

Trade Competitiveness of Cash Crops in Post-WTO Period in Andhra Pradesh

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In Andhra Pradesh, cotton and groundnut are the major cash crops. There are significant changes in the competitiveness of these two crops due to technological and policy environment. This paper examines the trends in area, production, and yield and competitiveness of these two crops in pre- and post-WTO period and their implications for producers, consumer surplus and social cost benefits at state level. Trade competitiveness of groundnut and cotton increased during post-WTO period as revealed from DRC and NPC. In the case of cotton, growth rate in area and production are consistently higher, but negative for groundnut. In the case of cotton, the state had clear competitive advantage and the adoption of Bt cotton varieties raised it further. The state is an efficient and competitive producer of groundnut, but its profitability is adversely affected by fluctuations in prices and yields. Welfare gain was higher in the case of cotton than groundnut due to free markets.

I Introduction

Andhra Pradesh has a prominent position in the agricultural economy of India. A large proportion of the cultivated area in the state is devoted to the production of principal crops like paddy, maize, groundnut and cotton. These crops account for about 40 per cent of the cultivated area. In the post-WTO period, the main criterion in prioritizing crop choices at state level is relative competitiveness. This study has been undertaken to assess the competitiveness of major crops of Andhra Pradesh and is based on the performance of crops during two time periods, viz., pre-WTO (1985-1986 to 1994-1995) and post-WTO period (1995-1996 to 2004-2005). The objectives of the present study are to: (i) analyze the global competitiveness of major crops of Andhra Pradesh, and, (ii) quantify the welfare gains and losses due to liberalization of agricultural trade. The following are the hypothesis framed with regard to each of the above objectives: (i) Andhra Pradesh enjoys comparative advantage in selected agricultural crops, and, (ii) Trade liberalization benefits the consumer more than the producer.

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