

## **Agricultural and Allied Commodities anchor India's Exports**

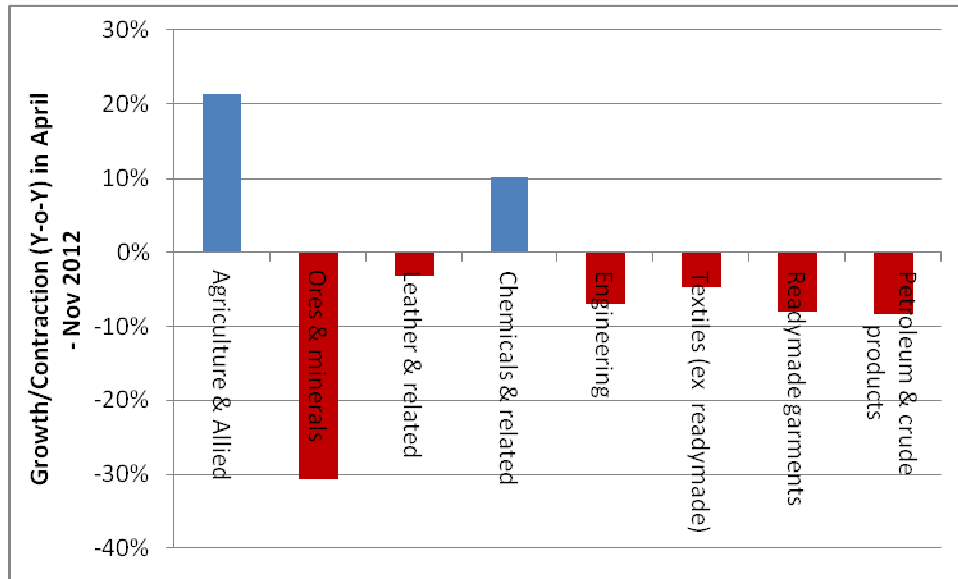
### **Introduction**

A recent discussion paper on farm trade in India co-authored by CACP Chairman noted that India's agricultural trade (imports plus exports) has increasingly integrated with global trade having grown from 5% of the agri-GDP in 1990-91 to 18% in 2011-12. The paper also highlights the fact that in 2011-12, India's agricultural exports as a share of total exports was 11.9% whereas the share of agricultural imports has been only 3.4% of India's total imports indicating that India enjoys comparative advantage in agricultural exports. We examine the pattern of India's agricultural exports in the recent period and also try to highlight some trends in agricultural exports in the last decade.

### **Contribution of Agriculture and Allied Products in the recent period**

The contribution by agriculture and allied products to total exports increased to 14% in April 2012 – November 2012 from 11% for the same period last fiscal. Agricultural exports totaled US\$26 billion in April – November 2012 compared to US\$22 billion in April – November 2011. In the first eight months of FY13, export of agricultural commodities grew at the quickest pace (of 21% y-o-y) compared to its peers in the export basket and in stark contrast with contraction of 3% in manufactured products and decline of 30% in ores and minerals (Figure 1). Enhanced contribution by agricultural commodities as a foreign exchange earner has only revealed its importance in the current times where there is a pressure on the current account deficit and, especially in the current year of global industrial slowdown when India's overall exports contracted 5% in the first three quarters of the current fiscal ending December 2012. Agricultural exports provided a silver line to the disappointing performance of India's exports in general.

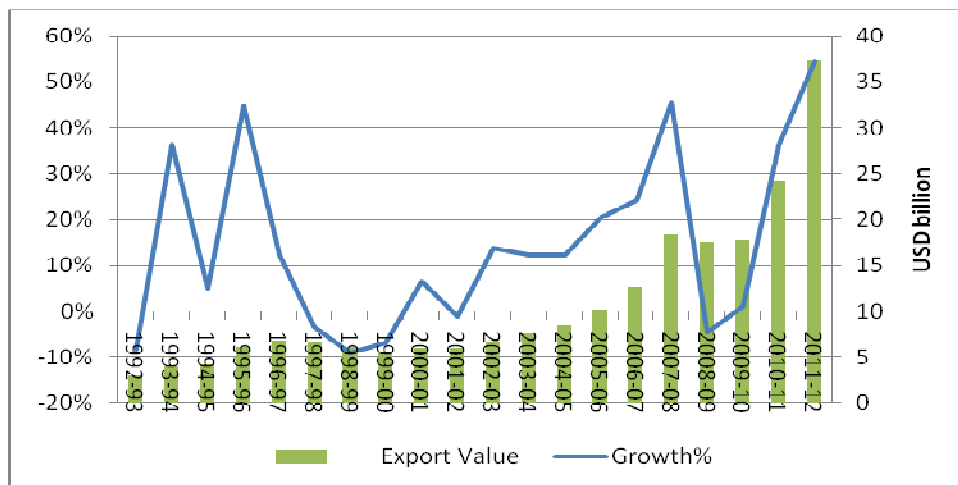
**Figure 1: Agriculture and Allied are the Best Performers this fiscal**



Source: Computation based on data from CMIE (Data for April – Nov 2012)

The share of agriculture and allied products in total exports has declined since the 90s, but recent surge in growth of agriculture products exports is a testimony of its expanded potential. Export of agricultural products contracted in the latter half of 90s and grew at an average 9% in the first five years of last decade. After sharp contraction in 2008-09, exports of agricultural and allied products recouped with growth of 1% in the following year and jump of 36% to US\$ 24 billion and 55% to US\$37 billion in 2010-11 and 2011-12 (Figure 2).

**Figure 2: Export of Agriculture and Allied Products**



Source: Computation based on data from CMIE

Opening up of exports (*albeit in pockets and with controls/quantitative restrictions*) of commodities such as cotton, sugar, wheat and rice on due consideration of bumper crop and comfortable domestic stock has boosted exports in recent years (Table 1). Export of wheat and non-basmati rice surged after the government allowed exports by private traders in the last fiscal. In fact, India emerged as the world's largest rice exporter in 2012 surpassing Thailand after ban was lifted in September 2011. India has consolidated its position as the world's second largest exporter of cotton despite flip-flop in export policy. Amongst allied products, India emerged as the largest exporter of buffalo meat and replaced Brazil from the top spot in 2012. On the other hand, soaring demand for guar-gum in hydraulic fracturing process to free gas from shale rocks in the US led export of this thickening agent to rise by 435% in 2011-12. Refer to Appendix for detailed charts on export trajectory of select best performing (by growth in value of export) commodities over the last decade and in current fiscal.

**Table 1: Top Performers by Growth in Value of Export in 2011-12 over 2010-11**

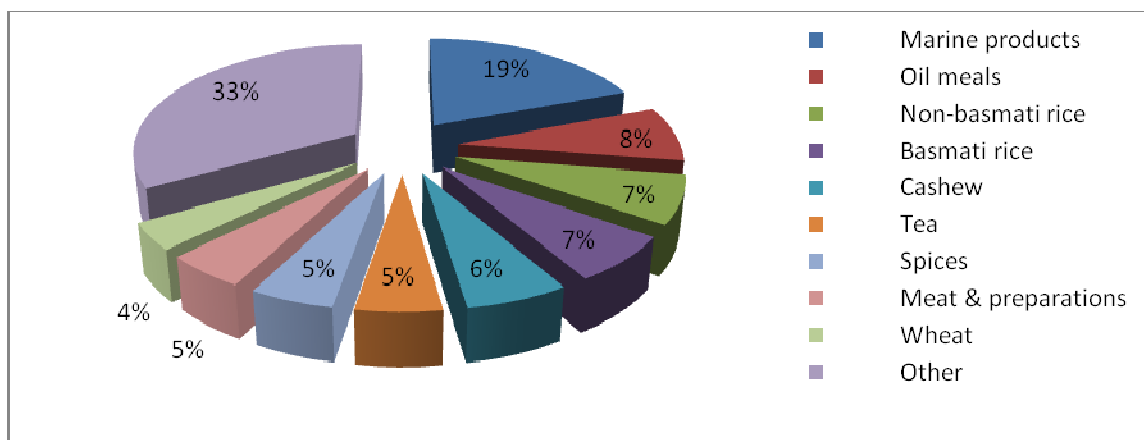
	Exports 2010-11 (USD million)	Exports 2011-12 (USD million)	Growth Y-o-Y
<b>Wheat</b>	0.20	213.50	106650%
<b>Non-basmati rice</b>	50.80	1,807.80	3459%
<b>Guar gum</b>	644.73	3,446.37	435%
<b>Guar gum meal</b>	644.90	3,411.20	429%
<b>Niger seeds</b>	9.80	24.50	150%
<b>Groundnuts</b>	478.00	1,094.80	129%
<b>Shellac</b>	30.70	54.10	76%
<b>Cashew nut shell liquid</b>	7.40	12.40	68%
<b>Spirit &amp; beverages</b>	186.10	310.30	67%
<b>Cotton raw including waste</b>	2,888.00	4,509.50	56%
<b>Spices</b>	1,765.10	2,747.80	56%
<b>Meat &amp; preparations</b>	1966.2	2942.9	50%

Source: CMIE, APEDA

### **Changing Face of India's Agriculture and Allied Products Exports**

India's agricultural and allied export basket includes variety of commodities such as marine products, rice, coffee, spices, fruit, dry fruits, guar gum amongst other. Marine products are the top agricultural and allied product exported from India. Marine products had an average share of a fifth of agriculture products exported by value from India between 2000-01 and 2005-06 (Figure 3). Rice, basmati and non-basmati rice combined, was a big foreign exchange earner with a share of 14% in total agricultural exports.

**Figure 3: Average Share of Major Agricultural Products Export (USD) between 2000-01 and 2005-06**

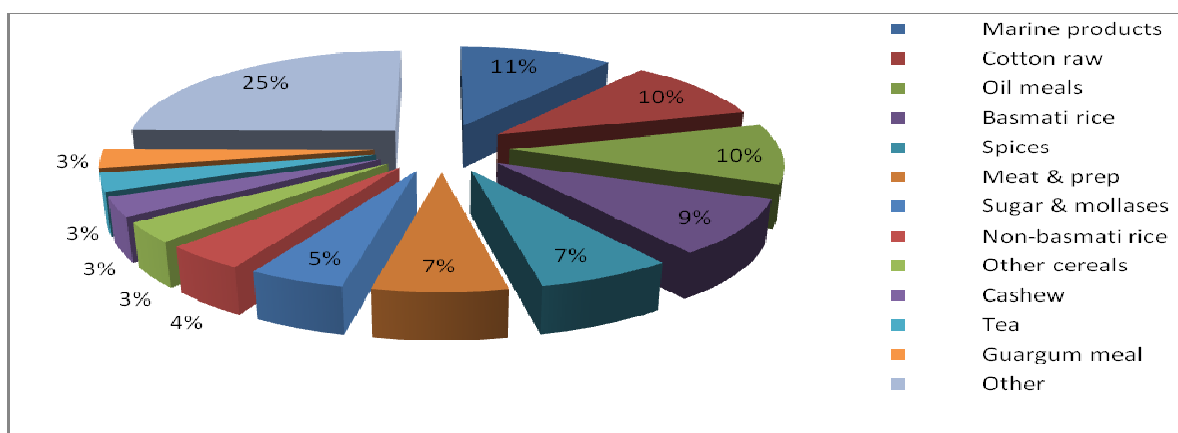


Source: Computation based on data from CMIE

The composition of exported agricultural and allied products is undergoing change due to many factors ranging from availability of exportable surplus as in case of rice, sugar and wheat as well as increased international demand for certain commodities like guar gum and cotton by the industrial sector.

Share of marine products more than halved to 10% of total value of exported agricultural commodities in 2011-12 from 23% in 2000-01 (Figure 4). Gain in share of raw cotton (including waste) was the largest from 0.8% in 2000-01 to 12% in 2011-12. Export share of Basmati rice has grown from 7.90% in 2000-01 to 10.29% in 2010-11. Share of non-basmati rice has doubled from 2.85% in 2000-01 to 4.83% in 2011-12 while that of sugar has grown three times to 4.9% by 2011-12 from 1.58% in 2000-01. Share of guar gum meal has jumped from a modest 2.17% in 2000-01 to a large 9.12% in 2011-12.

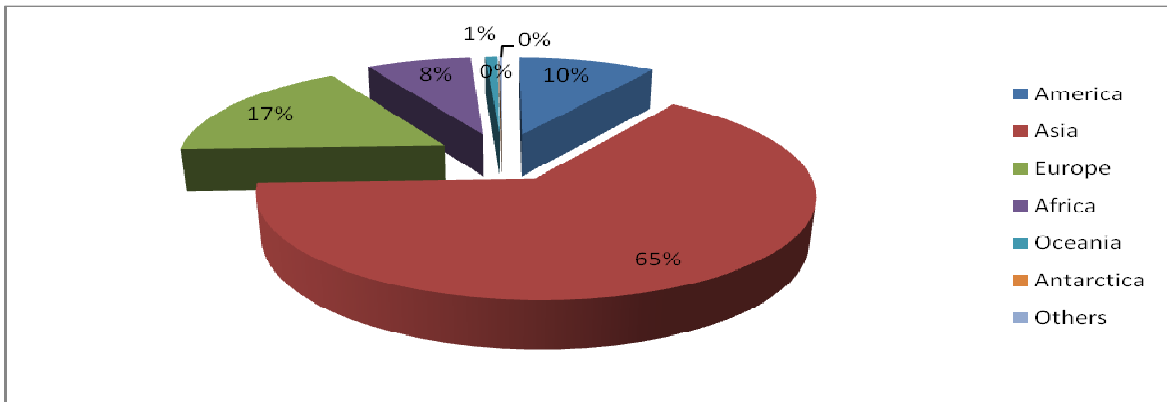
**Figure 4: Average Share of Major Agricultural Products Export (USD) between 2006-07 and 2011-12**



Source: Computation based on data from CMIE

Given the dynamic nature of agricultural trade, the regional share of India's agricultural shipment has also undergone appreciable change. Asian countries led by China, Vietnam, UAE, Saudi Arabia, Bangladesh and Malaysia are major destinations for Indian agricultural exports (Figure 5). America, Asia and Africa are taking a larger pie from India's agricultural shipments as their respective shares have increased from 9%, 49% and 3% in 1990-91 to 14%, 62% and 9% in 2011-12. Europe's share in India's agri-exports plummeted to 14% in 2011-12 from a dominant 39% in 1990-91.

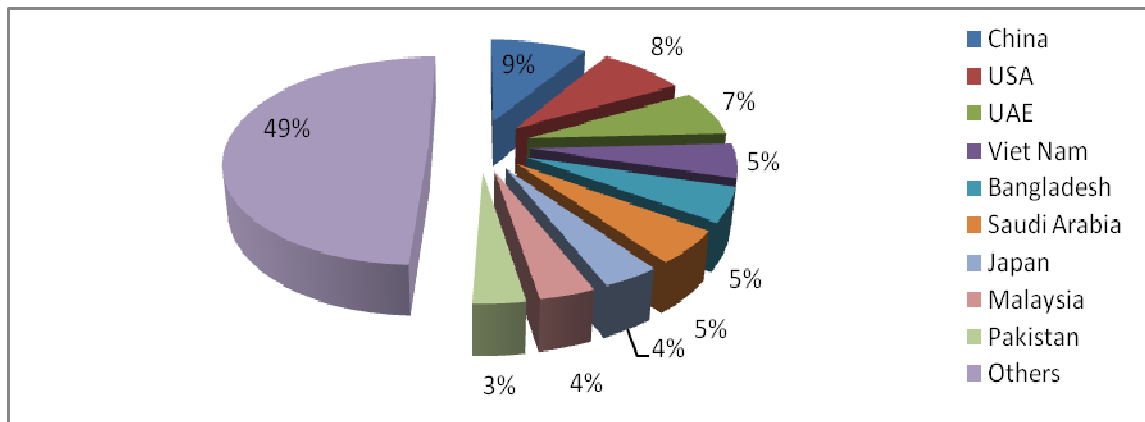
**Figure 5: Average Share of Regions in India's Agri-Export (USD) between 2006-07 and 2011-12**



*Source: Computation based on data from CMIE*

Amongst countries, China has become the largest trade partner with a share of 13% in India's agricultural exports in 2011-12 compared to a miniscule share of 0.07% in 1990-91. The US is the second largest destination for India's agricultural commodities. Middle East led by UAE and Saudi Arabia are large Asian trade destinations (Figure 6).

**Figure 6: Average Share of Countries in India's Agri-Export (USD) between 2006-07 and 2011-12**

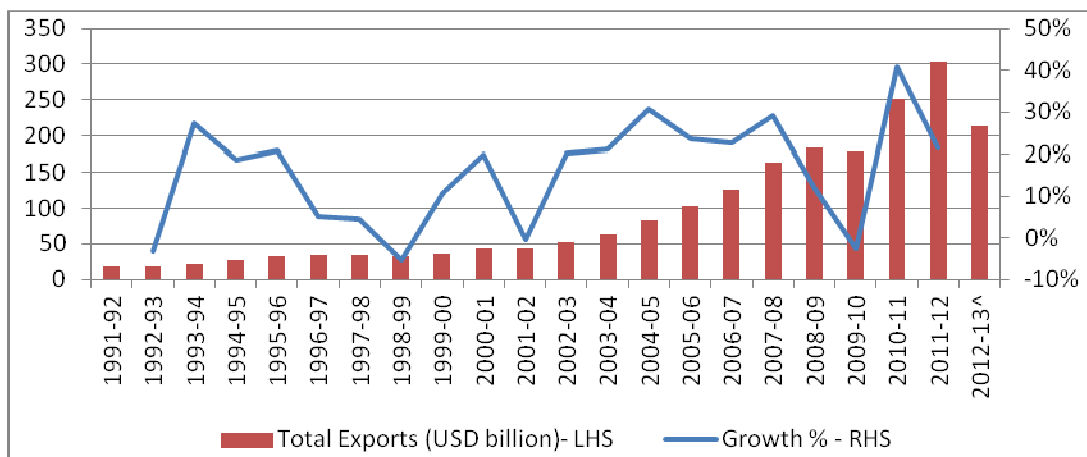


*Source: Computation based on data from CMIE*

### Profiling India's Overall Export Trajectory since 1991-92

India's exports grew at a robust 20% in the first nine years of the past decade until the financial crisis engulfed the US and the European Union, large recipients of Indian shipment. After shrinking in 2009-10, exports jumped a solid 41% and 21% in the following two fiscals lifting export figure to US\$304 billion in 2011-12 (Figure 7). However, India's export growth story seems to be stalling again in the wake of global uncertainty. India's exports contracted 5% year-on-year to US\$214 billion in April to December 2012 compared to a robust rise of 32% and 34% in the same period of the previous two years.

Figure 7: India's Export Growth Slackening



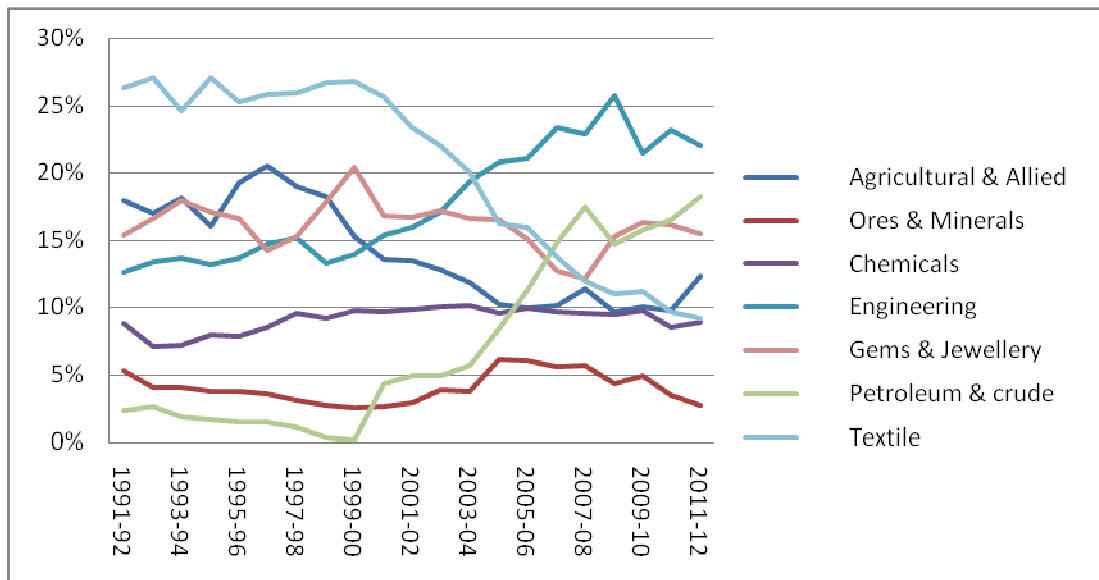
Source: Computation based on data from CMIE (^ data pertains to April – December 2012)

Export growth doubled between the two decades following economic liberalisation of early 90s led by a change in composition of exports (Figure 8). Share of engineering goods increased from 13% in 1991-92 to 22% in 2011-12 while share of petroleum and crude products jumped from a modest 2% to 18%.

Gems and jewellery, chemicals and ores and minerals have nearly maintained their share at 15%, 9% and 4% during this evolutionary phase.

The textile industry has steadily lost its share in total shipment with contribution of textiles (excluding ready-made garments) having dipped from 14% to 5% and that of ready-made garments having dropped from 12% to 4%. The share of agriculture and allied products has lagged with its share coming down from 18% in 1991-92 to 12% in 2011-12.

Figure 8: Component Share in Total Exports



Source: Computation based on data from CMIE

### Concluding Remarks

India's potential in export of agricultural commodities is reinforced by the diversified basket of goods that the country ships out as compared to vegetable oil and pulses dominated<sup>1</sup> import basket. The widened surplus in trade of agricultural and allied commodities (US\$24 billion in FY12 versus US\$14 billion in FY11<sup>2</sup>) compared to a rise in overall trade deficit (US\$184 billion in FY12 versus US\$118 billion in FY11) calls for attention to the agriculture and allied sector to target productivity at farms and orient trade policies to build stronger international partnerships.

India's agricultural and allied product exports have multiplied despite flip-flop in export policies. India's policy on export of agricultural commodities has often been restrictive to ensure adequate supplies at home to meet domestic need. However, this needs to be balanced by the need to step up our foreign currency earnings and also better remuneration to our farmers. Moreover, in years of domestic over supply, given the inadequate warehousing infrastructure, it is better to export foodgrains rather than allow them to go waste. Greater returns from agricultural goods can also create incentives for and

<sup>1</sup> Vegetable oil and pulses, combined, had a share of 87% in total value of food and related items imported by India in 2011-12.

<sup>2</sup> Surplus calculation done using exports data for "Agriculture & Allied Products" and import data for "Food & Related Items"

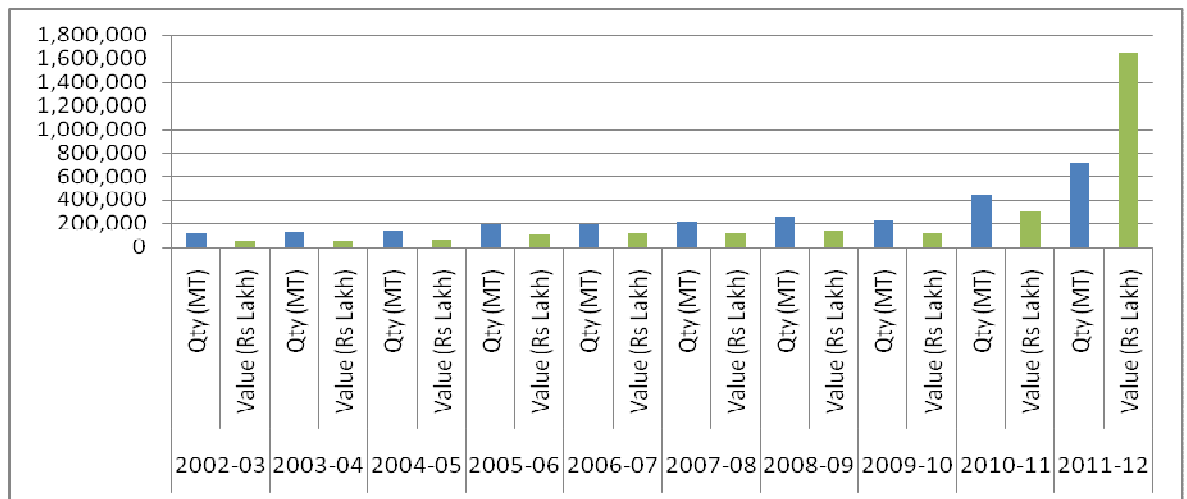
facilitate investment to boost productivity, which in turn will further enhance farm income and support the rural economy.

## Appendix

Following figures chart the quantity (MT) and value of export (Rs. Lakh) in the last decade and current fiscal of select agriculture and allied commodities which have been top performers by growth in value of exports.

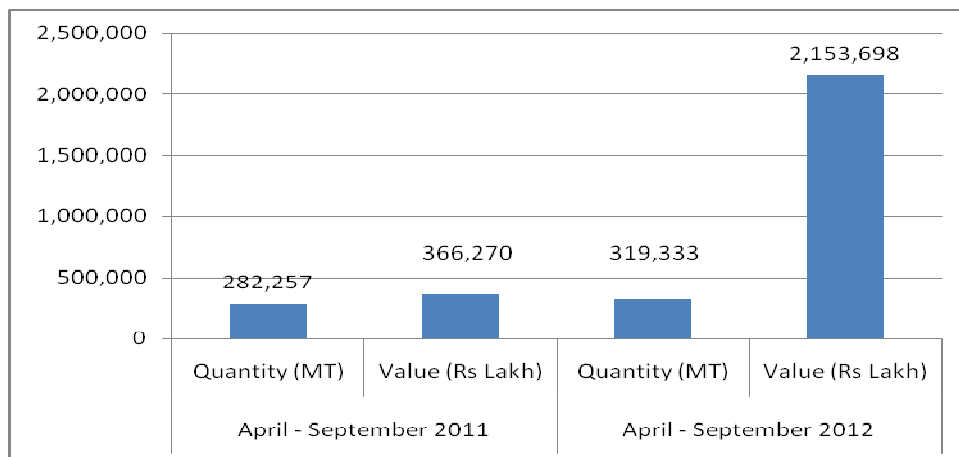
### i. Guar Gum

- Decadal Performance**



Source: Computation based on data from APEDA

- April – September 2012 versus April – September 2011**

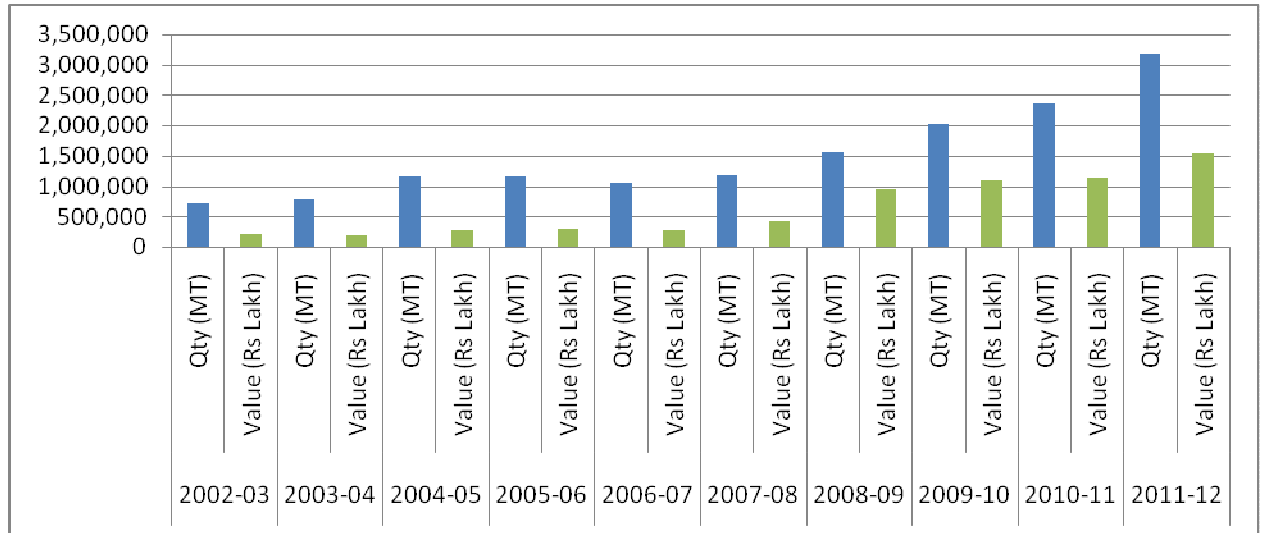


Source: Computation based on data from APEDA



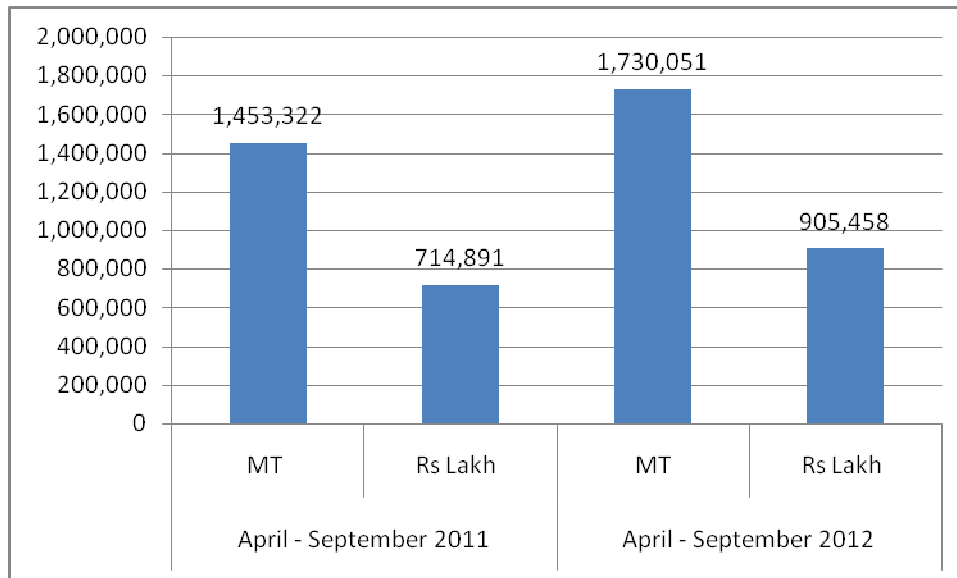
## ii. Basmati Rice

- Decadal Performance**



Source: Computation based on data from APEDA

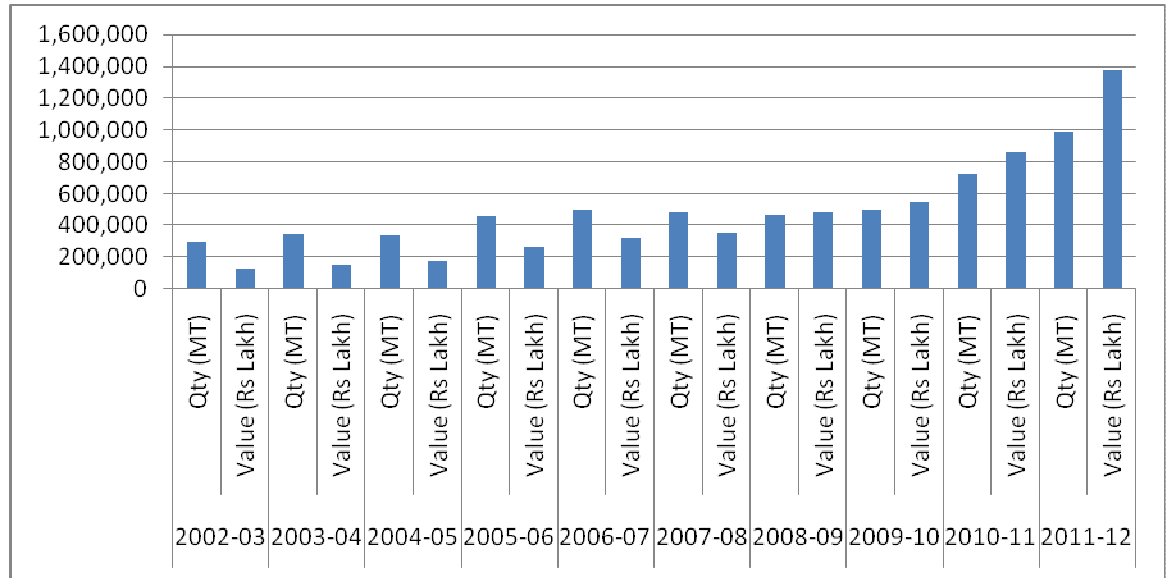
- April – September 2012 versus April – September 2011**



Source: Computation based on data from APEDA

### iii. Buffalo Meat

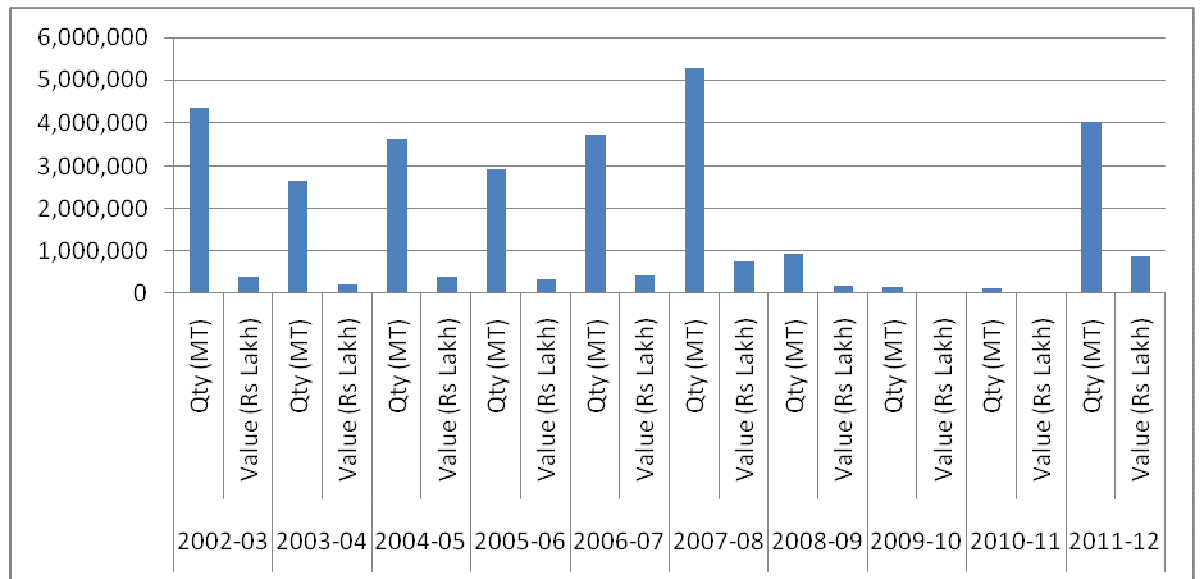
- Decadal Performance



Source: Computation based on data from APEDA

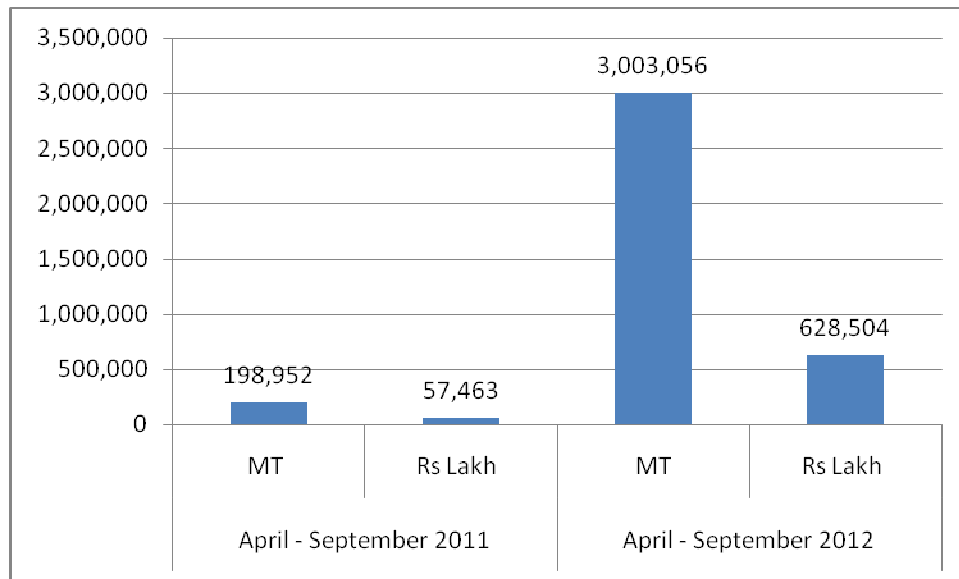
### iv. Non-Basmati Rice

- Decadal Performance



Source: Computation based on data from APEDA

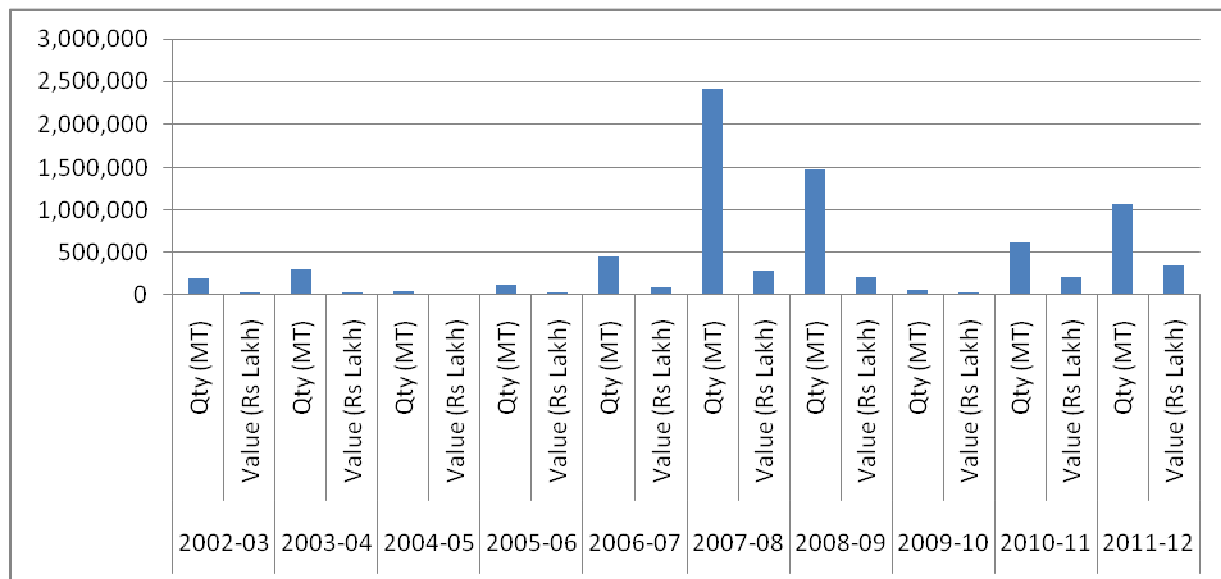
- **April – September 2012 versus April – September 2011**



Source: Computation based on data from APEDA

**v. Jaggery and Confectionery**

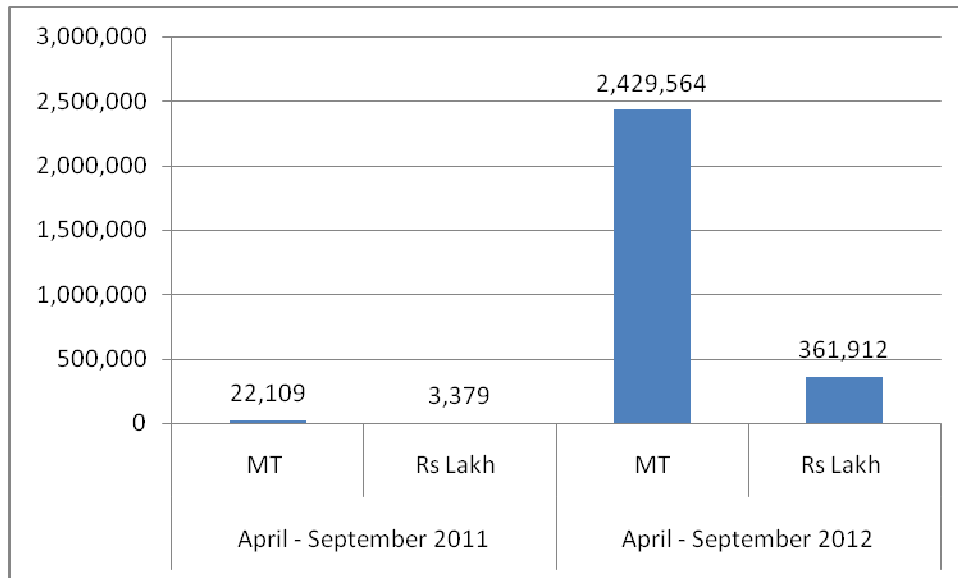
- **Decadal Performance**



Source: Computation based on data from APEDA

**vi. Wheat**

- **April – September 2012 versus April – September 2011**



Source: Computation based on data from APEDA

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