

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/324591369>

# India's Foreign Trade of Agricultural Products in Free Market Economy

Article in *Indian Journal of Economics and Development* · January 2018

DOI: 10.5958/2322-0430.2018.00061.6

---

CITATIONS

3

---

READS

3,297

4 authors, including:



**Harmeet Singh Kingra**  
Punjab Agricultural University

25 PUBLICATIONS 168 CITATIONS

SEE PROFILE



**Shruti Bhogal**  
Centers for International Projects Trust

16 PUBLICATIONS 125 CITATIONS

SEE PROFILE



**Sumit Bhardwaj**  
Punjab Agricultural University

12 PUBLICATIONS 28 CITATIONS

SEE PROFILE



## India's Foreign Trade of Agricultural Products in Free Market Economy

Sukhpal Singh\*, H.S. Kingra, Shruti Bhogal and Sumit Bhardwaj

Department of Economics and Sociology, Punjab Agricultural University, Ludhiana-141 004, India

\*Corresponding author's email: [sukhpalpau@yahoo.com](mailto:sukhpalpau@yahoo.com)

Received: January 15, 2018

Manuscript Number: NS-18-98

Revision Accepted: March 10, 2018

### ABSTRACT

Though India has become food surplus and the advancement of technology and the free flow of capital is available, but the country faces setbacks at qualitative ends. Despite increasing value of exports, the country is still not able to achieve a surplus balance of trade. The present paper examines the trends, composition, and directions of trade of agricultural products in the liberalized economy. Among the countries of the world, India shares better trade relations with Vietnam, UAE, Saudi Arabia and the USA. In order to strive for a favorable balance of trade, there is a need to explore potential markets for agricultural products in Europe and Africa with prime focus on the integration of technological innovation and better marketing infrastructure.

### Keywords

Agricultural product, export, growth, import, trade, India.

### JEL Codes

O24, P45, Q17.

### INTRODUCTION

Foreign trade has been a building block for the development of any country. Integration into the world economy has proven to be a powerful means to promote economic growth, sustainable development, and poverty reduction. In the developing countries like India, rapidly increasing population and squeezing natural resources, the path of growth depends upon the balance of trade of agricultural products. The business environment of the Indian economy became more proactive and the nature of the economy was remodeled with the inflow of foreign capital and development of science and technology (Harikumar, 2014). This remodeling improved all spheres of the economy. Indian agrarian economy that accounts for 54.6 percent of its workforce and was largely subsistence in nature, as it has about 59 percent of its population dependent on it, also became export-oriented after being food surplus.

The technological advancement has facilitated the country's importance globally as India ranks first in rice and third in wheat export in the world. Also, the merit listing of the Indian economy in case of other agricultural products is endless like that for vegetable, fruits, rubber, tea, coffee, etc. (Renjini & Kaur, 2016). Keeping in view

the above scenario, the present paper was undertaken to study the trends and direction of export and import of agricultural products in the era of liberalization.

### METHODOLOGY

The present study was based on the sources secondary data for balance of trade from various government organization for the period from 1991-92 to 2015-16. Keeping in view the objectives of the study, conventional tools and techniques like simple average, percentages, Compound Annual Growth Rate were used.

### RESULTS AND DISCUSSION

#### Trends and Composition of Foreign Trade

The Indian imports have shown an increase over a period as it increased from ₹1206 crore in 1990-91 to ₹43731 crores in 2015-16 at constant prices of 1993-94 (Table 1). This increase was about 36 times in 2015-16 relative to 1990-91. However, the percentage of agricultural imports to total imports witnessed fluctuation from time to time. Overall, this percentage increased from 2.79 percent in 1990-91 to 5.63 percent in 2015-16. The trends of India's agricultural exports have a different story to tell. Though the value of total agricultural exports increased from ₹6013 crores in 1990-91 to ₹67144 crores

in 2015-16 at constant prices of 1993-94, the share of agricultural exports to total exports followed a fluctuating trend but witnessed an overall decline as its share declined from 18.49 percent in 1990-91 to 12.55 percent in 2015-16 (Table1). The position on the balance of trade exhibits an unfavorable balance of trade, the gap of which is increasing over time.

The compound annual growth rate (CAGR) of agricultural imports exhibits a significant increase (Table 2). Similarly, the CAGR of agricultural export was 12.22 percent during the period 1990-91 to 1999-00, which declined to 8.47 percent during the period of 2000-01 to 2009-10. The overall CAGR of import and export was 11.78 and 8.99 percent, respectively.

The crop-wise growth rate of agricultural imports in the liberalized Indian economy reveals that the growth rate of import of wheat at constant prices increased by 19.58 percent for the period 1991-92 to 1999-00, it was 84.07 percent for the period 2001-02 to 2009-10 (Table 3). However, there was a negative growth rate of 3.54 percent of wheat import for the overall period 1991-92 to 2015-16. The growth rate of import of rice was negative for the time periods 1991-92 to 1999-00, 2001-02 to 2009-10 and the overall period of 1991-92 to 2015-16 as it was 37.50 percent, 22.91 percent and 8.03 respectively.

The growth rate of processed agricultural imports in liberalized economy exhibits a negative growth of cereal products (21.45 percent) at constant prices for the period 1991-92 to 1999-00 (Table 4). This growth rate became positive for the period of 1991-92 to 2015-16.

Table 5 depicts that the crop-wise growth rate of agricultural exports at constant prices for the periods of 19991-92 to 1999-2000 and 2001-02 to 2009-10 for wheat underwent a negative growth rate of 39.76 percent and 69.48 percent respectively, while other crops like non-basmati rice, other cereals, pulses, cotton and fresh vegetables underwent a negative growth rate at various periods of time. However, during the overall period of the study, all these crops exhibited a positive growth rate.

As seen from Table 6, India also has some importance in the market of processed agricultural products as the growth rates of various processed products like guar gum,

**Table 2. CAGR of India's agricultural imports, exports, and balance of trade(1993-94=100)**

Year	Agricultural imports	Agricultural export	Balance of trade
1990-91 to 1999-2000	26.22**	12.22**	4.43
2000-01 to 2009-10	6.17**	8.47**	9.45
2010-11 to 2015-16	16.19**	8.48	0.21
Overall	11.78***	8.99**	7.44***

\*\*\*, \*\*, and \* Significant at 1, 5, and 10 percent level.

**Table 3. CAGR of agri-imports in liberalized economy (1993-94=100)**

Item	1991-92 To 1999-00	2001-02 to 2009-10	2011-12 to 2015-16	Overall
Wheat	19.58	84.07	109.88	-3.54
Rice	-37.50	-22.91	43.23	-8.03
Oilseeds	-8.39	50.92	19.65	11.54
Other Cereals	60.98	33.13	31.1	27.88
Cotton	13.88	-8.24	29.06	15.60
Jute	12.78	-0.58	-12.94	16.42

**Table 4. CAGR of processed agri-imports in liberalized economy (1993-94=100)**

Item	1991-92 to 1999-00	2001-02 to 2009-10	2011-12 to 2015-16	Overall
Cereal Products	-21.45	7.08	16.22	1.68
Sugar	151.89	29.23	24.22	22.22
Veg. Oil	48.82	5.90	14.96	16.66
Cashew	25.39	10.95	15.60	30.79
Spices	25.39	10.11	22.1	28.72
Pulses	2.02	19.22	20.01	13.05

**Table 1. Trends in India's agricultural imports and exports since 1990-91 (1993-94=100)**

(₹Crore)

Year	Agricultural Imports	percent of agricultural imports to total national imports	Agricultural export	percent of agricultural export to total national exports	Balance of trade
1990-91	1206	2.79	6013	18.49	-4807
1995-96	4844	4.80	16774	19.18	-11931
2000-01	7763	5.29	18406	14.23	-10643
2005-06	8166	2.42	23361	10.02	-15195
2010-11	19026	3.03	42113	9.94	-23086
2015-16	43731	5.63	67144	12.55	-23413

**Table 5. CAGR of agri-exports in liberalized economy (1993-94=100)**

Item	1991-92 to 1999-00	2001-01 to 2009-10	2011-12 to 2015-16	Overall
Wheat	-39.76	-69.48	75.35	10.25
Basmati rice	8.09	14.41	13.03	11.09
Non-Basmati rRice	34.53	-5.09	90.08	7.82
Other cereals	13.54	55.27	-14.29	30.46
Pulses	25.70	-1.91	7.76	10.41
Cotton (raw)	-10.28	18.92	-8.80	7.51
Fresh vegetables	-1.79	15.77	12.61	34.00
Fresh fruits	3.38	17.04	8.61	33.13
Sesamum	12.29	10.67	5.75	10.92
Groundnut	48.41	19.49	3.51	16.65
Tobacco unmanufactured	7.01	14.49	4.72	6.9
Floricultural items	25.86	8.43	5.61	9.07

**Table 6. CAGR of processed agri-export in liberalized economy (1993-94=100)**

Item	1991-92 to 1999-00	2001-01 to 2009-10	2011-12 to 2015-16	Overall
Tobacco	5.14	5.22	14.14	8.53
Tea	1.70	0.30	1.35	0.90
Coffee	15.67	4.09	4.76	3.40
Spices	15.65	13.25	7.85	10.31
Cashew	6.66	-0.69	7.40	1.83
Guar gum	26.10	10.82	-8.52	14.05
Castor oil	19.78	7.85	2.76	7.92
Shellac	2.53	-2.83	2.50	3.17
Marine products	8.35	-28.21	19.02	-4.61
Processed veg.	8.56	11.52	12.96	29.07

spices, tobacco, castor oil, coffee, etc. exhibit a positive growth during the period of 1991-92 to 2015-16. However, only marine products exhibited a negative growth rate of exports for the overall period of study of 1991-92 to 2015-16.

#### Direction of Foreign Trade

It is very important to study the direction of import and export of any country. India has had good trade relations with the countries of the world, especially for agricultural products (Table 7). Of the total exports of agricultural products from India, the maximum share of exports was towards Vietnam followed by the United Arab Emirates, Saudi- Arabia, and United States during 2016-17.

#### Policy Issues

Despite various efforts and policy measures to promote trade and improve the overall economic health of

**Table 7. Top 10 destination of India's export in the phase of liberalization**

Country	(US \$ million)					
	1996-97	Percent share in total export	2006-07	Percent share in total export	2016-17	Percent share in total export
Vietnam	11.3	0.5	40.5	0.9	2248.5	13.9
United Arab Emirates	211.2	9.8	404.0	8.6	1387.4	8.6
Saudi Arabia	286.3	13.2	468.4	10.0	1148.7	7.1
United States	191.5	8.9	295.0	6.3	914.2	5.6
Nepal	7.6	0.3	84.4	1.8	657.1	4.1
Iran	46.2	2.1	47.4	1.0	646.5	4.0
Iraq	1.8	0.1	7.5	0.2	636.2	3.9
Malaysia	112.4	5.2	216.3	4.6	622.8	3.8
Indonesia	62.3	2.9	129.3	2.8	518.7	3.2
Bangladesh	84.2	3.9	330.8	7.0	395.4	2.4
Other Countries	1146.9	53.1	2669.4	56.8	7015.7	43.4
<b>World</b>	<b>2161.7</b>	<b>100.0</b>	<b>4693.0</b>	<b>100.0</b>	<b>16191.2</b>	<b>100.0</b>

Source: Government of India, DGCIS.

the country, India is still bound by the shackles of various characteristics of a typical developing economy. The increasing rate of growth is still not able to render a surplus balance of trade. In the context of the existing status of the Indian economy, there is a need to emphasize a shift from imports to exports, especially processed products. Indian trade should also be explored in European and African countries. There is a need to integrate the technological innovation and better marketing infrastructure so as to encourage the processing industry which can boost the lagging exports

and help strike a favorable balance of trade.

#### **REFERENCES**

- Government of India. (2016-17). *Annual Reports*, Directorate General of Commercial Intelligence and Statistics (DGCIS), Ministry of Commerce and Industry, New Delhi.
- Harikumar, M.A. (2014). Changing phases of India's international trade before and after liberalization period. *International Journal of Application or Innovation in Engineering and Management*, 3(3), 72-76.
- Renjini V.R., & Kaur, A. (2016). Composition, intensity, and competitiveness of agricultural trade between India and ASEAN. *Indian Journal of Economics and Development*, 12(2), 249-254.