

## **Trade and commerce, agriculture products & biotechnology in India: Issues and challenges**

**Sarvesh Singh**

Research Scholar, Department of Commerce & Business Administration, University of Allahabad, Uttar Pradesh, India

### **Abstract**

Agriculture is the principal source of livelihood for more than 58% of the total population of the country but its share in GDP was only 17.4% in 2015-16. India is world's second largest producer of fruits and vegetables. India accounts for 7.68% of total global agricultural output. Despite this, share of agriculture and allied sector in country's GDP is declining. The present paper aims to trace the major impediment in the trade and commerce of agriculture products and several other issues that has been involved in this like food processing, trade policy and ethical issues involving biotechnology. All these issues has certain advantages and disadvantages too. This paper covers both aspects as well as the challenges that this sector is currently facing.

**Keywords:** Agriculture, food processing, biotechnology, food security, trade and commerce

### **Introduction**

The food processing industry in India is one of the largest in terms of production, consumption, export and growth prospects. Important sub-sectors in food processing industries are: fruit and vegetable processing, fish processing, milk processing, meat and poultry processing, packaged/convenience foods, alcoholic beverages and soft drinks and grain processing, etc. in the organized sector, there are over 820 flour mills, 418 fish processing units, 5,198 fruit/vegetables processing units, 171 meat processing units.

India is the world's second largest producer of fruits and vegetables, but hardly 2% of the produce is processed. Food habits, ready-to-cook and ready-to-eat and so life-style have given a new dimension to the food processing industry. This industry is in transformation mode. Presently this industry is nascent and highly fragmented, employing among 13 to 15 million people.

The current consensus is that trade, development, and poverty eradication is intimately linked. Sustained economic growth over longer periods is associated with poverty reduction, while trade and growth are linked. Countries that develop invariably increase their integration with the global economy, while export-led growth has been a key part of many countries' successful development strategies.

In many developing countries, agriculture employs a large proportion of the labor force, while food consumption accounts for a large share of household income. The United Nations Conference on Trade and Development (UNCTAD) notes that this means that "even small changes in agricultural employment opportunities, or prices, can have major socio-economic effects in developing countries"<sup>[1]</sup>

In this backdrop it is necessary to trace the major impediment in the trade and commerce of agriculture products. The business of agriculture products involves issues various factors like food processing, Trade policy and ethical issues involving biotechnology which has advantages and criticism

too.

### **Trade and Commerce**

Business Activities are grouped into two broad categories, i.e. industry and commerce. Commerce is concerned with facilitating the exchange of goods and services in the economy. It is sub-classified as trade and auxiliaries to trade. Many think that trade and commerce are the same terms and they can be used interchangeably. But the fact is both the terms are different from each other and carry different meanings. Trade, simply means buying and selling of goods and services in return for money or money's worth. Commerce is "the activity of buying and selling, especially on a large scale". Commerce includes legal, economic, political, social, cultural and technological systems that are in operation in any country or internationally.

Today commerce includes as a subset a complex system of companies which try to maximize their profits by offering products and services to the market (which consists both of individuals and other companies) at the lowest production cost. This is an academic discourse and outside the scope of this research papers. This research paper study confined with the position, possibility and challenges in trade and commerce of agriculture's products.

### **Indian Food Industry**

The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year. In India, the food sector has emerged as a high-growth and high-profit sector due to its immense potential for value addition, particularly within the food processing industry.

Accounting for about 32 per cent of the country's total food market, The Government of India has been instrumental in the growth and development of the food processing industry. The government through the Ministry of Food Processing Industries (MoFPI) is making all efforts to encourage investments in the business. It has approved proposals for

joint ventures (JV), foreign collaborations, industrial licenses, and 100 per cent export oriented units.

### Market Size

The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. The Indian food processing industry accounts for 32 per cent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. It contributes around 8.80 and 8.39 per cent of Gross Value Added (GVA) in Manufacturing and Agriculture respectively, 13 per cent of India's exports and six per cent of total industrial investment. The Indian gourmet food market is currently valued at US\$ 1.3 billion and is growing at a Compound Annual Growth Rate (CAGR) of 20 per cent. India's organic food market is expected to increase by three times by 2020#.

The online food ordering business in India is in its nascent stage, but witnessing exponential growth. With online food delivery players like FoodPanda, Zomato, TinyOwl and Swiggy building scale through partnerships, the organised food business has a huge potential and a promising future. The online food delivery industry grew at 150 per cent year-on-year with an estimated Gross Merchandise Value (GMV) of US\$ 300 million in 2016<sup>[2]</sup>.

## Agriculture Products- Issues and Government Policy

### 1. Government Policy

The pressure of human population and land for cultivation, climate change, government policies of public distribution and marketing of food grains and lack of a participatory approach— all are contributing to slow down the availability of foods. Also, crop productivity seems to be very much unsustainable. The situation has to be remedied by all possible means and citizens must be assured of food security. This review summarizes several strategies for crop production and food distribution and emphasizes the need for a second Green Revolution<sup>[3]</sup>.

The Ministry of Food Processing Industries is implementing a number of Central Sector Schemes for promotion and development of food processing sector in the country since 12th Plan. The major achievements of the Ministry during 2016 are as under:-

Government has allowed 100% FDI for trading including through e-commerce, in respect of food products manufactured or produced in India. 100% FDI is already permitted in manufacturing of food products through automatic route. This will provide impetus to the foreign investment in food processing sector, benefit farmers immensely and will create vast employment opportunities<sup>[4]</sup>.

### 2. Biotechnology and Food Security

India clearly lacks an informed debate on the benefits of biotechnology techniques in agriculture. The current opposition to GM is largely due to the lack of understanding of the technology by a certain group of people. A comprehensive evaluation of GM technology needs to be undertaken, looking at all aspects including social, environmental and economic. Seed pricing in India is largely determined by the government and often remains unchanged

for years despite the rise in input costs. The country needs a government-approved framework to enable calculation of licensing fee or trait fee in a transparent manner. Going ahead, the challenge for the government will be to increase awareness of bio agriculture and formulate a transparent framework to encourage farmers to embrace biotechnology. India can learn significant lessons from other countries that have become self-sufficient after infusing bio technology in agriculture. For example, Brazil's agriculture sector has evolved tremendously over the past few years, on the back of favorable government policies and promotion of biotechnology.

### 3. Foreign Trade and India

As per World Trade Organization (WTO) International Trade Statistics 2015 (based on trade in 2014), India's share in world exports of agricultural products was 2.5%. India ranks, 7th among the leading exporters of agricultural products.

Organic products are exported under the National Programme for Organic Production (NPOP) notified by Directorate General of Foreign Trade (DGFT) under the Foreign Trade (Development & Regulations) Act, 1992. This programme involves accreditation of Certification Bodies, standards for organic production, promotion of organic farming etc. The NPOP standards for production and accreditation system have been recognized by the European Commission and Switzerland as equivalent to their country standards. Similarly, USDA has recognized NPOP conformity assessment procedures of accreditation as equivalent to that of US. With these recognitions, Indian organic products, duly certified by the accredited Certification Bodies of India, are accepted by these importing countries<sup>[5]</sup>.

The Government has identified certain constraints/issues related to the export sector and has taken necessary steps. The details are asunder:

- a. Widening the scope of MEIS by including more products, enhancing the reward rates, country coverage on the certain export products.
- b. Department of Commerce has announced increased support for export of various products and included some additional items under the Merchandise Exports from India Scheme (MEIS).
- c. The revision made through public notice No. 44, introduces 110 new tariff lines and increases rates or country coverage or both for 2228 existing tariff lines. The envisaged revenue outgo under this scheme has accordingly increased from Rs. 18000 crore to Rs. 21000 crore.
- d. High transaction cost of exports: To reduce the transaction cost of exports, number of mandatory documents required for exports and imports have been reduced to three (3) each for export and import. Earlier 7 documents were required for exports and 10 for imports. The saving in terms of cost and time associated with the dispensed documents would improve Ease of Doing Business in India.
- e. A number of IT initiatives have been introduced for providing secured online services to the exporters. These include facility for Online filing of documents/applications, a simplified system for issuance of Importer Exporter Code (IEC)

online and setting up of a Complaint Resolution System for resolution of EDI related issues.

- f. In addition, an online system has been put in place to resolve complaints received through public grievances portal of Department of Administrative Reforms & Public Grievances
- g. High cost of export credit: The issue of high cost of credit to exporters was raised by stakeholders including Export Promotion Councils.

On the issue of high cost of credit, Minister has informed that Cabinet Committee on Economic Affairs has approved Interest Equalization Scheme @ 3% per annum on Pre Shipment Rupee Export Credit and Post Shipment Rupee Export Credit w.e.f. 01.04.2015 [6].

Major trends in the Indian food processing industries reveal an expanding product variety and improved packaging 100% foreign direct investment is allowed in this industry. Investment opportunities are available not merely in food production, but also in infrastructure development, marketing inspection and testing services, technology development etc.

Fruit and vegetables is an area of farming with great export and employment potential. The policies are investor-friendly and importantly technological and human resources are available aplenty in the country. Recent initiatives taken to give a special focus to this industry in a bid to provide logistics management and technology for increasing exports of fruits, vegetables and processed foods as the next areas of growth for exports.

The export of processed fruit and vegetable has significant increase during the past few years. Export increased from Rs.433 crore in 1994-95 to Rs. 2012.16 crore in 2005-06. The major fruits exported are mangoes, grapes, citrus fruits pomegranates, lychees; dried nuts etc. china has opened its market for Indian mango, grapes and bitter gourd. Efforts are on to secure market access for the fruits in Japan, USA and Australia.

### Technology

Advancement in food and biotechnology can play an important role in not only harmonizing quality norms, but also by developing good manufacturing practices, including conformity to traceability norms hazard analysis at critical control points. The potential of food processing industry remains untapped despite the huge quantities of process able food items that the country produces. And yet, India is unable to capitalize on surpluses like food, fruits and vegetables etc. with just a very small percentage of production being processed.

Stated that the Food processing industry is widely recognized as a “sunrise industry” in India having huge potential for uplifting agricultural economy, creation of large scale processed food manufacturing and food chain facilities, and the resultant generation of employment and export earnings.

### Conclusion

The export and import of agriculture products have great possibility. But trade and commerce is not very satisfactory on agriculture products. Technology is the key for improvement in growth and efficiency in food processing sector. However, advancement of technology has not properly been employed

because of various reasons. The structure of Indian food processing industry reflects that food production is mainly constrained due to lack of productivity augmenting techniques as the major quantity of food products are being produced in the unorganized sector, where resource utilization is very limited. The organized food processing units are also facing various kinds of challenges which have emerged due to opening up of the economy in the recent decade. There is an urgent need to bring efficiency in production process through either maximizing the output or minimizing the cost.

### References

1. Puri VK, Mishra SK. Indian Economy, Himalaya Publishing House.
2. Dutt, Sundaran, Indian Economy, Chand S. Publishing.
3. Tiwari RC, Singh BN. Krishi Bhoogal. Pravalika Prakashan, Allahabad.
4. [http://commerce.gov.in/writereaddata/UploadedFile/MOC\\_635975493407970101\\_LS20151207.pdf](http://commerce.gov.in/writereaddata/UploadedFile/MOC_635975493407970101_LS20151207.pdf).
5. [http://www.business-standard.com/article/news-cm/government-has-allowed-100-fdi-for-trading-including-through-e-commerce-in-respect-of-food-products-manufactured-or-produced-in-india-117010200299\\_1.html](http://www.business-standard.com/article/news-cm/government-has-allowed-100-fdi-for-trading-including-through-e-commerce-in-respect-of-food-products-manufactured-or-produced-in-india-117010200299_1.html).
6. <http://www.tandfonline.com/doi/abs/10.1080/10496505.2011.588932?src=recsys&journalCode=wafi20>.
7. [https://en.wikipedia.org/wiki/Trade\\_and\\_development](https://en.wikipedia.org/wiki/Trade_and_development).
8. <https://www.ibef.org/industry/indian-food-industry.aspx>.