

Agricultural Trade and Competitiveness: An Economic Analysis

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Agricultural trade is a cornerstone of economic growth, food security, and global market integration. Competitiveness in agricultural trade determines a country's ability to sustain export markets, improve farmers' income, and influence global commodity chains. India has significantly expanded its agricultural exports and is projected to reach new milestones in diversification and export value. However, rising imports, trade policy uncertainty, and infrastructure gaps continue to challenge competitiveness. This article examines the concept and measurement of agricultural trade competitiveness, presents recent trends in India's agricultural trade performance, explores determinants and challenges, and suggests policy measures to strengthen India's position in global agriculture markets.

Introduction

Agriculture remains a major contributor to India's economy, engaging nearly half of the workforce and contributing to national income and exports. In a globalized world, agricultural trade enables countries to specialize in crops where they have comparative advantage and to meet domestic demand through imports. For India, competitiveness in agricultural trade is critical not only for export growth but also for rural development, foreign exchange earnings, and resilience in the face of global economic pressures.

Concept of Agricultural Trade

Agricultural trade refers to the export and import of agricultural goods — including raw products and processed foods — across international borders. Through trade, countries engage in specialization, improve resource allocation, and gain access to foreign markets.

The key economic benefits include:

- Efficient utilization of resources
- Enhanced market opportunities for producers
- Increased employment and rural incomes
- Price stabilization and food security

India's participation in global agricultural trade has steadily grown due to policy reforms and expansion of export markets.

Meaning of Agricultural Competitiveness

Agricultural competitiveness reflects a country's ability to produce, deliver, and sell agricultural goods profitably and sustainably in domestic and international markets. It is determined by productivity, cost structure, quality standards, infrastructure efficiency, and trade policies.

Competitiveness can be assessed at:

- **Farm level:** production costs and yield
- **Commodity level:** export performance and share
- **National level:** trade policy and market access

Measures of Agricultural Trade Competitiveness

Key indicators include:

Revealed Comparative Advantage (RCA)

Shows relative export strength of a commodity compared to global trade patterns.

Nominal Protection Coefficient (NPC)

Compares domestic prices with world prices indicating competitiveness.

Export Growth Rate

Assesses percentage change in export values over time.

Trade Balance Index

Shows whether exports exceed imports in value.

Domestic Resource Cost (DRC)

Evaluates efficiency of domestic inputs used to earn foreign exchange.

Recent Trends in India's Agricultural Trade

Export Growth and Value

India's agricultural exports have shown robust performance:

- In FY2024–25, agricultural and allied exports were about \$52.0 billion — a significant rise compared with previous years.
- In the first half of FY2025–26 (Apr–Sep 2025), farm exports reached approximately \$25.9 billion, a growth of 8.8% compared with the previous year.
- India's combined agri, marine and food exports could reach an estimated \$100 billion within four years, indicating strong export potential.

FINDINGS FROM THE RECENT INDIA-EU TRADE DEAL:

India and the European Union (EU) concluded one of the most significant trade agreements of this decade — widely described as the “mother of all deals.”

- The agreement covers trade between **India** and the **27 EU member states** — a market comprising **about 2 billion consumers** and nearly **25% of global GDP**.
- Bilateral trade in goods and services reached **over \$190 billion in FY 2024-25**, making the EU on ☐ The FTA is expected to double trade volumes between India and the EU by 2030–32, with reductions in tariff barriers across most goods and expanded market opportunities for Indian exporters.
- ☐ Estimates project tariff savings of up to €4 billion annually for EU exporters, with simultaneous benefits for Indian agricultural and manufactured exports.
- e of India's most vital economic partners.
- Leaders on both sides — including Prime Minister Narendra Modi and European Commission President Ursula von der Leyen — termed the pact a “defining moment” for global trade cooperation and strategic diversification away from protectionist pressures in other markets.
- India successfully secured duty concessions and tariff reductions for several key agricultural and processed food products entering the EU, including:
 - Tea, coffee, and spices
 - Table grapes and fresh fruits
 - Processed fruits and vegetable products (e.g., gherkins, cucumbers, dried onion)
 - Sheep and lamb meat products
- These concessions are likely to enhance the price competitiveness of Indian agricultural exports in a high-income market where tariff barriers were previously high.

These figures demonstrate sustained strength and resilience in agricultural exports.

Sectoral Composition

Leading export items include:

- **Rice** (both basmati and non-basmati)
- **Spices** (grown in Gujarat and other states)
- **Marine products**
- **Buffalo meat, coffee, fruit & vegetables**

For example, spicy exports (17.99 lakh tonnes valued at **\$4.72 billion** in 2024–25) show strong global demand.

Trade Balance Concerns

Although exports have grown, agricultural imports — especially **edible oils** and **pulses** — have also risen sharply, narrowing India's agricultural trade surplus.

Determinants of Agricultural Trade Competitiveness

The competitiveness of Indian agricultural exports is shaped by:

- **Production costs and productivity levels**
- **Access to quality inputs and technology adoption**
- **Infrastructure and logistics efficiency**
- **Global market access and tariff barriers**
- **Domestic and international food safety standards**
- **Trade agreements and export incentives**

For example, ongoing talks to align quality inspection standards with the **US, EU, UK, and ASEAN** aim to reduce export rejections and improve competitiveness.

Challenges in Enhancing Competitiveness

Key challenges include:

- Insufficient **post-harvest infrastructure**
- Pricing policies such as temporary export bans
- Rising agricultural **imports outpacing exports**
- Compliance with strict **sanitary-phytosanitary (SPS)** standards
- High logistics and supply-chain costs

Such factors can reduce export potential and limit market access for Indian agricultural products.

Policy Measures to Strengthen Competitiveness

To sustain competitiveness and global integration, the following are essential:

- **Export-oriented crop diversification**
- **Investment in cold chains, storage and processing units**
- **Digitization and quality certification systems**
- **Stable and transparent export policies**
- **Trade facilitation with key markets through FTAs and mutual standards recognition**

For example, recent government initiatives under the **Union Budget 2026–27**, including promotion of high-value crops and technological tools for farmers, are designed to support competitiveness and exports.

Conclusion

Agricultural trade and competitiveness are fundamental to India's economic growth and rural prosperity. Despite impressive export growth in recent years, competitiveness remains a function of production efficiency, quality standards, infrastructure, and strategic policy support. By addressing institutional bottlenecks and strengthening trade facilitation mechanisms, India can further leverage its agricultural potential to meet both domestic needs and global demand — ultimately contributing to sustained economic development and farmer welfare.

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