

Session - II

Livelihood Linkages of Trade in Agricultural Products

A
Presentation
By

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Importance of Agriculture Trade and Livelihood

Objective

- Establish the linkage of trade with livelihood of farmers whose produce is traded across borders
- Highlight the issues and challenges faced by these farmers

India

Employment in agriculture (% of total employment) = 42.73%
Employment in agriculture, male (% of male employment) = 38.34 %
Employment in agriculture, female (% of female employment) = 56.35 %

Bangladesh

Employment in agriculture (% of total employment) = 39.06%
Employment in agriculture, male (% of male employment) = 30.61 %
Employment in agriculture, female (% of female employment) = 60.45 %

- Agriculture is an important source of livelihood in India and Bangladesh – feminisation of agriculture.
- Trade in agricultural items can be a major source of income of farmers.
- The linkage of trade with the income of farmer is not direct. Is it surprising?
- Assuming that agricultural trade can have a positive impact on income of farmers, any negative change in volume of agriculture trade will adversely affect the livelihood of farmers.

Changing Composition of India-Bangladesh Trade

Indian Exports to Bangladesh (A Macro Picture)

- **Major exports:** cotton, vehicles, mineral fuels, iron & steel, plastic & its article, electrical machinery & equipment
- The current share of India's agriculture exports to total exports is 11% in the year 2016-17, which is far below than the average of the last ten years (25%) reflecting a declining trend.
- In 2012-13, cereals were the second largest commodity among top ten product categories which had export share of 11.06%, but its share has reduced substantially to a mere 0.91% share in 2016-17.

Indian Imports from Bangladesh (A Macro Picture)

- India imports less agricultural products in comparison to its agricultural exports to Bangladesh.
- **Major imports:** textile and textile articles, mineral products, base metals & articles, processed food stuff
- The current share of India's agriculture imports to total imports is 7% in the year 2016-17, which also reflects a declining trend after touching 27% in 2012-13.

Trade Trends of Selected Export Items

Value (US\$ Million) and Share of Indian Exports to Bangladesh of Selected Products in Total Agriculture Exports

S.N.	Product	2014-2015	2015-2016	2016-2017
1.	Capsicum	0.01 (0.00)	--	0.01 (0.00)
2.	Ginger	7.76 (0.50)	4.33 (0.51)	4.69 (0.60)
3.	Grapes	1.96 (0.13)	4.78 (0.56)	15.41 (1.97)
4.	Lentils	--	2.05 (0.24)	3.83 (0.49)
5.	Onion	127.71 (8.24)	145 (17.13)	145.45 (18.58)
6.	Rice	448.51 (28.93)	131.87 (15.58)	28.46 (3.64)
7.	Tea	0.19 (0.01)	1.99 (0.24)	1.62 (0.21)

Note: Values in the brackets are the shares of corresponding product's exports in total value of agriculture exports to Bangladesh in the respective year

Source: CUTS calculations using data from Ministry of Commerce and Industry, Government of India

- Trade trends show that over the last three years Indian exports of **ginger**, **rice**, and **tea** are declining
- The trend is reverse in case of exports of **grapes**, **lentils**, and **onion**
- The declining trend is alarming especially in terms of its livelihood implications to the actual producers (farmers)

Research Design

- Livelihood is studied as per the Household Livelihood Approach of USAID
- **Seven** agriculture export items have been selected
- **20 farmers** of each product were interviewed to evaluate livelihood status, strategies and issues involved
- **Semi-structured interviews** are conducted with the help of interview schedules
- Women contribution in family earnings is assessed through their participation in various day-to-day activities

Product	Place of Survey
Capsicum	Basirhat, West Bengal
Ginger	Zaheerabad, Telangana
Grapes	Nashik, Maharashtra
Lentils	Hamirpur, Uttar Pradesh
Onion	Nashik, Maharashtra
Rice	Burdwan, West Bengal
Tea	Jalpaiguri, West Bengal

Livelihood Status, Strategies and Issues Involved:
Evidence from the Field

Livelihood Status of Surveyed Households

Livelihood status differs state to state and farmer to farmer but majority of issues are common

Large Farmers

- **Own land and agriculture machinery.** Grapes farmers are mostly large farmers and they export to developed countries such as European countries
- **Educated family members** working in services sector. Grapes farmers are aware of MSP, international market, and some are aware of input requirements for tradable products
- **Own irrigation system and seller of water.** Some large farmers of lentils sell water to small farmers at some fixed price
- **Women are housewives** and occasionally help in farming activities

Medium Farmers

- **Cultivating own and leased land.** Some lentils farmers also take land on lease and pay INR 4,500 per bigha
- **Low farm mechanization.** Hire tractor and other machinery from large farmers
- **Own household physical assets** such as two wheeler, mobile phone, among others
- **Women are involved in farming only in peak seasons**

Small Farmers

- **Size of land holdings is very less.** Capsicum farmers grow capsicum in leased land
- **Also working as labourers.** Ginger farmers are working as labourers to earn money for day to day activities
- **Less usage of machinery** (more use of labourers)
- **Buy water for irrigation purpose.** Small lentils, tea, and capsicum farmers buy water for irrigation purpose
- **Women are involved in farm and non-farm activities** for earning

Livelihood Strategies of Households

Farming

- Farmers are using multiple cropping systems. Ginger farmers are cultivating six crops in one season
- Few farmers shift from traditional crop towards other profitable crop (horticulture crops). Lentil farmers are shifting towards other horticulture crops

Labourer

- Ginger farmers are working as labourers in the nearby factories, NREGA, and farm labourer at large farmers' land
- Lentil farmers are also involved in non-farm labour activities

Own Business

- Some rice farmers have their own grocery shop in the village

Service

- Some farmers are living in urban areas, working as a government employee, and hired a care taker to take care their property in the village. They generally give their land on lease and earn profit
- Children of some large grapes farmers go to Mumbai and other places and working in the service sector

Exporting

- Only grapes farmers are aware of international market and sell their produce across the borders
- Rice farmers know that their produce is going to Bangladesh but they don't know the trade process
- Tea growers also know about tea exports but they are unable to involve because of difficult trade process (their perception)

Women Involvement

- Women household of ginger farmers in Telangana region are working outside to earn living for day to day activities (sugarcane extraction vendors)
- Women are also involved in tea leaves plucking
- Few women are handling their own tea farming business

Livelihood Issues

Good quality seeds

- Farmers in Uttar Pradesh are very much concerned with availability of good quality seeds
- Ginger farmers of Telangana prefer to sow seeds of Kerala but costly transportation is an issue

Irrigation Financing

- In Telangana, state government is providing subsidies on drip irrigation system but farmers in Uttar Pradesh are facing issues with financing for installation of own irrigation facility
- Most of the interviewed farmers are buying water for irrigation

Supply chain challenges

- Poor road condition forces the farmers to sell their produce to the intermediary
- Absence of market driven mechanism
- Chain of intermediaries is eating the most of the cake of profit earned from trade activity

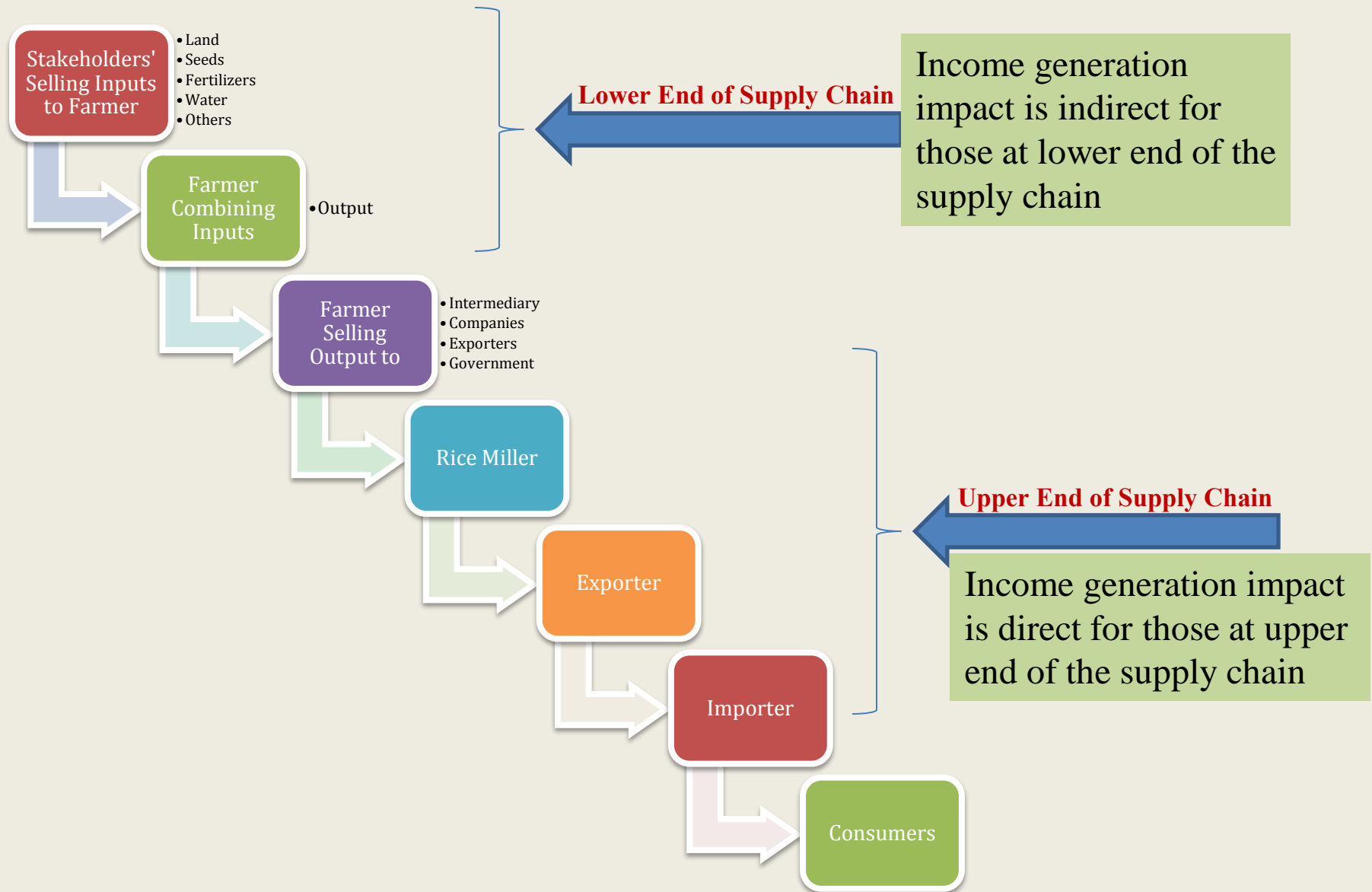
Storage facility

- Farmers have to sell their agriculture produce immediately after cultivation because of lack of adequate storage facilities in nearby places
- Mishandling of product during transportation because of absence of cold chains

Low profit

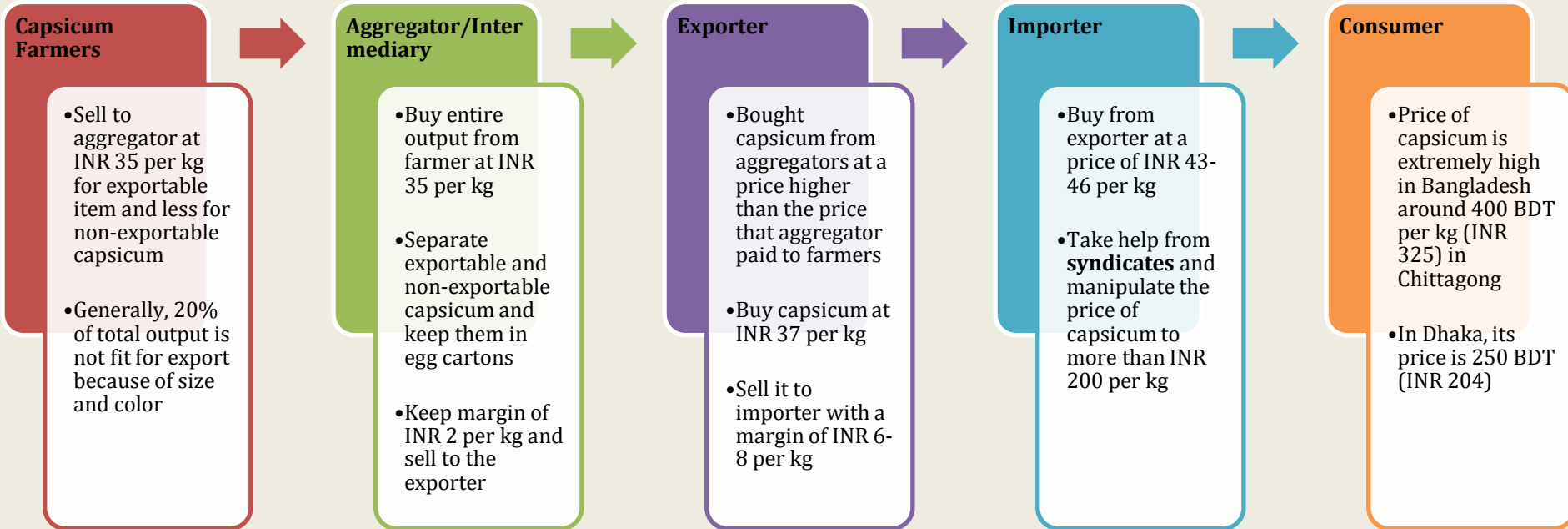
- Most of the interviewed farmers want to leave this profession because of low profit
- Some farmers have already left farming and working somewhere else

Supply Chain Impediments



Intermediation in Supply Chain- Capsicum

Interviewed farmers living near Ghajadanga land port connecting India-Bangladesh



At present, capsicum exported to Bangladesh are mostly procured from Hooghly and East Medinipur districts of West Bengal and other states like Chhattisgarh

Indian farmers sell Capsicum at INR 35 per kg and on an average end-consumers in Bangladesh pay BDT 250 per kg (**approximately seven times the sell price!**)

Tripura-Bangladesh Trade : A Special Case

- Tripura's economy is very much linked with Bangladesh in terms of border stretch and trade
- Bangladesh supplies low-cost material such as cement and some food items to Tripura on daily basis
- It takes only four hours to import goods from Bangladesh and 10 hours from Assam and 18 hours from Kolkata
- Given the geographical proximity, it makes economic sense to trade in agricultural and other products across borders, particularly vegetables
- The restrictions on trading in vegetables across countries are affecting the livelihood of local people
- From transportation point of view, Dhaka is just 144 km away from Agartala. Under free flow of goods and people, the distance between Agartala and Kolkata will reduce from 1,570 km to 463 km
- Tripura has export potential for pineapple, jack fruit, bamboo items, rubber sheet, tea, cash nut, ginger and black pepper

Producer and Consumer Losses from Trade Barriers: Case of Tripura

Producer Loss

Producers in Tripura incur losses due to port restrictions by Bangladesh
There is a scope for regional value chains (case of Pineapple and many other products)

Consumer Loss

Tripura, gets agricultural goods from West Bengal, Assam and Meghalaya at a relatively higher cost
This can be easily imported from neighboring districts of Bangladesh and at a much cheaper price

Border Haats: Linking Trade to Livelihood

Border Haats : An Alternate Strategy to Livelihood for the locals (both sides): The concept of *Border Haats* is very useful in terms of *trade-livelihood* linkage. Its impact is positive on the people living along the India-Bangladesh border.

Potential Benefits

- a. Opportunity for small traders
- b. High demand for fish and animal products
- c. Generates income for transport operators, support staff, food vendors (mostly women in Meghalaya) and laborers
- d. Possibility of exchanging agriculture inputs
- e. Aids to regularize informal trade
- f. Consumer gains through less price
- g. Improve people to people connectivity

Suggestions to get more benefits

- a. Replication of *Border Haats* in more locations (at present, there are only four and open only one day in a week)
- b. Increase in days of operation – may be from weekly to three days a week
- c. Provide more space with sheds, electricity and mobile connectivity

Recommendations

Address Supply Chain related challenges through:

- a. **Development of cold chains (Medium term)**
 - ✓ Can be enhanced through the participation of private sector
- b. **E-portal for sale/purchase of agriculture output (Medium term)**
 - ✓ Online trading like IndiaMart
 - ✓ Have information on trade procedures across borders
 - ✓ Have standards' related necessary information
 - ✓ Helps maintain and update data
- c. **Develop connecting roads from farmers' place to the nearby market (Medium term) – adopt One District One Product model on the line of Japan's One Village One Product model**
- d. **Promote Farmers-Producer Organizations & Farmer Extension Services, especially near the border areas (Short term)**
 - ✓ NGOs and private sector should take lead in providing such services
 - ✓ Encourage the involvement of small producers in doing direct trade
- e. **Map production centres to export destinations – many-to-many onto mapping**

Comments & Suggestions