EXPORT PERFORMANCE OF AGRO BASED INDUSTRIES IN PUNJAB: A SPECIAL REFERENCE TO RICE INDUSTRY

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ABSTRACT

International trade is the exchange of goods and services between countries. (Dewett, 2008) This type of trade gives rise to a world economy, in which prices, or supply and demand, affect and are affected by global events. Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries. Almost every kind of product can be found on the international market: food, clothes, spare parts, oil, jewelry, wine, stocks, currencies and water. Services are also traded: tourism, banking, consulting and transportation. Export performance of rice has been impressive in terms of compound growth rate of rice exports during twenties as compared to nineties. Exports have increased at higher rate in twenties as compared to nineties.

INTRODUCTION

International economics deals with the economics and financial inter dependent among nations. It analysis the flow of goods and services, payments and duties between the nations and rest of the world. The economics and financial inter dependence are affected by political, social, cultural and military relations among the nations. International economics deals with the international trade, international trade policy, balance of payment, foreign exchange markets, open economies and macro economies. (Dewett, 2008)

International trade is the part of international economics. International trade is defined as trade (Imports and Exports) of goods and services of nation with rest of the world. In other words International trade is the exchange of goods and services between countries. (Dewett, 2008) This type of trade gives rise to a world economy, in which prices, or supply and demand, affect and are affected by global events. Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries. Almost every kind of product can be found on the international market: food, clothes, spare parts, oil, jewelry, wine, stocks, currencies and water. Services are also traded: tourism, banking, consulting and transportation. A product that is sold to the global market is an export, and a product that is bought from the global market is an import. Imports and exports are accounted for in a country's current account in the balance of payments. (www.pib.nic.in)

India has opened economy. India trading partners are USA, UK, UAE, Switzerland, South Korea, Singapore, Saudi Arabia, Nigeria, Japan, Iran, Indonesia, Hong Kong, Germany, China, Belgium. USA, China, UAE, Saudi Arabia, Singapore and Germany have been the top trading partners of India for the past 3 years. Major export items of India are live animals, milk products, wheat, rice, coffee, tea, spices, cumin seed, tamarind powder, sesame seed, sugar, henna, herbal extract, medicines, fertilizers, chemicals, salt, iron ores, minerals, books, leather products, textile, dyed and pigments, home furnishing, footwear, brass items, aluminium items, sanitary wear, ceramic, glassware, flanges, fittings, embroidered and zari items, pipe and pipe fittings, handicraft, cables, medical disposables, laboratory equipments, surgical equipments, sports goods, wooden furniture and various engineering and electrical products. (rbi.org)

Punjab is the richest Indian state. Being the neighbour of the national capital Delhi, it has a high growth of economy for years. This north Indian state has very affluent neighbouring states and cities such as Haryana, Jammu & Kashmir, national capital Delhi, Rajasthan and Himachal Pradesh and Pakistani states of Punjab which has been creating multiple trade opportunities for the people from all walks of life. The people of this north Indian state have migrated to the every corner of the world creating business and employment for the people of the country. Punjab is highly advanced as far as roads, rails, and telecommunications is concerned. The high-end communication creates trades, business and employment opportunities for the exporters, industrialists, importers, distributors and suppliers etc. This state has also high level of manufacturing industries. (Kompass.com) Punjab is the trendsetter State of the nation in terms of agriculture development and it is pioneer of Green Revolution in the
country. It has been instrumental in ensuring national food security, consistently contributing significant percentage of wheat and rice to the Central Pool. It has contributed 45.4 percent of wheat and 25.3 percent of rice to Central Pool during the year 2010-11(P). Although contribution of agriculture in the state's income is declining gradually still it continues to be an important sector of State economy. As per quick estimates, it has contributed 15.47% to Gross State Domestic Product at constant prices (2004-2005) during 2010-11 (Q) and, around 39% of the working population of the State is engaged in this Sector(2001 census). (Economic Survey of Punjab, 2011-12)

Food is vital to India’s prosperity. The food processing sector is highly fragmented industry, it widely comprises of the following sub-segments: fruits and vegetables, milk and milk products, beer and alcoholic beverages, meat and poultry, marine products, grain processing, packaged or convenience food and packaged drinks. A huge number of entrepreneurs in this industry are small in terms of their production and operations, and are largely concentrated in the unorganized segment. This segment accounts for more than 70 per cent of the output in terms of volume and 50 per cent in terms of value. Though the organized sector seems comparatively small, it is growing at a much faster pace. (Bussiness Standard) Successful harvesting of green revolution by Punjab was a step in recognition of that. The same spirit is now ready to dominate the food industry of India. Punjab is a land of boundless opportunity for agro based industry 4.2 million hectare sown area with 186 per cent cropping intensity and 100 per cent assured irrigation makes Punjab granary of India. 24.86 million tons of food grain production and 9.85 million live stock and 15.3 million poultry population Punjab is most suitable for agri business. Apart food grain large quantity of fruits and vegetables is available for processing. The state economy is predominantly an agrarian economy and it is popularly known as the wheat basket of India. The state contributes a considerable share in national food grain production and thereby aids in ensuring the national food security. Major crops grown in the state include wheat, paddy and sugarcane. The main fruits grown in state are kinnow, orange, mango, grapes and guava and it is undertaking special efforts to increase cultivation of cotton, maize, oilseeds and pulses as well. Punjab has proposed budget of Rs. 453 crore for agriculture and allied sectors in the annual budget of FY2011-12, which is around 37 per cent higher in comparison to last year. Punjab stands at second position at all India level in terms of food grain production. The state's food grain production has grown from 25.32 million tonne in FY2001 to 27.22 million tonnes in FY11, marking a growth of more than 7%. The state is one of the largest producer of two crops i.e. wheat and rice in India. Production of rice in Punjab has grown from around 9 million tonnes in FY2001 to around 11 million tonnes in FY2011. The state possesses huge potential in agro exports, due to its extensive presence of agricultural base. Rice accounts as the prominent export item from the state. Punjab has set up a Permanent Perishable Cargo centre at Amritsar international airport to facilitate and boost the export of farm products (PHD Research Bureau).

Punjab Agri Export Corporation Limited (PAGREXCO) has emerged as a nodal entity for coordinating horticultural ,agri-processing and export activities in the State by i ) Setting up of Permanent Perishable Cargo Center ii) Setting up of Pack Houses for Fruits and Vegetables iii) Juice Dispensing Activity iv)Corpus Fund iv) Food Park vi) Punjab Small farmers Agri-Business Consortium (PSFAC) respectively.(Economic Survey of Punjab,2011-12) Punjab Agro Industries Corporation is a company registered under the Companies Act, 1956. Punjab Agro Industries Corporation (PAIC) was incorporated in 1966, as an undertaking of state government, with the objective of providing agricultural inputs like fertilizers, pesticides, diesel, lube oils etc.; farm machinery; custom hiring services at the door step of Punjab farmers, besides acting as an institutional promoter of agro-based industries. PAIC is currently implementing 17 agro industrial projects in the areas of agro products and residues utilisation, agro chemicals and food & horticulture, at a total capital cost of about Rs. 16004 million. PAIC has also entered into technical and financial collaboration with a number of MNC’s for promoting joint ventures. The main objects of the corporation are to promote agro based industry in the State of Punjab. The projects are promoted in joint and assisted sector. (agricultureinformation.com)

**REVIEW OF LITERATURE**

Dhiman and Rani (2011) discussed a study on problems and prospects of small scale agro based industries: an analysis of Patiala district. The main purpose to study this paper is to find out the status of agro based units such as rice mill industry in the Patiala district of Punjab and to analyze the various problems being faced by them. This study concluded that agro based industries faced several problems such as –Infrastructural problem, Lack of proper Skills, Upgrading technological, Support services etc. to deal with these problems requires government intervention and the cooperation and support of international agencies.

Khushik et al(2011) conducted a study to assess the performance of rice hybrid and other varieties planted in rice growing areas of Sindh and Balochistan during the year 2008-2009. This study observed that hybrid rice has a distinct yield advantage over the conventional varieties. Its production is higher due to higher, cost of seed and high dose of chemical fertilizer. This study also showed that overall growers earned more profit by adopting hybrid seed technology.

Sowmya and Ramana (2012) revealed a study on performance of hybrids/ high yielding varieties and nutrient management in system of rice intensification. This study showed that System of Rice Intensification (SRI) is considered as one of the technologies to increase the productivity. This study concluded that productivity of rice can be enhanced through formulating better production technologies like SRI with improved cultivars and efficient nutrient management practices.

**OBJECTIVE**

The main aim of this study is to analyze the export performance of agro based industries in Punjab: a Special reference to rice industry from year 1996-97 to 2009-10.

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**Table 1.1 Export performance of rice industry from 1996-97 to 2009-10**

<table>
<thead>
<tr>
<th>Years</th>
<th>Exports of Rice from India (Rs. billion)</th>
<th>Exports of Rice from Punjab (Rs. billion)</th>
<th>Percent share of Export of Rice from Punjab in Indian Economy</th>
<th>Growth Rate of Export of Rice from India</th>
<th>Growth Rate of Export of rice from Punjab</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td>31.7</td>
<td>4.4</td>
<td>13.9</td>
<td>6.3</td>
<td>1.00</td>
</tr>
</tbody>
</table>
Table 1.2 reveals that rice exports from Punjab increased from Rs. 4.4 billion in 1996-97 to Rs. 9.4 billion in the year 2009-2010. Export of Punjab increased at higher rate in the second period as compared to first period. There are variations in the percentage share of rice export of Punjab economy in Indian economy from the year 1996-97 to 2002-03. In the year 1998-99 this share decreased to 7.9 but again this share starts increased and reached 17.0 per cent in the year 2000-01, but again reduced to 12.3 per cent in the year 2002-03. The average share of Punjab’s rice exports in the first period is 13.6 per cent and in the second period 11.2 per cent, which portray minor decrease in the share of Punjab’s exports in the second period. The growth of exports of rice from India on the average in the first period is 14.2 per cent and of Punjab is 6.3 per cent and in the second period for India is 19.0 per cent and Punjab is 23.6 per cent. No doubt that due to liberalization Punjab’s exports increased. Thus specifying the attribution of liberalization period as growth rate of rice from Punjab jumped from on average 6.3 per cent in the first period to 23.6 per cent in the second period.

Table 1.2: Compound Annual Growth Rates of Rate of Export of Rice

<table>
<thead>
<tr>
<th>Time period</th>
<th>India</th>
<th>Punjab</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97 to 2002-03</td>
<td>12.4</td>
<td>8.9</td>
</tr>
<tr>
<td>2003-04 to 2009-2010</td>
<td>24.3</td>
<td>36.8</td>
</tr>
</tbody>
</table>

Source: Government of India, Economic Survey (various issues)

Table 2.1 shows that export performance has been impressive in terms of compound growth rate of rice exports during twenties as compared to nineties. Exports have increased at higher rate in twenties as compared to nineties.

CONCLUSION

Punjab is a land of boundless opportunity for agro based industry. 4.2 million hectare sown area with 186 per cent cropping intensity and 100 per cent assured irrigation makes Punjab granary of India. Successful harvesting of green revolution by Punjab was a step in recognition of that. Punjab is most suitable for agri business. Apart from large quantity of food grain, fruits and vegetables is available for processing in Punjab. The state government announced its new industrial policy in 2009 which focuses on creating favorable destination for investment and to establish synergy between agriculture and industrial sectors and to rejuvenate small scale sector. Special package of incentives and concession are provided for agro based industries and food processing industries. With a view to develop agro industries, the state, government has announced its agro industry policy in 2009. Punjab has rich and productive agricultural base coupled with conducive agro industrial policy, making an ideal destination for setting up agro & food processing industries. The state is one of the leading producers of food grains and contributes significantly to the nation’s food grain basket. In order to boost the farm exports, the state has set up a Permanent Perishable Cargo Centre at Amritsar international airport and Agricultural machinery service centres to provide agricultural tools on custom hiring bases. Punjab Agro Industries Corporation (PAIC) has been encouraging private sector investments in agro-processing units. The state has food park located in Fatehgarh Sahib district. (PHD Research Bureau)

The food-processing sector covers a wide spectrum of products and is one of the largest in terms of production, consumption, export and growth prospects. The vast potential of agricultural resources available in Punjab can be better exploited and utilized by preserving and processing, using available technologies. Though the Government of India has sanctioned a number of schemes, so far not much progress has been made towards setting up agro-based food processing industries, proportionate to the agriculture potentials and commodities available in the state. At present, the agroprocessing industry is mainly limited to traditional processing of agricultural raw materials, such as atta chakkies, oil milks, cotton ginning and rice shelling, etc., using a basic, low-grade technology. There is little high-tech agro/food industry adding value to primary products. Only less than two per cent of the fruits and vegetables produced is processed, compared with 80 per cent in Malaysia. Therefore, there is scope for setting up a processing industry in the state, on a priority basis, using indigenous technologies as well as the latest technologies from abroad. (http://planningcommission.nic.in)

Agriculture plays an important role in state’s economy. Punjab contributes a considerable share of wheat and rice to the Central Pool and it stands at second rank at all India level in terms of food grain production. The agro and industrial policy of the state is very supportive and promote agro units and agri infrastructure related projects. Punjab Government also taking initiatives for set up of new agro based industrial projects. This will definitely helpful for sorting out the problems related to unemployment and poverty in Punjab.

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