

Agricultural Exports and Potential of Bihar

Dr. Rachna Priyadarshini¹ & Dr. Niva Kumari Singh²

¹Department of Commerce, L. N. T. College, Muzaffarpur,
B. R. A. Bihar University, Muzaffarpur, Bihar, India-842001

²University Department of Geography,
B. R. A. Bihar University, Muzaffarpur, Bihar, India-842001

Abstract: Indian agriculture has greatly contributed to foreign trade even in its traditional form. Indian Agricultural products have been facing stiff competition from Asian countries for quite some times. Due to globalisation and liberalised regime, this competition is likely to increase further and new initiatives in agriculture development shall have to meet the emerging challenges. The performance of agriculture after integration with the world markets is linked to the success of exports. In its bid to increase overall exports, the government of India has decided to achieve this objective by giving a push to production and export of agricultural commodities. Agriculture has been a source of foreign exchange for India in the past. Most of the export earnings of agriculture came from the conventional items such as tea, cashew and spices.

Keywords: Co-operative Bank, NABARD, Rural Development, RBI, BISCOAUN, Urban Development.

1. Introduction

Agriculture plays a multifunctional role. Every 1% rise in agricultural productivity cuts poverty by 0.6%. World agricultural exports totalled US\$ 494 bn in 2002 – 5.1% increase over 2001 and constituted a share of 7.4% in the global merchandise trade. Exports of processed agricultural products expanded faster than those of semi-processed and unprocessed agricultural products between 1990 and 2002 -from US\$ 150 bn to US\$ 238 bn. The share of processed products showed a clear upward trend throughout the 1990, rising from 41 % in 1990 to 48% of global agricultural trade in 2002. According to World Bank simulations, reduction of trade barriers in agriculture world yield real income gains of US\$ 358 bn in 2015. Almost 70% of these gains would be reaped by developing countries. Globally, merchandise trade is projected to increase by about 10% (more than US\$ 800 bn), but exports from developing countries would rise by 20% (nearly US\$ 540 bn). The largest percentage increase in trade (nearly 50%) would occur in processed foods while agricultural trade is expected to rise by 32%.

Agriculture contributes more than one-fifth to India's GDP and provides livelihood support to about two-thirds of the population. India is the largest food grain producer in the world, second in production of fruits and vegetables. Export of agri-products from the country increased from US\$ 3.3 bn in 1990-91 to US\$ 7.4 bn in 2003-04. India's major agri-exports include rice, oil meals, wheat, cashew, tea, and spices. The share of India's top 10 agri exports markets increased from 53% in 2001-02 to 56% in 2003-04, thereby indicating an increased concentration of markets. India is a marginal player in the global market when it comes to agri exports, although its share in world agri exports is a little over 1% which is better than its share in total world exports at less than 0.8%. Export orientation of the agriculture sector is one of the prime requirements for success in global trade. This is sustained when complemented with a sizeable processing industry and strong internal market. Value addition in India is low at 7% as against 23% in China. Further, the share of processed agri products in India's total agri exports increased only marginally from 18% to 19% during the period between 1990-91 and 2001-02 as against the global

share of 48% in 2002. There are certain emerging agri products that hold good potential as export products. These, inter alia, include stevia plant, vanilla, jatropha, scabuckthorn and passion fruit.

2. Agriculture Potential of Bihar

Bihar is a major producer of fruits and vegetables (8-5% and 10.5% of India's total production, respectively). Analysis reveals that Bihar has potential for exports in lychee, guava, mango, banana, makhana. The state produces 73% of India's lychee with only 47% of total area coverage of the country, with higher concentration of production in Muzaffarpur and Vaishali. Considering that fruit exports from Bihar have to revolve around lychee, the focus of exports in terms of area should be these two districts. In case of other fruits, Bhagalpur has higher concentration in mango, East Champaran guava and lemon and Purnea in pineapple. The Government of Bihar has notified setting up of an Agri Export Zone focussing on lychee. Due to high levels of productivity in Bihar focus of the AEZ could be widened to include other important fruits and vegetables. Further, coverage of the AEZ could be expanded to include Patna, considering the importance of developing necessary handling facilities for swift movement of produce to the export markets. To enhance export orientation of mango and pineapple, a separate AEZ could be set up covering the districts of Bhagalpur and Purnea. In light of the fact that global demand of major tropical fruits (mangoes, 4.5%, pineapple, papaya and avocados) is projected to grow at an annual average of 3% to 4.5%, exports of tropical fruits from Bihar holds immense potential.

Outward orientation would help farmers get benefits that in turn would encourage investments in the resource scarce agricultural sector. A five-pronged export strategy needs to be adopted, viz., product diversification into high value added products, market diversification, market promotion and development, value addition in the form of processed foods, and agri infrastructure up-gradation. Farmers also need to be given risk protection across various aspects like market risk protection and production risk protection.

Exim Bank is the apex institution responsible for financing, facilitating and promoting India's international trade. The Bank offers a wide range of lending programmes, tailored to meet the needs of different customer groups. In recent years, recognising the tremendous export potential that India's agri sector holds, Exim Bank has increasingly been focusing its activities towards this sector. Accordingly, agri and allied sector has been identified as thrust sector in Exim Bank's medium term business strategy. Besides putting in place an 'Agri Business Group' which focuses on the agri sector, the Bank brings out a bimonthly newsletter titled 'Agri Export Advantage' in English, Hindi and ten regional languages. To augment its initiatives, Exim Bank has also set up an agri-portal, which is an IT initiative to promote knowledge-based agriculture enterprise. To establish a formal and operational frame work of co-operation in developing the food processing industry in the country, Exim Bank has a Memorandum of Understanding with the Ministry of Food Processing Industries. The Bank also has a tripartite MOU with NABARD and APEDA for synergising efforts of these organisations to leverage their respective strengths with a view to augmenting agricultural exports from India.

3. Conclusion

The present paper has resulted in additional income generation, agriculture/production income of the respondents in the three selected sectors before taking loan and after taking loan, it was found that there is a significant increase in the agriculture/production income of the respondents after taking loan for financing these projects. Differences or variations in the incremental income among the three sectors indicated that there was significant variations in the income generated from the investment among the three sectors. The maximum increase was observed in Minor Irrigation while in Ordinary Loans and Non-Farm Sector the incremental income did not vary much.

As regards whether bank loan had an impact on the increased agriculture/production income, it was found that elasticity coefficients for bank loan when placed in relation to increased income were of high magnitude, indicating that bank loan seems to be a productive input, contributing to the incremental agricultural/production income in the post-loan period.

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