intercrop farming, scientific cultivation, good agricultural practises, investment flow, strengthening basic infrastructure, and the involvement of qualified experts in the supply chain. The productivity and profitability statement indicates that India has a substantial chance to increase the output of its agriculture industry. Hoda & Gulati, (2013) claim that sustainable agriculture depends on a number of techniques, including irrigation, groundwater replenishment, water harvesting, drip irrigations, nutrient-based fertilizer subsidies, institutional sources of agri credit, only maintaining strategic reserves of food grain stock, levying an export duty rather than enacting quantitative restrictions, and others. Agriculture exports, among other things, assist the development of farm infrastructure, promote professionalism in agriculture, give farmers access to markets, and embrace latest agricultural practices which eventually leads to increased agricultural development and ultimately expansion of the economy.

## Conclusion

India's agriculture makes a substantial contribution to both local and international trade. It is a significant source of funding for the national governments as well as state governments. India began giving exports a high priority in order to jump-start its economy more swiftly. There have been many different growth rates in the agriculture sector since India's Independence. Given that it possesses the most diverse food and non-food agricultural sector of any country, India has potential to dominate global agricultural trade. Due to the fact that the majorities of



India's exports are low value, unprocessed or just partially processed, and are sold in bulk, it has stuck at the bottom of the global agro export value chain. Due to inconsistent quality, a lack of standardization and a failure to eliminate losses along the value chain, India is unable to export its diverse variety of agricultural goods. The nation must actively work to boost the export of high margin, value-added and branded processed goods in light of the globalization of value chains. A foundation for sustainable agriculture and an effective agricultural export policy are interdependent. To offer farmers access to a sizable export potential as a source of income, a strategy must be devised. A stable and consistent agriculture export strategy that seeks to revitalize the whole value chain, from export-oriented agricultural production and processing to transportation, infrastructure and market access, is becoming more and more important to the Indian government. The strategy will also significantly improve food processing and production, which will result in a far higher increase in food production and a rise in the proportion of processed goods with added value that India exports as agricultural goods on a global scale.

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