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IMPACT OF WTO ON INDIAN AGRICULTURAL SECTOR

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Abstract :

This paper has focused on the history of Indian agriculture, role of agriculture in Indian economy the emphasis on Agriculture sector during Five year Plans, India's agricultural exports and imports scenario, the impact of economic reforms on Indian agriculture and the impact of WTO n Indian agricultural sector.

Agriculture is one of the most prominent sectors in the economy of India. About 43 percent of India's geographical area is used for agricultural activity. Despite a steady decline of its share in GDP, agriculture is still the largest economic sector and plays a significant role in the overall socio – economic development of the country. The monsoons play a critical role in the Indian sub – continent's agriculture in determining whether the harvest will be bountiful, average, or poor in any given year. The entire rainfall all the sub-continent is concentrated in a few monsoon months.

Agriculture in India is constitutionally the responsibility of the states rather than the central government. The central government\s role is in formulating policy and providing financial resources for agriculture. The central government also administers prices of essential commodities to protect farmer's interests.

Key Words: Nabard, WTO, Agriculture, Impact.

Introduction:

Indian economy registered a GDP growth of 6.7% (at 1999 – 2000 prices) during 2008 – 0 due to consistent high growth trend of the services sector (9.7%). The share of agriculture and industry in GDP, however, declined to 17 to 26 percent respectively, while that of the services sector increased to 57 percent during 2008 – 09.

Objectives of the study –

1) To study the history of Indian Agriculture
2) To study the impact of WTO on Indian Agricultural sector.

Research Methodology of the study – The study is totally based on secondary data which is collected through various books, Journals, Reports and Websites on Internet.

Indian Agriculture – The Retrospect – Evidence of the presence of wheat and some legumes in the 6th millennium BC have been found in the Indus Valley. Oranges were cultivated in the same millennium.

The crops grown in the valley around 4000 BC were typically wheat, peas, sesame seed, barley, dates and mangoes. By 3500BC cotton growing and cotton textiles were quite advanced in the valley. By 3000 farming of rice had started. Other monsoon crop of importance of the time was cane sugar. By 2500 BC, rice was an important component of the stable diet in Mohenjodaro near the Arabian Sea. The Indus Plain had rich alluvial deposits which came down the Indus River in annual floods. This helped sustain farming that formed basis of the Indus Valley Civilization at Harappa. The people built dams and drainage systems for the crops. By 2000 BC tea, bananas and apples were being cultivated in India. There was coconut trade with East Africa in 200BC. By 500AC, egg plants were being cultivated.

The populations of India has exploded from 35 crore in 1947 to 117 crore in the year 2009, a two hundred percent increase in 57 years. Farming continues to host the largest section of the illiterate poor. With a stagnant technology yielding diminishing returns to the application of capital and labour inputs and with a fast expanding population, India faced the prospect of mass starvation in the mid sixties. India suffered crop failures between 1965 and 1967 and had to import over 20 million tones of wheat from the USA for survival. This was the time when there was technological breakthrough in the shape of high yielding varieties of wheat and maize, through outstanding research by the American scientist Dr. Norman Borlaug in Mexico. This was also the time when an enterprising Indian Minister for Agriculture, Shri C. Subramaniam took a bold decision to import several thousand tones of high – yielding wheat and maize seeds in the face of criticism. This was watershed in Indian agriculture. Indian farmers in irrigated area took to these high – yielding varieties and enhanced their yields by a factor of 100 to 200 percent. This was the birth of the hallowed Green Revolution. Indian agriculture has never looked back since then.

The data relating to government outlay to agriculture and irrigation during five year plans. The data indicates that even thought the amount of outlay for irrigation in agriculture has been increasing in every five plan. Percentage wise in the plan outlay it has been drastically decreasing. During the first five year plan 31 percent of the total five year plan outlay was allocated to this sector which was drastically declined to 18 percent during the eleventh five year plan.

Impact of Economic Reforms on Indian Agriculture –

Since July, 1991 the country has taken a series of measures to restructure the economy and improve the balance of payments position. The New Economic Policy (NEP-1991) introduced changes in the areas of traded policies, monetary & financial policies, NEP – 1991 are (i) liberalization (internal and external). (ii) extending privatization (iii) redirecting scarce Public Sector Resources to Areas where the private sector is unlikely to enter, (iv) globalization of economy, and (v) market friendly state. Research reports reveal that this macro – economic adjustment programme is remarkable for its relatively painless transition compared with similar programmes elsewhere and a large part of the credit for absorption of these shocks is due to the steady increase in agricultural production. The GATT Agreement signed in 1955 has fundamentally changed the global trade picture in agricultural sector.

Agricultural sector is the mainstay of the rural Indian economy around which socio-economic privileges and deprivations revolve, and any change in it structure is likely to have corresponding impact on the existing pattern of social equality. No strategy of economic reform can succeed without sustained and broad based agricultural development which is critical for

1. Raising living standards,
2. Alleviating poverty,
3. Assuring food security.
4. Generating buoyant market for expansion of industry and services, and
5. Making substantial contribution to the national economic growth.

Studies also show that the economic liberalization and reforms have influenced agricultural and rural sectors very much.

Reduction in Commercial Bank credit to agriculture, in lieu of this reforms process and recommendations of Khusrao Committee and Narasimham Committee, might lead to a fall in farm investment and impaired agricultural growth (Panda 96), Infrastructure development requires public expenditure which a getting affected due to the new policies of fiscal compression in “resource use” and “marketing of agricultural production”. Which will force the small and marginal farmers (who constitute 76.3% of total farmers) to resort to “distress sale” and seek for off–farm employment for supplementing income.

Reasons for Low Productivity In Indian Agriculture -

1) Illiteracy, general socio – economic backwardness, reforms and inadequate or inefficient finance and marketing services for farm produce.
2) The average size of land holdings is very small (less than 20000m2) and are subject to fragmentation, due to land ceiling acts and in some cases, family disputes. Such small holdings are often over-manned, resulting in disguised unemployment and low productivity of labour.
3) Many of the illiterate farmers are reluctant to adopt modern agricultural practices and use of technology.
4) Irrigation facilities are inadequate, as revealed by the fact that only 53.6% of the land was irrigated in 2000-01, which result in farmers still being dependent on rainfall, specifically the Monsoon season. A good monsoon results in a robust growth for the economy as a whole, while a poor monsoon leads to a sluggish growth. Farm credit is regulated by NABARD, which is the statutory apex agent for rural development in the subcontinent.
5) In the last few decades several farmers have committed suicide especially in the states of Andhra Pradesh, Maharashtra, Karnataka, and Kerala. Combating this has become a major challenge for these governments. Some of the causes for the deaths include indebtedness for of small and marginal farmers and repeated crop failures.

W.T.O And Indian Agriculture –

The agreement on Agriculture (AOA, which forms a part of the final act of Uruguay Round of Multilateral Negotiation (1896 - 93), was signed by member countries including India in April 1994 at Marrakesh in Morocco. The AOA contains provisions in three areas: The first area is there can be no restrictions on farm trade except through tariffs. All the non – tariff barriers such as Quantitative Restrictions (QR) on imports in the form of quotes, import restriction, import licensing, which were existence before the Agreement were to replaced by tariffs on import to provide the same level of protection. In the process of tarrification, however, the tariffs were to be reduced by 36 percent over a period of 6 year by developed countries and by 24 percent in 10 years by developing countries. All the member countries have to provide market access opportunities to other member countries should club support into two categories, (a) support having no or negligible distorting effect on trade, i.e. Green and Blue Box measures and (b) trade distorting support, i.e. Aggregate Measures of Support (AMS). The Agreement stipulates a reduction of total AMS by 20 percent by developed countries in 6 years (1995 - 2000) and 131/3 percent by developing countries over a period of 10 years 1995 – 2004 taking 1986 – 88 as the base period. The third area in the Agreement stipulates that the developed counties should reduce the volume of subsidized exports by 21 percent and budgetary outlay for export support by 36 percent over a period of 6 years, the base period being 1986 – 90. For developing countries, this reduction is 14 percent in volume terms and 24 percent in term of budgetary outlay on export subsidies over a period of 10 years.

India has removed Quantitative Restrictions for 1429 items by March 2001 (715 items by March 2000 and 714 items by March 2001). Of these, 208 items belonged to agriculture. India has earlier successfully revised the binding levels on 15 tariff lines, which included skimmed milk powder spelt wheat, etc. India can also take suitable measures under WTO’s Agreements on safeguards if there is a serious injury to domestic producers due to surge in imports. In India, product specific support is negligible, while non – product – specific support, i.e. subsides on agricultural inputs such as power, irrigation, fertilizers, etc. is well below the permissible level of 10 percent of the value of agriculture output. India is therefore, not under obligation to reduce domestic support extended to agriculture. The export subsidies as listed in the agreement, which attract reduction commitments, are not extended in

India. However, developing countries like India are free to provide certain subsides such as subsidizing export cost, internal and international transport and fright charges etc.

India is one of the fastest growing economics today and among the world's leading agricultural producers and yet its trade flow are relatively small. However given the size of India agriculture, even small changes in its trade have a potentially large impact on world market. India is also a major consumer, with an expanding population to feed. The average size of holding is just 1.4 hectors and 60 percent of the work force depends on agriculture for a living.

Export Competitiveness of Indian Agriculture –

Liberalization of world trade in a agriculture has opened up new vistas of growth, India has a competitive advantage in several commodities for agricultural experts because of near self sufficiency of inputs, relatively low labour costs and diverse agro – climatic conditions. These factors have enabled export of several agricultural commodities over the year such as marine products, cereals, cashew, tea, coffee, spices, oil meals, fruits and vegetables, castor and tobacco. For certain a commodity like Basmati Rice, India has a niche market access in spite of competition.

Raising the level of productivity and quality standards to internationally competitive levels is one of the major challenges following the dismantling quantitative restrictions on imports, as per the WTO Agreement on Agriculture. For several commodities, our national productivity is less than the world average.

Within the country, there are wide variations in productivity levels. Punjab, Haryana, Andhra Pradesh may have attained productivity levels of a world standard. But other regions are way behind. Comparative advantage in itself is a relative concept and it depends upon the relative changes in the international Market. A major difficulty faced by Indian in the international market is the high level of domestic support and export subsidies given by developed countries for agri exports.

Hence it is imperative to evolve concrete strategies to make Indian agriculture competitive and enhance its efficiency. For this purpose, on the one hand we should be seeking substantial reduction in the support given to agriculture by developed countries, on the other hand, Indian agriculture would also require to be supported to maintain and improve its competitiveness.

Despite the obstacles, India stands a fairly good chance substantially improving its share in global agricultural trade, given the generic advantages of some of its key agricultural products like rice, wheat, horticultural products with the overall pace of changes taking place in the agricultural economy, under the impact of economic reforms and globalisation of trade regimes.

Conclusion –

To Strengthen The Agricultural Sector In India The Following Measure May Be Initiated

1) Exports of high value products, horticulture products, processed products, marine products and rice should be promoted.
2) A special campaign is required to create awareness for appreciating quality aspects of farm produce among the farming community, traders, consumers and exporters.
3) India has to learn from the experience of other developing countries like Thailand and Malasiya regarding compliance to food safety standards.
4) There should be better coordination among the departments like irrigation, fertilizer, food, agriculture, etc.
5) Public investment in agriculture has to be raised, particularly in R & D including extension.

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