
Subject III

Agricultural Trade with Special Reference to Plantation Crops and International Trade Agreements

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India has been one among the fifteen leading exporters of agriculture and allied products in the world. However, ever since India became signatory to WTO global trade pact, the proportion of agricultural exports to total national exports have been declining. Plantation commodities which formed a sizable share of exports have also been on the decline since the liberalisation regime. The global trade policies have adversely impacted the domestic price, farm income and export prospects of most of agricultural products. Further to it, COVID 19 pandemic, and climate change impacts have further worsened the performance. The impacts include social and ecological dimensions apart from the direct economic impacts.

Most of the plantation crops are grown in the ecologically fragile landscapes and the land use and management changes impact the ecosystem. These crops respond in a mixed manner to different policies and stresses, across time and space. For instance, Tea in South India fared comparably better than in North India, where severe short fall in production is reported, in 2019-20. The impacts of COVID 19 pandemic is expected to impact coffee exports, where 75 per cent of domestic production is exported. After a long distress spell for natural rubber growers, the prices show a positive trend, owing to rising demand on health care sector and biotic stresses in major growing centres in Thailand which limits the supply. Generally the pandemic has adversely impacted the plantation sector due to labour supply challenges, supply chain disruptions, skewed consumption and cash flow and logistic issues. The impacts of these on the economy of the South Indian states are much higher with multiplier effects.

The theme for discussion in the Conference was intended to focus on international trade in agriculture products with special emphasis on plantation crops. About twenty papers were received of which 16 were accepted. Four papers were published as full length papers based on the criteria of appropriateness to the topic, methodological vigour and regional/crop balance. Twelve papers were published in the abstract form. Of the 16 papers, except three, all the papers were presented in the conference. Three papers were rejected as they do not contain any analysis and were

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describing known facts. One paper was withdrawn by the authors. The papers dealt with plantation crops like coffee, tea, coconut, cashew, oilseeds and spices, bamboo, date palm and food crops like potato.

The paper on comparative advantage, competitiveness and performance of India's foreign trade in agricultural commodities provided an overview of the country's global trade behaviour of agricultural commodities and formed the background setting for the topic. Generally all the agricultural commodities were showing positive trend in trade with high inter-year variability. The growth in value of export was more than that of import for all the crops except pulses, vegetable oils, fresh fruits, cashew, cocoa products and raw jute. However, the relative position of agri trade with respect to total trade is not attempted in this paper.

Spices, that bring flavour and value addition to food, has been a major attraction of global trade ties with India and there were three papers on this topic, for presentation. One paper highlighted the unfavourable export-import balance in spice sector. Another paper focused specifically on black pepper, the King of spices by analysing the recent trends in production, imports and exports of black pepper in India in general, and Sri Lanka and Vietnam, as a special case of Free Trade Agreements. Being mainly small holder mixed crop estates, income from black pepper cultivation forms a major source of livelihood for the small and marginal farmers. Besides India, the main pepper producing countries are Vietnam, Indonesia, Brazil, Malaysia, and Sri Lanka. Black pepper production in India is facing challenges due to biotic and abiotic forces. The economic integration through free trade agreements facilitates cheaper imports because of the preferential trade duty concessions extended to the trading partners. Vietnam with a huge production capacity is exporting through Sri Lanka, taking advantage of the preferential tariff rates. The authors argued for policy interventions, specially on tariff rates, to check cheaper imports, to sustain the farming and protect the livelihood of farmers in India. It provided good insights into the trade of Malabar pepper and the issue of dumping from competing countries. The significance of GI registration was discussed. The domestic market intelligence mechanism and educational programme are to be focused.

The paper on the analysis of trade in plantation crops focused on cashew, coffee and tea by employing the Markov Chain Approach. The area, production, yield and export share of these commodities show significant and positive growth rates. The most stable importers of cashew are identified as Saudi Arabia and U.S.A, for coffee, Russia and U.S.A; and for tea it is Russia and Iran. Policy interventions were suggested to retain the market share in the unstable importers like Japan, Netherlands, Belgium, Germany, Italy and U.K, focusing on branding. However specific policy prescriptions are not made.

One research paper presented the results of a detailed analysis on performance and determinants of export of coffee from India, post-WTO. Nearly three-fourth of coffee produced in India is exported and the country ranks fifth in total global coffee

exports. But, the share of coffee export in total agricultural export from India shows a decreasing trend. However, the quantity of export denote positive and significant growth rate (except during 2000-01 to 2008-09). International price, exchange rate and lagged production nature of coffee are the major determinants of coffee exports.

Another study on price integration of arabica and robusta coffee analysed the impact of 1990s market liberalisation policies on relative prices. Cointegration and causality estimates revealed that the Arabica and Robusta prices were cointegrated and Robusta prices affected Arabica prices. The price shocks as a result of high variation in production (10 per cent) and price from Robusta markets transmits to Arabica markets. Arabica prices adjusted 18 per cent and 5 per cent to converge towards long run equilibrium. Thus, the study concluded that the fruits of market liberalisation have borne and there is still room for improvement as the speed of adjustment was found to be very low.

In recent past, non-tariff measures (Sanitary and Phyto Sanitary measures, Technical Barriers to Trade, Special Safeguard Provisions, Country of Origin) are adversely affecting the trade prospects of many plantation crops, especially food crops. Most of the importing countries impose stringent standards on MRL for chemicals, traceability and food safety standards. There were reports of small Cardamom being rejected owing to pesticide residues. Though tariff levels on beverages are within the stipulated WTO guidelines, the exports to many countries are affected by the non-tariff measures. Indian coffee is rejected often because of traceability issues and adulteration and Indian tea is rejected mostly due to the misconception of presence of Anthraquinon. The impact of non-tariff measures on the domestic and export prices of beverages and the loss in revenue to the beverage industry of India was analysed. This was the only paper dealing the aspect, though it is an important area to be studied. The authors suggested proper trade negotiations with the importing countries, adopting WTO standards and proper awareness about the traceability issues of global order to save millions of rupees to Indian beverages industry.

India is one of the largest consumer of edible oil in the world with a total domestic consumption of 21.69 million MT (2019-20), depending heavily on imports. High imports often result in low domestic prices and resultant low domestic production. There was a detailed analysis of the oilseed sector and trade flows and trade policies attempted by one of the papers. While the tariff rates and oil imports have direct relation, domestic production and prices are not correlated with trade policy changes, i.e., tariff rate changes. The paper therefore suggested domestic policy measures for improving profitability of the oilseed growers and trade performance as well as overall performance of the oilseed sector. Another study discussed the implications of palm oil import on the Indian edible oil sector in terms of price, income and international trade, focusing on the industry and consumers, reports that palm oil imports had significant influence on the domestic edible oil sector. The responses in domestic production, consumer price, industrial income and

government revenue were in the same direction as that of tariff and import price of palm oil, i.e., the import policy is mainly consumer friendly. Another paper on the same aspect raised concerns of recent global trade policy on oil palm due to its effects on the long term sustainability of India's trade prospects on oil trade. Tariff on palm oil imports was raised in 2018 from around 15 per cent to 100 per cent resulting in a decline in its imports. Further in January 2020 it was moved from 'free' to 'restricted' list. As the largest importer of palm oil in the world, decreased demand due to COVID 19 it had a low impact in the short run. But in the long-term these policies may affect consumer surplus adversely along with downward impact on economy. The authors argue for free trade to ensure overall welfare gains.

Coconut cultivation in South India, is the major source of farm income for the small and marginal farmers, especially in states like Kerala while cashew is promoted as a hardy crop in rainfed conditions and marginal lands. In this context a paper examined the changing patterns of international trade in four selected plantation commodities –desiccated coconut, fresh coconut, raw cashew nut and cashew nut kernels. India enjoys significant comparative advantage over major four competitors of fresh coconuts and Vietnam in the EU market for cashew nut kernels. Among major importing countries, Japan (167), US (12) and EU (69) have imposed non-tariff measures notifications in the recent past, which suggests the need for stakeholder awareness creation on food, ecological and social safety factors in production and post production aspects.

Conventional approach for assessing the economic performance of agricultural crops was based on the direct tradable benefits. Global efforts to minimise the climate change effects have led to several international agreements and launch of economic policy instruments like carbon trading. The role of plantation economy, from an ecosystem approach was analysed, highlighting the carbon sequestration level and value of ecosystem services provided by these crops. The prospects of improving the revenue from plantations through carbon trading, while contributing to climate change mitigation efforts were discussed. The monetary value of ecosystem services provided by the species, was assessed based on the data collected from nine years old *Melia* plantations. The total monetary value of carbon sequestered was Rs.38,052.67 from one hectare and total oxygen released by the trees was 24.93 tonnes of oxygen/ha/year. The total monetary value of water regulating services was calculated as Rs.62.4 and the monetary value of nutrient recycling service was Rs.6510.95. Thus total economic value provided by the plantation is Rs.6,70,496. The attempts to value the ecosystem benefits from plantations and efforts to generate income through trading opens up way to improve the income from this sector.

Bamboo trade plays a vital role in ensuring the livelihood of two billion of rural people globally and it is a major crop in the NE India. One study analysed bamboo trade status and reported steady increase in area, production and productivity and export of bamboo from the country. India is a net importer of bamboo products and the growth in value of import was recorded twice that of the export value. The

authors suggested rural capacity building for employment and income generation in products like bamboo shoots, seats of bamboo and bamboo mats.

Potato, accounting for 27 per cent of the total production of vegetables in the country, is one of the most widely consumed tuber. So the high price volatility of the crop often gains public response, either from producers or consumers. The domestic price behaviour and the export performance of major potato exporting countries were examined which highlighted the case of comparatively low export competitiveness of Indian potatoes.

Some Observations and Suggestions

- 1) Though net export earnings from agricultural products are on the rise, over a period of time, the share of agri exports to total exports from the country is on the decline. India have the comparative edge in export in many of its products and it is important that the opportunities are properly utilised through appropriate policy efforts. It is a matter of concern that we are losing the import share of many commodities of traditional consumers of Indian products. There should be focussed study as to the reasons and remedies to restore the lost glory. The papers that dealt with the trade performance often did analysis of historical data ,with limited efforts on policy analysis
- 2) Non-tariff barriers (NTB), than tariffs, are emerging as major challenge in global trade. There is need for effective designs for creating awareness and ensuring action towards cleaner production and postharvest management and monitoring protocols. Specific analytical studies are to be taken up to understand the trade behaviour with respect to NTB in major crops. It will be good if Society can organise a regional seminar on the topic
- 3) Most of the papers were applying the same tools in analysis of trade performance (growth rates and Markov Chain Analysis) and the policy prescriptions are very general and indicative only. It will be appropriate if the society can organise training workshops on research approaches on market analysis and policy development.

We take this opportunity to congratulate all the paper writers and request the young researchers to take up studies in areas that are relevant in promoting farmers' welfare.