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LIBERALIZATION IMPACT ON INDIAN AGRICULTURE MARKETING

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ABSTRACT—
Nowadays liberalization is an undeniable trend that countries cannot avoid. It will affect all aspects of world economics. In the process of liberalization, rates improve and this can change the direction of trade between countries. India is a founding member of the World Trade Organization (WTO) and is thus committed to moving towards liberalization of trade in Agricultural commodities. Quantitative restrictions on imports are being phased out and exports are being liberalized. With the exception of a few items, both agricultural exports and imports are now allowed through private trade. There is a lot of concern, interest and fear about what effect trade liberalization could have on producers, consumers and the economy.

KEYWORDS : Indian Agriculture, Liberalization.

INTRODUCTION

Agriculture has been described as the backbone of the Indian economy as it is the largest contributor to the country's national income and provides employment to about two-thirds of the country's workers. Economic liberalization in India refers to the economic reforms that began in India on July 24, 1991. After independence in 1947, India followed socialist policies. Attempts were made to liberalize the economy in the 16th and 15th centuries. Agriculture is still a sensitive issue in India today and almost 0% of the population is directly dependent on it. Like European capital-based agriculture, Indian agriculture revolves around numerous small farmers, who make their living by farming on small plots of land and with limited access to water, seeds and fertilizers. Until June 1991, India pursued a very restrictive economic policy, excluding the private sector from the most important industries.

In 1991, India faced a liquidity crisis. The balance of payments had deteriorated so rapidly and foreign exchange reserves had dwindled so much that the possibility of payment default was imminent. The economic situation has deteriorated rapidly. The budget deficit and the overall fiscal year had risen sharply, leading to a huge increase in the money supply on the one hand and a sharp rise in interest payments on the other. The economic liberalization that started in June 1991 changed the situation a lot. The government had taken comprehensive measures to boost exports even before 1991, but the coverage of imports through export earnings was still very low. This significant shift in the balance of trade has been noticed due to various export promotion measures taken by the government recently.

Agricultural commodities are sold by farmers through four marketing mediums, e.g. (1) direct customers; (2) by wholesalers and retailers; (3) by public bodies; and (4) by processor. Under the MSP program, the government intervenes in agribusiness through the purchase of agricultural commodities, purchase of foodgrains, purchase of monopolies, purchase of goods in the open market, etc. In the case of food grains (especially rice and wheat), the Government Procurement Agency (Food Corporation of India) is an important market for grains. State institutions including National Cooperative Marketing Federation of India (NAFED), Cotton Corporation of India (CCI) and Jute Corporation of India (JCI) procure various agricultural commodities in the open market. Mandatory levy is required to be levied on the production of certain agro-processed goods at processing factories (for example, rice and sugar) as declared by the governmentrelatively poor customer.

LIBERALIZATION AND ITS IMPLICATIONS FOR AGRICULTURE: THE NEO-LIBERAL ECONOMIC POLICY PACKAGE:

The policies of the Central Government since the early 1990s have had a direct and indirect impact on the welfare of farmers. The economic reforms did not include any specific packages specifically designed for agriculture. Instead, the idea was that liberalizing agricultural markets and liberalizing external trade in agricultural commodities would boost investment and productivity growth in that sector, while broader trade liberalization would change the internal conditions of trade on the agricultural side. However, there was a change in the method of government spending and financial measures which also affected the conditions of cultivation. In particular, fiscal policies to reduce spending on specific sectors, particularly rural spending, trade liberalization, economic liberalization, and privatization of key sectors of economic activity and provision of services, adversely affected agriculture and rural livelihoods.

THE NEOLIBERAL ECONOMIC REFORM STRATEGY INCLUDED MEASURES THAT PARTICULARLY AFFECTED RURAL AREAS:

- Actual reduction in central government revenue expenditure on rural development, reduction in special subsidies such as real expenditure on fertilizers and total reduction in per capita government expenditure in rural areas.
- Decline in public investment in agriculture with research and expansion.
- Significant decline in energy investment in public infrastructure and in rural areas, including irrigation.
- Low circulation of public distribution system for food and rising prices. This had a major adverse effect on rural household food consumption in most parts of the country.
- Measures of economic liberalization, including restructuring of priority sector loans by banks, effectively reduced the availability of rural credit and made agricultural investment more expensive and more difficult, especially for small farmers.
- Liberalization and removal of restrictions on internal trade in agricultural commodities in all states of India.
- Liberalization of foreign trade, first lifting restrictions on exports of agricultural commodities, and then shifting from quantitative restrictions to tariffs on imports of agricultural commodities. The primary import range was reduced and opened to private agents. Imports have been greatly reduced over the decades. Exports of important agricultural commodities, including wheat and rice, were deregulated and measures were then taken to promote the export of raw and processed agricultural commodities.

Liberalization of the food market seems to be having a beneficial effect by freeing the government's closed resources for better use through investment and implementing poverty alleviation schemes such as the National Food Action Plan, the National Rural Employment Guarantee Scheme, the Indira Housing Scheme and the National Social Assistance Program. It has become clear that many interventions are over. The marketing of Indian agricultural commodities in the country is suffering from government interference. There is a clear need to liberalize domestic agricultural markets to existing and non-existent, regulated physical markets in favorof private markets, forward markets, and contract farming. The functioning of the government machinery for public procurement and distribution suffers from various weaknesses in the progress already made in the liberalization of agri-trade. The gradual lifting of restrictions on the movement of agricultural commodities has led to a gradual increase in the degree of consolidation of domestic markets. The government has made clear its commitment to market consolidation.

The biggest problem facing Indian agriculture today is debt and the first cause of farmer suicides. Trapping farmers in debt traps means increasing input costs, falling commodity prices and lack of proper credit facilities, leading farmers to turn to private lenders who charge exorbitant interest rates. To repay these loans, farmers re-borrow and fall into the debt trap. This result had a positive impact on imports and exports. However, the gap between imports and exports is widening, so the government should adopt a policy to increase its exports and reduce the gap.

THE GOVERNMENT CAN ADOPT THE FOLLOWING POLICIES TO PROMOTE EXPORTS:

- Improvements in post-harvest technology
- Improving agricultural production
- Increase irrigation capacity.

Encourage farmers to adopt minimal production practices to reduce the cost of cultivation by strengthening extension services and to provide the necessary infrastructure at the regional level to promote agricultural exports.

CONSEQUENCES OF COMMERCIAL LIBERALIZATION OF AGRICULTURAL MARKETS:

As the effects of trade liberalization begin, it is important to recognize the profound restructuring that is taking place in the international agricultural market. Importantly, these structural changes are quite different from the results of trade policy reform, although trade liberalization efforts may further fuel such developments. First, significant changes are taking place in food consumption patterns, with evidence suggesting that such changes are closely related to per capita GDP growth.second, significant changes in farm production. As competition in the global market grows, in many cases production has shifted to large-scale, modern or industrial-type agricultural and livestock production.

Three different types of capital inputs are used in agriculture:

- Purchased capital, such as machinery, which serves as an alternative to a large number of labour inputs.
- Purchased capital such as fertilizers, pesticides and more recently, genetically modified organisms, which serve as substitutes for land.
- Natural capital is not directly linked to land with livestock.

The effects of increased concentration on product concentration, specialization, and increased dependence on capital inputs on biodiversity can be direct and profound. Trade liberalization can provide additional incentives for productivity growth. Third, the profound changes in the agricultural market have resulted in a reduction in the cost of transportation, which has reduced the natural barriers to trade. These include a reduction in the cost of maritime transportation, and the increase of roads to access natural areas for resource extraction and the establishment of new production sites. The effects of improved transportation on biodiversity are numerous. This includes natural habitat fragmentation (habitat connectivity), but most importantly the creation of new routes for foreign invasive species through expanded international transport corridors.

CONCLUSION:

Indian agriculture markets are likely to be affected by various adjustments in the production-vector as they exist before and after global agriculture and trade liberalization on the Indian border. We have simulated simulations on various combinations of trade liberalization experiments in primary and processed agricultural sectors in high yielding and developing countries / worlds. We have also experimented with options for India in which they decide or choose not to liberalize their own markets in order to make the market available. Nevertheless, food security issues must be kept in mind during the process of liberalization of agricultural trade. Global liberalization of global agribusiness will increase global welfare, including the welfare of most countries / regions in the world, but may affect farmers in these countries / regions in different ways. The process will redistribute resources with clear consequences of creating gains and losses.

While it is important for India and its allies to make the most of their bargaining capital to gain market access to the markets of high-income countries, it is important to remove the 'domestic and export subsidies' of high-income countries at the same time. The best strategy to meet the challenge of import liberalization and take advantage of export potential is to (i) increase domestic GDP by more than 2.75%, which is projected to increase domestic demand and (ii) continuously improve production efficiency to keep production costs low. Along with trade policy reforms, attention needs to be paid to domestic market reforms to improve the competitiveness of India's agriculture and improve its long-term growth prospects. This requires rationalization of subsidies on certain inputs and improvement in the performance of domestic markets.

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