

Export Competitiveness of Groundnut – Empirical Evidence from Karnataka*

D R Babu Reddy**

Lalith Achoth***

B V Chinnappa Reddy****

The degree to which the domestic market price for groundnut is deviated from world market prices due to Government regulation is examined. Estimation of the nominal protection coefficients both under importable and exportable hypotheses provides insights into the competitive advantage. Groundnut has been receiving significant protection by the existing policies as indicated by coefficients greater than unity. Thus, groundnut is neither an efficient import substitute nor an exportable commodity, which should be a cause for concern as it is widely grown in dry land areas, where alternative profitable crops are few.

The oil seeds economy accounts for about 10 per cent of the total value of crop output in India. The increasing demand for edible oils, growing at a rate of about 3.5 to 4 per cent per annum coupled with erratic supply of oilseeds, has resulted in substantial imports in the early 1980s. The widening demand-supply imbalance in edible oils and the strong concern among administration at strengthening the oilseeds economy led to the launching of the National Oilseeds Development Project (NODP) in 1984-85 and the Technology Mission on Oilseeds in 1986. These programmes comprised a two-pronged strategy viz., introducing modern technology and increasing procurement prices to growers to motivate them to expand area under oilseed crops (Gulati, et. al., 1990). As a result, the production of oilseeds has more than doubled from 10.83 million tonnes to 22.90 million tonnes between 1985-86 and 1995-96; productivity jumped from 570 kg/ha to 873 kg/ha in the same period.

In India, groundnut is the dominant oilseed crop among the nine major oilseeds, accounting for 39 per cent of the oilseed output, followed by rapeseed and mustard, which account for 27 per cent. Other oils play a relatively lesser role however, in recent years soyabean and sunflower oils have emerged as potential oilseeds. India is the largest producer of groundnut kernels in the world (34 per cent) followed by China (22 per cent) and the USA (9 per cent). Gujarat, Andhra Pradesh, Tamil Nadu, Maharashtra and Karnataka are the major producers of groundnut in the country accounting for more than 80 per cent of production. In Karnataka groundnut area was 12 lakh hectares during 1994-95 occupying 10 per cent of the total gross cropped area of the State with a production of 9.46 lakh tonnes.

Groundnut is mainly traded in the form of oil and meal, with a very small proportion taking the form of groundnut kernels. The major market for groundnut oil

* Forms part of senior author's Ph.D. thesis submitted to the University of Agricultural Sciences (UAS), Hebbal, Bangalore – 560 024.

** Research Associate, Department of Agricultural Economics, UAS, Bangalore-24.

*** Associate Professor, Department of Dairy Economics and Business Management, UAS, Bangalore-24.

**** Associate Professor, Department of Agricultural Economics, UAS, Bangalore-24.