

AGRICULTURAL TRADE

Despite being an agrarian economy, where the agricultural sector provides employment to approximately 60 per cent of the population and contributes 25 per cent to the GDP of the country, India has remained a marginal player in world agricultural trade. Currently, it has a share of less than 1 per cent of the world trade in agriculture. The share of agricultural products including coffee, tea and fisheries in the total exports of India was around 10.95 per cent in the year 2005-06.

12.2 There has been decline in agricultural imports. The agricultural imports decreased from Rs 22057.49 crore in 2004-05, to Rs 21025.54 crore in 2005-06. The share of agricultural imports to the country's total imports has remained steady around 3.33 per cent. Imports have registered a relative decline during April-September 2006, when it was only 2.88 per cent of the country's total import. The import of vegetable oils fixed (edible), pulses, cashewnuts, cotton (raw and waste) and wood products dominate our agricultural imports.

12.3 Agricultural exports, on the other hand, have an increasing trend. India's agricultural exports have increased from Rs 39863.31 crore in 2004-05, to Rs 49802.92 crore in 2005-06. During the current year (April-September 2006), the value of agricultural exports was worth Rs 28157.52 crore compared to Rs 21673.25 crore for the corresponding period of last year, registering a growth of 29.91 per cent. The export of marine products, oil meals, rice, wheat, tea, coffee, cashew and sugar dominate our agricultural exports.

12.4 Generally, there has been a surplus in agricultural trade over the years. The trade surpluses in terms of value have been Rs 17805.82 crore in 2004-05, and Rs 28777.38 crore in 2005-06 respectively. The surplus is continuing during the current year and is worth Rs 17025.74 crore.

12.5 In brief, agricultural trade during April-September 2006 shows a healthy balance which can be boosted further if the export of agricultural products like marine products, rice (Basmati), other cereals, tea, coffee, cashewnut, oil meals, and sugar, which dominate our agricultural exports can be increased further. It may be seen from the trend that while in certain cases, exports have increased, in others, a decline has been registered. The factors, which are acknowledged to have limited our export and infrastructural inadequacies, as well as unfavourable international prices, are mainly due to domestic support given to agriculture by developed countries. Meeting the sanitary and phyto-sanitary requirements of most trading partners also calls for substantial investment in developing quality standards and infrastructure facilities.

12.6 **Foreign Trade Policy 2004-09:** The Special Focus Initiative for Agriculture in the new Policy includes:

- A new scheme called Vishesh Krishi Upaj Yojana, which has been introduced to boost the exports of fruits, vegetables, flowers, minor forest produce and their value-added products.
- Duty-free import of capital goods under the Export Promotion Capital Goods (EPCG) scheme.
- Capital goods imported under EPCG for agriculture permitted to be installed anywhere in the agri export zones.
- Assistance to States for Infrastructure Development of Exports (ASIDE) funds to be also utilized for the development of agri export zones.
- Import of seeds, bulbs, tubers and planting material has been liberalized.
- Export of plant portions, derivatives and extracts has been liberalized with a view to promote exports of medicinal plants and herbal products.

12.7 **Repeal of Cess:** The Agriculture Produce Cess Act, 1940, and the Produce Cess Act, 1966, were repealed through a fresh parliamentary enactment. The Produce Cess Laws (Abolition) Act, 2006, was notified in the *Gazette of India* on 26 September 2006, in order to remove the cess on export of agricultural products and to encourage the export of agricultural products.

12.8 **The Doha Negotiations on the Agreement on Agriculture in the World Trade Organization (WTO):** The Hong Kong WTO conference in December 2005 culminated in a declaration endorsed by all the members of the WTO. While endorsing the July Framework, which was adopted by the General Council of the WTO on 1 August 2004, the Hong Kong Declaration further built upon its positions. It contained important pro-developing country provisions in market access, highlighting the development aspects in the WTO negotiations.

12.9 The Hong Kong Ministerial Declaration mandated the conclusion of the agriculture negotiations by April 2006. This deadline could not be met as there were major divergences in the positions of members primarily on reduction of domestic support and reductions in tariffs along with flexibility in market access like sensitive products, special products and Special Safeguard Mechanism (SSM). An attempt was made through a mini-ministerial meeting from 29 June to 2 July 2006, to bridge the divergences and arrive at workable compromises. But the positions remained deadlocked. The member countries later authorized the director general to consult the major players and try and reduce the differences. But this attempt also did not bring about the required convergence. However, at a recent informal gathering at Davos, there was a renewed commitment on all sides to put the Doha negotiations back on track.

12.10 **Scheme for Enhancing the Competitiveness of Indian Agriculture:** Globalization has led to increased competition from international markets and pressure to dismantle protectionist instruments. Agriculture in India is more a livelihood matter than a commercial venture. Therefore, it is necessary to build capacities in the system, such that it is able to withstand the forces of globalization and compete wherever possible. While there are a large number of issues to be addressed in this context at the micro and

macro levels, the scheme titled Capacity Building to Enhance the Competitiveness of Indian Agriculture and Registration of Organic Products Abroad aims to address some of the limited micro-level capacity-creation issues. The scheme was launched on 28 November 2006 with an outlay of Rs 1 crore for the year 2006-07. Capacity building under this scheme may be in the form of either academic/relevant research, or in the form of creation of physical assets critical of agriculture in the international context. The scheme shall be operated on a cost-sharing basis with State Governments or other private, semi-government, NGOs. There shall be an Empowered Committee (EC) which will consider and approve the proposals and also monitor their implementation. The Department of Agriculture and Cooperation will co-ordinate the work relating to the scheme and liaise with eligible agencies for release and utilization of the sanctioned funds.