



BHARATHIDASAN UNIVERSITY

Tiruchirappalli- 620024,
Tamil Nadu, India

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Unit 5 Agriculture and Globalization

Dr. P Natarajamurthy
Professor
Department of Economics

International trade in agricultural commodities

International trade in agricultural commodities is a major part of the global economy, affecting food security, prices, and rural development. It involves the exchange of goods like grains, livestock, fruits, vegetables, and processed foods between countries.

Key Factors Affecting Trade in Agricultural Commodities

- **Comparative Advantage** – Countries export agricultural goods they can produce efficiently and import what they lack. For example, Brazil exports soybeans while Japan imports them.
- **Trade Policies & Tariffs** – Governments impose tariffs, subsidies, and quotas to protect domestic farmers or promote exports. The WTO oversees trade regulations to reduce barriers.
- **Supply Chain & Logistics** – Efficient transportation, storage, and distribution are crucial for perishable goods like fruits, vegetables, and dairy.
- **Climate & Weather Conditions** – Droughts, floods, and other climate events impact crop yields and trade volumes.

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- **Exchange Rates & Market Prices** – A weaker currency can make exports more competitive, while price fluctuations affect global trade stability.
 - **Food Safety & Standards** – Countries impose sanitary and phytosanitary (SPS) measures to prevent pests and diseases, sometimes leading to trade disputes.
 - **Sustainability & Environmental Concerns** – The impact of deforestation, water use, and carbon emissions is becoming more relevant in trade agreements

Major Players in Agricultural Trade

- **Exporters:** USA, Brazil, China, EU, Canada, Argentina, Australia
- **Importers:** China, EU, Japan, USA, India, Middle Eastern nations

Challenges & Controversies

- **Trade Wars & Protectionism** (e.g., US-China trade disputes affecting soybean exports)
- **Food Security Risks** (relying too much on imports can be risky in crises)
- **Environmental Impact** (deforestation due to soybean and palm oil exports)
- **Fair Trade Issues** (small farmers struggling against agribusiness dominance)

Role of World Trade Organization

- 1. Facilitating Trade Negotiations:** The WTO provides a platform for member countries to negotiate trade agreements to reduce barriers like tariffs and quotas. It oversees the implementation of agreements such as the **General Agreement on Tariffs and Trade (GATT)** and **General Agreement on Trade in Services (GATS)**.
- 2. Dispute Resolution:** The WTO has a Dispute Settlement Body(DSB) that helps resolve conflicts between member countries when they believe trade rules are being violated. This ensures a fair trading system and prevents trade wars.

•**3. Ensuring Trade Liberalization:** It promotes the reduction of tariffs and subsidies, making international trade more open and competitive.

•Special agreements exist for **agriculture, intellectual property (TRIPS), and services.**

4. Monitoring and Enforcing Rules: The WTO monitors trade policies of member states to ensure compliance with agreements. Countries undergo periodic reviews through the **Trade Policy Review Mechanism (TPRM).**

5. Providing Technical Assistance and Capacity Building: The WTO helps **developing and least-developed countries** by providing training, research, and financial support to improve their trade capacity.

6. Promoting Sustainable Development: The WTO integrates trade policies with **environmental concerns**, aiming to balance economic growth with environmental sustainability.

7. Managing Trade in Times of Crisis: During global economic shocks (e.g., COVID-19), the WTO helps coordinate responses to prevent trade restrictions that could worsen economic instability.

Liberalization of domestic and international trade in agriculture can bring economic benefits, such as increased efficiency, access to new markets, and lower consumer prices. However, it also poses significant challenges and issues, including:

Domestic Issues

- **Small Farmer Vulnerability** – Small-scale farmers may struggle to compete with larger agribusinesses, leading to income inequality and rural poverty.
- **Market Volatility** – Price fluctuations due to supply-demand dynamics and external shocks can negatively affect farmers' income stability.
- **Loss of Traditional Farming Practices** – Market-oriented farming may reduce crop diversity and discourage traditional, sustainable agricultural practices.
- **Food Security Concerns** – Greater market dependence can reduce local food self-sufficiency, making some regions vulnerable to food shortages.
- **Environmental Degradation** – Increased production pressure may lead to excessive use of fertilizers, pesticides, and water resources, contributing to soil depletion and pollution.

International Issues

- **Unequal Market Access** – Developed countries often maintain agricultural subsidies and trade barriers, making it harder for farmers in developing nations to compete.
- **Dumping of Agricultural Goods** – Rich countries sometimes export subsidized products at artificially low prices, harming domestic industries in poorer countries.
- **Dependence on Global Markets** – Over-reliance on agricultural exports can expose nations to risks from global price fluctuations and trade disputes.
- **Loss of Sovereignty over Food Policies** – Trade agreements may limit governments' ability to implement policies that support local agriculture and food security.
- **Climate Change Impacts** – Increased trade and monoculture farming contribute to carbon emissions, deforestation, and biodiversity loss.

Positive Impacts of WTO on Indian Agriculture

1. Access to Global Markets

- WTO has facilitated India's agricultural exports, allowing farmers to sell products like rice, wheat, and spices globally.
- India has become a leading exporter of basmati rice, sugar, and marine products.

2. Encouragement of Agricultural Reforms

- To comply with WTO rules, India has gradually moved towards a more market-oriented agricultural policy.
- Increased private sector participation in agriculture.

3. Technology Transfer & Investment

- Global trade has encouraged the adoption of modern farming techniques, biotechnology, and better seeds.

4. Export Incentives & Opportunities

- WTO agreements have encouraged India to focus on high-value crops and processed foods.
- Growth in organic farming and niche markets.

Negative Impacts of WTO on Indian Agriculture

1. Threat to Domestic Farmers

- Cheap agricultural imports, especially subsidized products from developed countries, threaten Indian farmers.
- Small and marginal farmers struggle to compete with low-cost foreign goods.

2. Reduction in Government Support

- WTO rules discourage excessive subsidies, making it difficult for India to support its farmers.
- The **Minimum Support Price (MSP)** system is often questioned under WTO rules.

3. Dependence on Global Price Fluctuations

- Indian farmers are vulnerable to international price fluctuations due to trade liberalization.
- Prices of key crops like wheat and rice are affected by global supply-demand dynamics.

•4. Intellectual Property Rights & Seed Patents

- WTO's **TRIPS Agreement** (Trade-Related Aspects of Intellectual Property Rights) affects farmers' rights to save and re-use seeds.
- Companies like Monsanto have patented genetically modified seeds, increasing farmers' costs.

5. Challenges in Food Security

- WTO pressures India to reduce its food stockpiling programs (e.g., Public Distribution System - PDS), which could impact food security.

Conclusion

- While WTO has created new export opportunities for Indian agriculture, it has also exposed farmers to international competition and policy constraints.
- India has been actively negotiating within WTO to protect its agricultural interests, such as advocating for the continuation of food subsidies and MSP.
- Balancing global trade commitments with farmer welfare remains a key challenge.