Spice Competitiveness of Indian Agriculture: An Analysis

Vikas Kumar
Research Scholar
Department of Economics
M.D. University, Rohtak (Haryana)

Abstract: Competitiveness of agricultural commodities in international market is said to be favorable if the agricultural commodities from one particular nation gets quoted and traded at a prices which is considerably higher than total of the cost of production, storage, transportation and value difference created by currency exchange. If one of the agricultural commodities fetches lower price than above mentioned costs, it is not competitive for the producing country. Some of the agricultural commodities can be stored for a little longer and there the producing countries can wait for a better price and can also tag their production with a minimum value it plans to get in international market. But it's not possible for any country trading into agricultural commodities to store the agricultural commodities for more than three years.

Keywords: Competitiveness, Agriculture, Commodities, Market, Transportation.

Introduction: Base for most of studies have been the export competitiveness on measures like Nominal Protection Coefficient (NPC) and Effective Protection Coefficient (EPC) to suggest whether the country has advantage in exporting and importing different agricultural commodities. As international price scenario changed dramatically after 1996, it has seriously affected the trade and competitiveness of the agricultural commodities.

Review of Literature: In this section I discussed the results of some studies in the context of Competitiveness of Indian agriculture and these are given below:

Singh and Behra (2006) pointed out a number of loopholes in the AOA which provide enough space to developed countries to heavily subsidize their agricultural products. The developed countries used large amount of domestic support and export subsidies due to which agricultural prices were substantially depressed the competeviness of developing countries like India in the export of these products was adversely affected another study was conducted by Dass Gupta et al. (2011) found that the minimum support prices of the agriculture commodities are neither in tune with the cost of production nor with the international market value. High cost of production increases the cost of agriculture produces which if are not met by the reasonably equal or enhanced price will leave the producers in a state of confusion on whether to sell it to government agencies or not. If majority of the produces remains out of grain markets on account of poor pricing, central agencies will not be able to have the surplus to export which will result into the revenue loss. On the other hand local markets will have an unavoidable position of huge bargaining and inappropriate distribution of such produces. Markets offering even slightly higher than minimum support prices will see the flocking such produces and rest of the markets will have the unexpectedly poor inflow of such produces. They will further widen the local demand supply gap while, Jain Vishesh (2012) discussed about the role of subsidy in making the agriculture products competitive in the international trade. While the Indian government is proactive in providing the susidies to the farmers in fertilizers, seeds and pesticides, he advocates that an organised set up must be in the place to manage the affairs of subsidies on agriculture produces meant or exports. Different agriculture produces have different slabs of subsidy and again it depends on which country it is exported to also impacts the international trade. Centralized system in the geographically diversified and vast nation like India will though may be a difficult job, but once streamlined, it will be flagship platform for the speedy and centralised clearance of the subsidies related issues and it will prove to be a good boost for the nation's share in international trade. On the base of reviewed literature I have made an attempt to analysis the Competitiveness of Spice crop of the country.

Objective of the Study: The Present study examining the Spice crop competitiveness of Indian agriculture under WTO India's

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Spice exports have been considerably high in the recent years.

Research Methodology: There are mainly two types of measures which have been widely used to reveal trade competitiveness. These are -

a) Nominal Protection Coefficient (NPC)
b) Effective Protection Coefficient (EPC)

a) Nominal Protection Coefficient (NPC): NPC is the simplest indicator of domestic protection and export competitiveness. The measure is given by-

$NPC_i = P_{id} / P_{iw}$

Where,

NPC_i= Nominal Protection Coefficient of the Commodity i

P_{id}= Domestic Price of Commodity i

P_{iw}= World reference price (border price equivalent) of commodity i, adjusted for transportation, handling and marketing expenses.

NPC less than 1 indicates that the commodity is exportable and NPC greater than 1 indicates that the commodity is importable.

b) Effective Protection Coefficient (EPC): EPC is an improvement over NPC to the extent that it takes care of variation in domestic and international prices of tradable inputs. It is defined as the ratio of value added at domestic prices to the value added at border prices expressed in local currency and is given by:

$EPC_i = V_i^d / V_i^w$

Where,

EPC_i= Efficient Protection Coefficient of the Commodity i,

V_i^d = Value added at domestic Prices

V_i^w = Value added at world reference prices (border price equivalents).

Like NPC, EPC greater than 1 indicates effective incentives to producers compared to free trade scenario and vice-versa.

Trade Competitiveness of Spices: Trade competitiveness of the spices has been analyzed here below along with the domestic price and world reference price of black pepper. For other spices, prices for the complete twenty years i.e. from 1995-96 to 2014-15 were not available in a reliable manners. Absence of prices for some of the years in between could have lead to incorrect NPC and EPC values which could have defeated our purpose to have a unbiased NPC value. Comparison of domestic and world reference price is provided in the following table:

Table 1

Domestic and International Price of Spice (Black Pepper)

(Rs/Kg)

Year	Domestic Price	World Price	NPC	Value Added Domestic Price	Border Price	EPC
1995-96	74.52	76.45	0.97	83.33	88.92	0.94
1996-97	72.41	87.56	0.83	95.44	102.82	0.93
1997-98	145.35	141.45	1.03	154.18	153.89	1.00
1998-99	187.62	191.37	0.98	208.59	228.09	0.91
1999-00	188.40	200.86	0.94	218.94	224.96	0.97
2000-01	145.74	148.54	0.98	158.86	166.36	0.95
2001-02	129.75	145.34	0.89	141.43	162.78	0.87
2002-03	133.94	144.92	0.92	145.99	162.31	0.90
2003-04	126.90	138.99	0.91	138.32	155.67	0.89
2004-05	118.30	125.61	0.94	128.95	140.68	0.92
2005-06	98.92	108.34	0.91	107.82	121.34	0.89
2006-07	96.88	105.59	0.92	105.60	118.26	0.89
2007-08	98.20	104.00	0.94	107.04	116.48	0.92
2008-09	63.98	78.82	0.81	69.74	88.28	0.79
2009-10	70.76	75.73	0.93	77.13	84.82	0.91
2010-11	75.34	81.19	0.93	82.12	90.93	0.90
2011-12	72.22	82.24	0.88	78.72	92.11	0.85
2012-13	73.96	82.00	0.90	80.62	91.84	0.88
2013-14	73.02	85.56	0.85	79.59	95.83	0.83
2014-15	72.94	88.98	0.82	79.50	99.66	0.80

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Source: 1. Director General of Commercial Intelligence and Statistics, Kolkata (Various Issue).
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It is cleared from the table that during the period of 1997-98, none of the year had NPC value higher than 1, which clearly indicates that this particular agricultural commodity has been having higher world reference price than the domestic price. In simple terms, black pepper has been in good demand overseas and its international market offered a better price for it than the price it fetched in the local markets. Black pepper, being one of the spice which is widely used across the world. It's a pleasant to note that international market prices of this commodity have been 12-15% above than its prices in domestic market.

Even the EPC has been in complete harmony with NPC for the reason that this commodity's domestic price doesn't have much to add to get value addition price. All those commodities which are grown in areas far from the ports add considerable cost of transportation and storage. Moreover the time consumed to transport them to port is another issue. While in case of spices especially black pepper, transportation is minimum and availability of stock is immediate; no much time consumed to transport it to the ports as both the spices are mainly grown in southern and western part of the nation.

Conclusion: The result of the study clearly indicates that the country is competitiveness in Spice crop in last 20 years i.e., 1995-96 to 2014-15 except 1997-98. Therefore, the GOI should more emphasize on the production of the Spice crop in the country and for this the GOI make awareness programme to the farmers about the benefits of the Spice crop production. Then, the share of Indian agriculture in WTO could be increased.

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