

Competitiveness of Indian Oilseeds under WTO

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The Indian oilseeds sector, which was protected to attain self-sufficiency, was opened up in the 1990s with economic liberalization and signing of WTO. The import of oil at low tariff levels has brought down the domestic prices of edible oils and oilseeds. This has adversely affected the economics of oilseed crops. Though tariff levels are raised in the current budget the removal of quantitative restrictions and reduction of tariff levels by 2004 would make the Indian oilseed sector vulnerable to imports. Therefore, it would be pertinent to examine the competitiveness of our oilseeds in the new trading environment. The paper found that Indian oilseeds are competitive to imports whereas edible oils are not competitive. It also suggests measures to protect the domestic growers from cheaper imports.

Implementation of WTO agreements on agriculture by the member countries is expected to increase the role of market forces in determining the commodity trade. Therefore, competitiveness of countries with respect to individual commodities in the world market will increasingly assume a greater role in trade. In this paper we examine the competitiveness of Indian oilseeds. Four major oilseeds, groundnut, mustard, soybean and sunflower, which account for 90 per cent of oilseed production in the country were taken up for the study.

The growth in demand for edible oils was much higher than domestic supply since mid 70s. This led to imports to meet the gap. By 1979-80 nearly one third of the demand was met through imports. As scarce foreign exchange was spent on imports and also relying on imports for long was felt not desirable from the point of view of food security it was decided to adopt an import substitution strategy. It consisted of promoting technological change in oilseed production and processing while shielding the sector from international price competition and instability (World Bank, 1995). These interventions helped in the growth of the sector as is evident in the expansion of area and production.

Both expansion of area under oilseed crops and improvement in yield contributed to the growth in oilseed production. Table 1 shows that while the source of growth for the new crops of soybean and sunflower was primarily the area expansion, for traditional oilseeds yield improvement was the major source though area effect was also significantly large. Since growth in oilseeds production was not uniform throughout it was considered appropriate to divide the period in reference into sub-periods. The two sub-periods relevant for this study are the pre-WTO period and the WTO regime (after 1993-94). However, growth pattern in the pre-WTO period indicated a typical adoption pattern of new oilseed crop technologies. This period can be conveniently divided into two sub-periods. First, between 1979-80 and 1986-87, corresponds to adoption of new crop technologies by early adopters, and second, between 1986-87 and 1993-94, corresponds to spread of new crop technologies among increasing number of growers across the regions and seasons. WTO regime is taken as the third sub-period.

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