

# Trends in Agriculture Trade and the Influence of Global Crises on Export of Agricultural Goods of India

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## **Abstract:**

Recently it is experienced that the agricultural trade in India has been tremendously change due to came into scene of global crises. In the year 2021 and 2022 exports recorded \$ 50.2 billion and imports recorded \$ 32.4 billion. The resulting surplus of \$ 17.8 billion was significantly lower than the surplus amount of \$ 27.7 in the previous record- breaking export year 2013-2014. Covid 19 pandemic and Ukraine war had a positive influence on the record exports from India. But the greater increase in imports has particularly offset the remarkable expansion in exports. In this context, an attempt has been made to examine the causes of this pattern in Indian export of agricultural produces. The study in this regard is significant because, aside from software services, this is one industry in which India has some comparative advantage. The nation must prioritize a stable trade policy, especially for those goods having highest trade potential.

## **Introduction:**

India has been playing a major role in the agricultural sector in the world and is one of the ten top exporters of agricultural products in the world. This is the only sector experienced positive growth during 2021-2022 financial year, despite a 4.8 percent decline in gross value added (GVA) was the agricultural sector. Being a developing nation, India, the contribution of agricultural trade to economic development, poverty alleviation and ensuring food security is enormous. India's export portfolio has expanded to include non- traditional goods and differentiated products are now being more significant. After 2005-2006, there was a noticeable increase in both agricultural goods exports and imports. India is becoming more and more significant on the global market and it has improved its export competitiveness in some niche markets. The aims of this study is to provide the current trends in the trade surplus and also gives a picture of the influence of global crisis on the Indian agricultural export by presenting the trends in the export.

## **Statement of the Problem:**

India's exports were at highest level ever, were positively influenced by the recent Covid 19 pandemic and Russia Ukraine war. As there was also an increase in imports, the nation was unable to fully benefit from this trend, which ultimately caused the trade surplus to shrink. Until now, most studies focused on the decline in agriculture exports, the reasons for the same and the consequences of trade. Since the recent global crises had opened new opportunities for India to increase its exports, the phenomenon needs a fresh perception in the changed circumstances. The attention of the current study is to assess India's export

import patterns as well as the influence of the Covid19 pandemic and the Russia- Ukraine conflict on the nation’s agriculture trade.

**Objectives of the Study:**

1. To evaluate the trend in trade surplus of agricultural produce in India.
2. To examine the influence of the Covid 19 pandemic and Russia- Ukraine conflict on exports from India.

**Methodology of the Study:**

This Study has been done on the secondary data resources. Data are collected from different sources like Various publications, various Government Reports, Various Newspapers, journals and official portal of India. Apart from this, various statistical tools like CAGR, percentage, line graphs are used

**Trends of India’s agricultural Trade:**

**Table- 1**

Year	Exports (In Million Dollar)		Imports (In Million Dollar)		Trade Surplus (In Million Dollar)	
	\$ MN	% growth	\$ MN	% growth	\$ MN	% growth
2012-13	41726.33		18978.33		22748.00	
2013-14	43251.66	3.64	15528.94	-18.18	27722.72	21.84
2014-15	39080.43	-9.64	21151.77	36.19	17928.66	-35.31
2015-16	32808.54	-16.07	22578.60	6.81	10230.04	-43.06
2016-17	33696.83	2.74	25643.40	13.50	8053.43	-21.06
2017-18	38897.21	15.43	24890.90	-2.93	14006.31	73.82
2018-19	39203.53	0.77	20920.34	-15.95	18283.19	30.48
2019-20	35500.47	-9.18	21859.99	4.49	13740.48	-24.84
2020-21	41895.68	17.70	21652.05	-0.96	20243.63	47.38
2021-22	50240.21	19.90	32422.30	49.75	17817.91	-12
<b>CAGR (%)</b>	<b>1.87</b>		<b>5.5</b>		<b>-2.41</b>	
April-Dec,21	36155.42		24071.55		12083.87	
April-Dec,22	38997.92		27770.64		11227.28	

Source: - Department of Commerce, Ministry of Commerce and Industry, Government of India.

The table -1, reveals the trends of India’s exports, imports and trade surpluses of agricultural produces different years from 2012-13 to 2021-22. The data from 2012 – 2022 shows the fluctuations in the value of India’s agricultural trade in dollar. In the year 2018-19, the trade surplus was highest (30.48) followed by 2013-14, (21.84), whereas from 2014-15 the trade surplus has been decreasing and reached the lowest point in 2016-17. Since then, there has been fluctuating the trade surplus without consistent increase or decrease in the trade surplus. From 2020 to 2021, there has been a steady decline. This pattern was also influenced by the Russia- Ukraine war, which prevented the normal movement of agricultural goods from one location to another location. The surplus in the b2021 and 2022 is very low. The highest surplus was recorded in the year 2018-19. There was not much difference in exports during these years. But an increase in import can be seen in the following years which is the reason for decrease in exports. The compounded annual growth rate (CAGR) calculated for the ten years from 2012 to 2022, reveals that

the growth in imports (5.5%) was almost 3 times than that of growth in exports (1.87%). It comes to the view that trade surplus is fluctuating and now it is decreasing with a negative CAGR of -2.41%.

### **Influence of Covid-19 and Ukraine war on the Agricultural Exports in India**

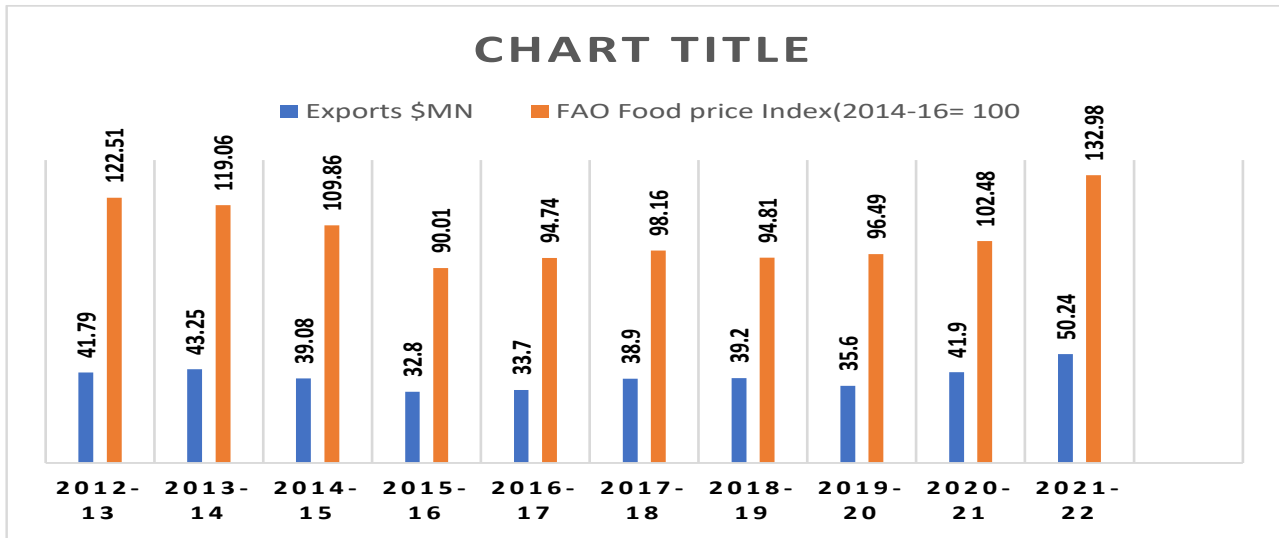
The Covid-19 pandemic caused a rise in the demand for staple foods, opening the door for more exports of agricultural products. India was capable to rise to the occasion and establish itself as a dependable food supplier as a result of the administrative framework that was already in place at the state and District levels and focussed efforts were made to remove the bottlenecks brought in by the pandemic. India now exports more staple food than ever before, including rice, wheat, sugar other materials and meat. The Government quick action to assure the export of rice and other grains is believed to have caused the sharp increase in rice exports, particularly during the period when Covid-19 pandemic had disrupted supply chains of several commodities globally.

The Russia -Ukraine war, may be one of the major reasons that led the FPI of FAO to rise to an all-time high in 2021-22. The FAO food price index tracks the monthly change in a basket of food commodities international prices. It is made up of the weighted average of five commodity group price indexes averaged throughout the years of 2014 to 2016.

### **India's Farm Exports V/S World Food Prices:**

From the figure-2, it can be inferred how closely India's farm performance is linked to international commodity prices. In the years 2012-13 and 2013-14 the FPI was above 100, but after 2014-15, FAO food price index and export deteriorated and down below 100. Exports bounced back in 2020-21 and 2021-22, as a result of rising global price and the FAO index, which in those two years averaged to 102.5 points and 133 points respectively. This increase may be due to the Russia – Ukraine war, as during this time the export or import of agricultural produce was not feasible. It was the European Union or the NATO countries, which was putting pressure over Russia, as they were not able to export from the Russian countries. Because of this halt in the production of agricultural produces the import and export also came to a standstill. This led to demand and supply gap, the prices of commodities increased and the FPI of FAO came to an all time high in 2021-22. Just after Russia invaded Ukraine in March 2022, the FAO index reached its highest value of 159.7 points. Since then, it has decreased each month, with the most recent measurement of 131.2 points in January 2023 being the lowest in September 2021 level of 129.2 points.

Figure -2.



Source: - Food and Agricultural Organization of United Nations.

### India’s new Markets for Wheat:

According to sources in the Ministry of Commerce and Industry, there has been an increase in wheat export despite a prohibition since 2022, on the same due to pre-existing orders. The impact of Russia – Ukraine war and demand for nations which previously did not buy wheat from India. The Conflict between Russia and Ukraine carried out more than 30% of the world’s wheat trade, has disrupted the world supply of wheat. India is trying to obtain access to markets that have previously received wheat from Belarus and Ukraine. Buyers who are concerned about delays in the supply chain from Ukraine and Russia have turned to India because they know that only India can now be a significant, reliable source of wheat. From \$ 568 million in 2020 – 21 to about \$ 2119 million in 2020-21, wheat sales increased by an extraordinary 273 %, near a four- fold increased. This information indicates that if India hadn’t imposed export restrictions on wheat, the country’s wheat exports would have increased massively.

### Findings of the Study:

From the study, it is found that –

1. The surplus on the farm trade account has shown a narrowing trend.
2. In the fiscal year that ends on March 31, 2023, Indian’s agricultural exports are anticipated to reach a new high. But rising imports reduces the excess in the overall farm trade.
3. Based on ten years compound annual growth rate calculated from 2012 to 2022, import growth 5.5% is nearly three times greater than export growth ,1.87%. In conclusion, it can be seen that the trade surplus varies and is primarily now declining with a negative CAGR of 2.41%.
4. India’s agricultural exports fluctuated during the course of the ten- year period from 2012-13 to 2021-22 as a result of an unreliable fluctuating farm trade system and also due to global crisis.
5. Global demand for staple foods increased during the Covid pandemic and India was able to take advantage of this circumstance by responding promptly.
6. Due to “Global supply Crunch “brought on by the Russia and Ukraine war. India, which had been a marginal player in the world wheat market last year. This leads to demand from nations that had not previously purchased Indian wheat.

7. The world looks to India for supply of wheat and other food-grains even during current crisis caused by the Russia – Ukraine war.
8. In recent days, India secured contracts to export over 500,000 tons of wheat, taking advantage of a steep rise in global prices and indicating a significant increase in exports from the second – largest producer of the grain in the world.

**Suggestions:**

The agriculture sector would need to concentrate on exports and private investments while aiming for a 5% annual growth in agriculture GVA in order to achieve US \$ 5 billion targets by 2025-26. For the agriculture sector to be stimulated, emphasis on agriculture marketing reforms and agricultural exports to double farmers income by financial year 2024 -25 would be acceptable. The nation must broaden its exports portfolio in terms of the products offered and the markets accessed other than always depending on just a few groups of nations to export its goods. Along with this, the increasing trend in imports should also be considered by encouraging their domestic production, otherwise, the advantages of growing exports get nullified by the narrowing trade surplus.

**Conclusion:**

India appears to be performing better overall in global agricultural trade and exports of agricultural commodities reached a record high despite the global crisis which positively influenced the export. Since 1995, the nation has constantly had a agricultural trade surplus. Now a narrowing trade can be seen in trade surplus due to increase in exports simultaneously with the increase in the country's exports. By seizing the opportunity provided by the global crisis, export should be increased by correcting the narrowing tendency in trade surplus. There is enormous untapped exports potential that may be realised with the right course of action.

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