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A study of cashew competitiveness of Indian agriculture under WTO: An analysis

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Abstract

The present study was made to analysis the trade competitiveness of the cashew production in India under WTO regime over the period from 1995-96 to 2014-15 with the help of NPC and EPC method. The study shows that the country (India) has in competitive position as compared to other countries across the globe. On the basis of the study researcher suggested that the GOI given more incentive on the production of Cashew.

Keywords: WTO, Cashew and Competitiveness

Introduction

The competitiveness¹ 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. 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. Therefore, the present study has been an attempted to find out the competitiveness of Cashew in context of India.

Objective of the Study

The major objective of the study examining the Cashew competitiveness of Indian agriculture under WTO in the recent years.

Research Methodology of the Study

The present study was based on secondary data which were collected from the Agriculture Statistics at a Glance (Various Issues). Further, a period of 20 years (i.e., 1995-96 to 2014-15) has been taken, while Nominal Protection Coefficient (NPC) and Effective Protection Coefficient (EPC) method of measurement for the competitiveness of the agriculture commodities under WTO resigm.

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¹It means the ability and performance of a firm, sub-sector or country to sell and supply goods and services in a given market, in relation to the ability and performance of other firms, sub-sectors or countries in the same market.

Box: 1

Nominal Protection Coefficient (NPC)	Effective Protection Coefficient (EPC)
<p>NPC is the simplest indicator of domestic protection and export competitiveness. The measure is given by-</p> $NPC_i = P_{id} / P_{iw}$ <p>Where,</p> <p>NPC_i = Nominal Protection Coefficient of the Commodity i</p> <p>P_{id} = Domestic Price of Commodity i</p> <p>P_{iw} = World reference price (border price equivalent) of commodity i, adjusted for transportation, handling and marketing expenses.</p> <p>NPC less than 1 indicates that the commodity is exportable and NPC greater than 1 indicates that the commodity is importable.</p>	<p>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:</p> $EPC_i = V_i^d / V_i^w$ <p>Where,</p> <p>EPC_i = Efficient Protection Coefficient of the Commodity i,</p> <p>V_i^d = Value added at domestic Prices</p> <p>V_i^w = Value added at world reference prices (border price equivalents).</p> <p>Like NPC, EPC greater than 1 indicates effective incentives to producers compared to free trade scenario and vice-versa.</p>

Source: Reviewed Literature

Data Analysis

It is cleared from table that exports surplus remained above Rs. 200 crore for the years to come along with remarkable export surplus by value of Rs. 1357.54 crore in the year 2001-02 and followed by export surplus by value of Rs. 1258.34 crore in the year 1999-2000. Year 2000-01 had exports surplus by value of Rs. 1088.75 crores. The only downside trend was observed in the years 2009-10, 2011-12, 2012-13 and most recent year 2014-15. In the year 2009-10, imports exceeded the exports by value of Rs. 245.92 crore while in the year 2011-12, imports exceeded exports by value of Rs. 991.27 crores. Imports were Rs. 1372.70 crores higher than exports in the year 2012-13 and the year 2014-15 has recorded the imports surplus of exports by value of Rs. 1033.97 crores. Further, most of the cashew is traded in the form of raw cashew which is processed and packaged for different markets by the large food processing units. Such units had been bulk buyers of Indian cashew in international market place. These units buys cashew and process them as per the market demands and orders. These processed and packaged cashews are then brought in the forms of imports to meet domestic demand for processed cashew nuts. It results into the higher imports. Food processing industry is in growing stage in India. Thus demand for comparatively cheaper raw material has

increased and the cashew from Tanzania and Mozambique at times remains available at a price which is lower than domestic price. These food processing units prefer to buy it from international market than domestic markets which results into the increased exports. One should not interpret this increasing trend of imports as the declining of exports. India's exports have been constantly on increasing side. To quote, India's total exports of cashew were Rs. 1235.70 crores in 1995-96, then Rs. 2456.60 crores in 1999-2000, then Rs. 2819.39 crores in 2010--11, to 5565.77 crores in 2014-15.

Discussion

The present study was made to analysis the trade competitiveness of the Cashew production in India under WTO regime over the period from 1995-96 to 2014-15 with the help of NPC and EPC method. The results of the study clearly show that the country (India) has in competitive position in Cashew production as compared to the other countries across the globe in the same. So, researcher suggests that the GOI given more incentive on the production of Cashew. Then, the share of India in WTO could increase.

Table 1: Trade Domestic and International Price of Cashew (Rs/Kg)

Year	Domestic Price	World Price	NPC	Value Added Domestic Price	Border Price	EPC
1995-96	151.78	178.56	0.85	160.89	193.84	0.83
1996-97	160.78	191.40	0.84	170.43	195.89	0.87
1997-98	150.56	183.61	0.82	159.59	179.32	0.89
1998-99	148.54	215.28	0.69	157.45	204.48	0.77
1999-00	147.90	205.42	0.72	156.77	209.03	0.75
2000-01	153.65	189.69	0.81	162.87	189.38	0.86
2001-02	161.00	191.67	0.84	170.66	213.33	0.80
2002-03	160.50	174.46	0.92	170.13	202.54	0.84
2003-04	168.97	187.74	0.90	179.11	196.82	0.91
2004-05	173.74	209.33	0.83	184.16	211.68	0.87
2005-06	178.44	220.30	0.81	189.15	219.94	0.86
2006-07	201.66	265.34	0.76	213.76	263.90	0.81
2007-08	221.65	257.73	0.86	234.95	276.41	0.85
2008-09	215.64	242.29	0.89	228.58	248.45	0.92
2009-10	272.65	332.50	0.82	289.01	328.42	0.88
2010-11	285.65	303.88	0.94	302.79	332.74	0.91
2011-12	278.98	306.57	0.91	295.72	308.04	0.96
2012-13	292.25	343.82	0.85	309.79	344.21	0.90
2013-14	298.07	354.85	0.84	315.95	399.94	0.79
2014-15	312.71	351.36	0.89	331.47	356.42	0.93

Source:

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