



**Biotica
Research
Today**

Vol 2:11 **1186**
2020 **1188**

Globalization in Agriculture

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Open Access

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Keywords

Agricultural export policies, Exports, Globalization, Imports and Liberalization

Article History

Received in 16th November 2020

Received in revised form 26th November 2020

Accepted in final form 27th November 2020

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How to cite this article?

Alagappan, 2020. Globalization in Agriculture. Biotica Research Today 2(11): 1186-1188.

Abstract

In the last four decades there has been a radical restructuring of the scope and character of the production and distribution of many goods, including food. This process has been termed 'globalisation', shaping people's lives in profound cultural, ideological and economic ways. The characteristics of globalisation include the worldwide spread of modern technologies of production, particularly including in communications but also into farming, the agricultural supply sector and food processing. This involves money, production and trade as part of what has been termed 'the borderless world', and the networking of virtually all the world's economies, fostering ever-closer functional integration. It also refers to the linking and interrelationships between cultural forms and practices that develop when societies become integrated into and dependent on world markets as part of the congruence and homogenisation of capitalist economic forms, markets and relations across.

Introduction

The social, cultural and economic integration of several different countries, thus enabling the exchange of resources, information, technology and other capital factors. There are no limitations and restrictions on the transfer of these materials, and this enables everyone to grow with a degree of mutual co-operation. Globalization in the context of agriculture can be best discussed in the context of three components. Improvement of productive efficiency by ensuring the convergence of potential and realized output, Increase in agricultural exports and value added activities using agricultural produce, and finally, Improved access to domestic and international markets that are either tightly regulated or are overly protected. Productive efficiency would enhance value added activities in agriculture through agro-processing and exports of agricultural and agro-based products leads to increase income and employment in the industrial processing sector. Thus globalizing agriculture has the potential to transform subsistence agriculture to commercialized agriculture and to improve the living conditions of the rural community.

Before Liberalization

Farmers were denied access to the world markets due to trade barriers. Exports of plantation crops and a few commercial crops were free from export restriction but exports of essential commodities, particularly food products, were subject to bans, quotas and other restrictions.

Liberalization

In the 1990's the first economic liberalization policies were initiated by the Finance Minister Dr. Manmohan Singh to encourage the wake of globalization in India. India has become the 4th largest economy in the world in terms of the

purchasing power parity (PPP). It has been expected that the average yearly economic growth will range between 6% and 7%. The implementation of economic reform in the Indian agricultural sector has been a gradual process. These include an 87% cut in tariff on agricultural products, sustenance of high-yield crop varieties, removal of minimum export price on selected agricultural products.

Growth of the Agriculture Sector and Poverty

Due to the globalization, Indian agriculture has improved to some extent which has helped to reduce the poverty problems of the rural masses. Over the years, with the advent of more technology, there has been a significant change in the process of agriculture in the country. Due to the globalization and introduction of better equipment's, there has been a stark improvement in the techniques of agriculture. Today, farmers are using gadgets like rowers, tractors, electric pipelines and lots more for the cultivation of crops. This has increased the produce in terms of quantity as well as quality. As such, farmers have started earning more and have improved their per capita income and the standard of living. Irrigational projects have been undertaken, dams have been built and more facilities have been provided to the farmers to increase their agricultural produce. As lots of farmers are poor, they are not in a position to buy expensive equipment's. To solve this problem and make them self sufficient, the government also grants financial help and loan to the farmers at very cheap rates. NABARD and various other RRBs to financially help the farmers in need. Housing projects are also being undertaken to solve the accommodation problems of the poor.

India's Agricultural Trade

Exports

India's agricultural exports after growing at a rate of only 0.78 percent per annum during the period from 1961 to 1971, registered a steep hike and during the period between 1971 to 1981 increasing at an annual average growth rate of 18.36 percent. During the decade of 1980s the growth rate of exports again plummeted to 2.24 percent per annum. The economic liberalization and trade reforms introduced in 1991, helped India accelerate the growth rate of exports to 7.42 percent per annum. The declining trend is more noticeable in the post liberalization and post WTO periods. An examination of trends in exports of various commodities during recent years suggest that many commodities like rice, meat products, processed foods, fish, fruits and vegetables registered very high growth rates during the nineties. On the other hand some traditional exports like tea, cotton were not able to sustain their growth rates after the liberalization. Marine products were the largest export earner while oil meals were also a major item in early 1990's. Diop and Jaffee (2005) reported that the fruits and vegetables in global trade

and competition in fresh and processed product markets in India and abroad.

Imports

In the post 1995-96 period, the fluctuations in imports have varied in the range of 58 percent to -29 percent. Agricultural imports have grown at a relatively high rate of about 23, 22 and 27 percent in 2001-02, 2002-03 and 2003-04 respectively. In recent years, imports of only two items, namely, pulses and edible oils have recorded consistently high volumes. In fact the gap between agricultural exports and imports has been narrowing down in recent years. There is a increase in growth but this is mainly because of large imports of edible oils. Recently there has also been a sharp increase in imports of cotton, raw wool and rubber. India has a large potential to increase its agricultural exports in a liberalized world provided it can diversify a significant part of its agriculture in to high value crops and in agro-processing.

Agricultural Support Policies

India, like most of the other countries including developed countries, employs a variety of instruments to both protect and support its agriculture. These instruments can broadly be clubbed in to three categories such as Domestic policies, Import policies and Export policies.

Domestic Policies

Input subsidies on fertilizers, power, irrigation water, public investment in development of water resources - surface and groundwater, government intervention in markets, insurance and disaster payments, price support for major crops. Other support (comprising such measures like certain tax concession specific to agriculture or local or substantial level funding for agriculture etc).

Import Policies

Import policies refer essentially to border protection through trade barriers such as quantitative restrictions, quotas and tariffs on imports which in the process create a wedge between domestic and world market prices.

Export Policies

Export policies include those that either promote exports (through instruments like subsidies and marketing arrangements that make exportable of a country more competitive) or those policies that constrain exports (often through canalization and restriction of exports and export taxes etc.) and organic agriculture, the global food supply, renewable agriculture and food systems were well explained by Badgley *et al.*, (2007).

Where Does Indian Stand in Terms of Global Integration?

- India clearly lags in globalisation. Number of countries has a clear lead among them China, large part of east and far east Asia and Eastern Europe. Let's look at a few indicators how

much we lag.

- Over the past decade FDI flows into India have averaged around 0.5% of GDP against 5% for China 5.5% for Brazil. Whereas FDI inflows into China now exceeds US \$ 50 billion annually. It is only US \$ 4 billion in the case of India.
- Consider global trade - India's share of world merchandise exports increased from 0.05% to 0.07% over the past 20 years. Over the same period China's share has tripled to almost 4%.
- India's share of global trade is similar to that of the Philippines - an economy 6 times smaller according to IMF estimates. India under trades by 70-80 % given its size, proximity to markets and labour cost advantages.
- Mr. Bimal Jalan, former Governor of RBI - Despite all the talk, we are now where ever close being globalised in terms of any commonly used indicator of globalisation. In fact we are one of the least globalised among the major countries - however we look at it.
- As Amartya Sen and many other have pointed out that India, as a geographical, politico-cultural entity has been interacting with the outside world throughout history and still continues to do so.
- It has to adapt, assimilate and contribute. This goes without saying even as we move into what is called a globalised world which is distinguished from previous eras from by faster travel and communication, greater trade linkages, denting of political and economic sovereignty and greater acceptance of democracy as a way of life.

The Crisis Facing Indian Agriculture

Farmer suicide due to High input costs, Lower price for produce and Lack of proper credit facilities. Which makes farmers turns to private money lenders who charge exorbitant rates of interest.

The Dept Trap and Role of Liberalization

The Dept Trap: High Input Costs: Seeds: The biggest input for farmers is seeds. Before liberalization, farmers across the country had access to seeds from state government institutions. The seed market was well regulated, and this ensured quality ion privately sold seeds too. With liberalization, India's seed market was opened up to global agri business like Monsanto, Cargill and Syngenta. Also following deregulation guidelines of IMF most of the seed units were closed. This hit the farmers doubly hard in an unregulated market, seed prices shot up, and fake seeds made appearance in a big way.

Fertilizer and Pesticide: Farmers were encouraged to shift from growing of traditional crops to export oriented 'cash

crops' like chilli, cotton, tobacco. This need more inputs like pesticide, fertilizer etc. liberalization policies reduced pesticide subsidy by two thirds. This affects farmers drastically.

The Dept Trap: Low Price of Output: Due to reduction in tariffs cheap imports flooded the market, pushing the prices of crops like cotton and pepper down. This affects the farmers' income drastically.

Lack of Credit Facilities and Dependence on Private Money Lenders: In 1969, major Indian banks were nationalized, and priority was given to agrarian credit which was hitherto severely neglected. However with liberalization, efficiency being of utmost importance, such lending was deemed as being low – profit and in efficient and credit extended to farmers was reduced dramatically, falling to 10.3% in 2001 against recommended target of 18%. Because of these farmers, who turned to private money lenders who charge exorbitant rates of interest. Sometimes up to 24% per month. With input costs and output prices being what they are coupled with crop failures and drought, they are pushed into dept which is impossible to repay. 'Agricultural trade distortions during the global financial crisis', Oxford Review of Economic Policy (Anderson and Nelgen, 2012) which explained agricultural trade movements and its constraints in the world trade.

Conclusion

Globalization in agriculture in general, improved the agriculture in India by modern technologies, advanced bank credit and crop insurance systems, mechanization and food processing in agriculture took great leap.

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