

## India-Bangladesh Trade in Agriculture and their Linkages with Food Security and Farmers' Livelihood

This Policy Brief exhibits linkages between India-Bangladesh trade in agricultural products with food security and farmers' livelihood. It argues that enhanced bilateral trade in agricultural products can have positive impact on their food security. However, its impact on farmers' livelihood will depend on how effectively they are engaged in supply chains. It highlights issues faced by Indian farmers who are producing tradable products and provides suggestions to address them.

### Introduction

Food security and livelihood are interconnected as both revolve around accessibility of good quality food at affordable prices.

Bilateral trade in food and other agricultural inputs affects food security by increasing food availability and livelihood of farmers by increasing their incomes.

Our study has analysed such linkages by looking into India-Bangladesh bilateral trade in selected agricultural products.

### India-Bangladesh Agriculture Trade

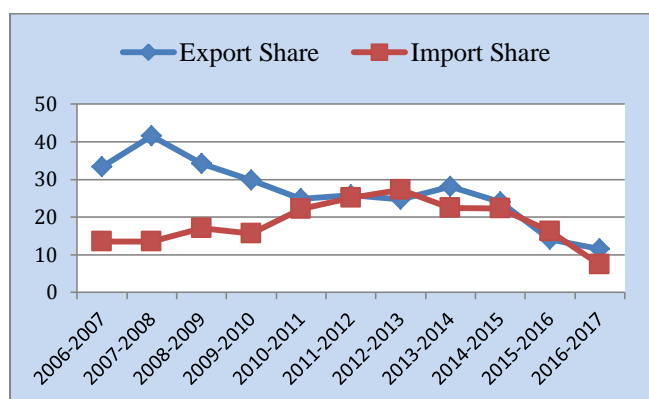
India is a principal supplier of agricultural products to Bangladesh. Cereals and animal fodder are dominant categories of Indian exports to Bangladesh.

India imports less agricultural products in comparison to its agricultural exports to Bangladesh. Major import items are fish and processed food products.

In 2016-17, the share of India's agriculture export to its total export to Bangladesh was 11 per cent, reflecting a declining trend. Similarly, the share of India's agriculture import to its total import from Bangladesh was 7 per cent in 2016-17. (See Figure 1)

This declining bilateral trade in agricultural products is attributable to increase in domestic production of previously imported agricultural commodities in Bangladesh, diversion of trade to other countries, and the presence of numerous Non-Tariff Barriers (NTBs).

**Figure 1: India's Agriculture Trade with Bangladesh**



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

## Agriculture Trade and Food Security

There is a direct relation between trade and food security. Imports of food products from foreign countries increase the availability of otherwise scarce but necessary food items in a domestic market.

Moreover, opening up of international market increases the level of competition in a domestic market, which, in turn, reduces the price of food products and increase economic accessibility of food to the poor.

As per the Global Food Security Index (GFSI), prepared by the Economist Intelligence Unit (EIU) Limited in 2017, India and Bangladesh are still trying to reach the mid-way of the food security path. As per this index, India is on 74<sup>th</sup> position and Bangladesh is on 89<sup>th</sup> position among 113 selected countries.

As shown in Table 1, among the selected products considered in this study, India is the main supplier of onion, tea, rice and grapes to Bangladesh.

Rice	Lentils	Potato	Onion	Ginger	Grapes	Tea
88.00	1.01	17.17	99.87	7.38	63.88	99.81

Source: CUTS calculations

On the other hand, India is importing fish and other processed food products such as sugar confectionary from Bangladesh. (See Table 2)

Fish	Potato Flakes	Sugar Confectionary	Processed Drinks	Vegetable Oil
99.11	5.46	9.53	0.04	0.18

Source: CUTS calculations

At the same time, Bangladesh is importing similar food products from other neighbouring and regional partners (a sign of trade diversion away from India but may be good for food security).

Furthermore, under *self-sufficiency* argument, trade in agricultural inputs between India and Bangladesh is positively affecting the level of food security by improving agricultural productivity.

Given this situation, enhanced trade in agricultural products will improve their food security. They should focus on trading those agricultural products on which they have comparative advantage (least bad in respect to marginal cost of production) and also by lowering their transaction cost of doing cross-border trade.

## Agriculture Trade and Livelihood

From livelihood perspective, any type of trading activity is an income-generating one for the concerned stakeholders who are involved in those supply chains.

From the point of view of export, farmers in an exporting country may get benefits in terms of increase in their incomes by having better access to international markets. Increased incomes will raise their purchasing powers and increase the overall demand in an economy.

Keeping these linkages in mind, our study has looked at trade-related livelihood aspects of Indian farmers by surveying 140 of them (20 each of seven selected agricultural export items from India to Bangladesh). (See Table 3)

Table 3: Selected Products and Places of Survey	
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

Our study has found five common problems:

- non-availability of good quality inputs;
- costly irrigation facilities;
- supply chain challenges;
- inadequate storage facilities; and
- low profit.

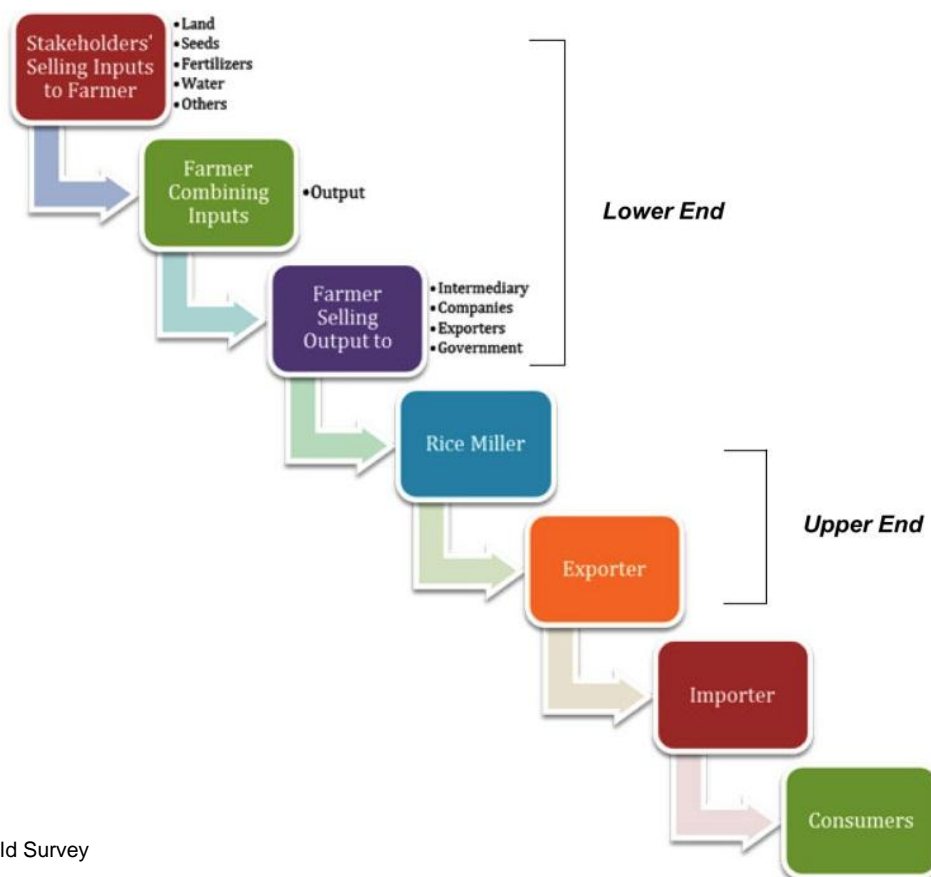
Most farmers do not have access to market information and are not aware of final destination of their produce - whether it is meant for domestic or international consumption.

In a few clusters of production for high value cash crops like grapes in Nashik (Maharashtra) and tea and capsicum in West Bengal, there is some awareness that their products are being procured for export. However, most of them were not aware of export-specific compliance measures, particularly those related to sanitary and phyto-sanitary issues.

Knowledge and skill gaps were more evident among small and marginal farmers, whereas large farmers are more integrated with local market economy.

The presence of multiple intermediaries is the main reason behind complex linkages between

Figure 2: Supply Chain of Indian Rice to Bangladesh



Source: CUTS Field Survey

agriculture trade and farmers' livelihood. Stakeholders who are at the upper end of the supply chain are directly impacted by trade and those sitting at the lower end are indirectly impacted by trade. (See Figure 2)

In most cases, we found that an intermediary purchases the entire output from a farmer at low price and sell it at a relatively higher price to the next supplier, with farmers receiving a fraction of the price paid by end-consumers. (See Box 1)

#### Box 1: Intermediation and Economic Loss

CUTS survey team has observed that capsicum farmers of West Bengal generally sell their produce to aggregators at a price of Indian Rupees (INR) 35 (approximately US\$ 0.5) per kilogram and because of long intermediation and manipulations, consumers in Dhaka (Bangladesh) pay approximately INR 204 (US\$ 2.9) for the same amount of this product. This reveals a huge amount of producer as well as consumer loss on account of profiteering on the aggregators as well as importers.

Overall, linkages between agriculture trade and farmers' livelihood are blurred due to existing information asymmetries (knowledge gaps), inadequate marketing infrastructure, supply chain bottlenecks and extensive involvement of intermediaries along the supply chains.

## Conclusion and Recommendations

India-Bangladesh bilateral trade in agricultural products can be enhanced by focusing on their respective comparative advantages and reducing cross-border transaction costs, particularly those resulting from NTBs.

Increase in such trade can have positive influence on their food security and can also have positive impacts on the livelihood of concerned farmers, provided they can become major players in their supply chains.

In order to address the fragmented nature of cross-border agricultural supply chains, our study recommends greater public-private partnerships through the strengthening of farmer-producer organisations, among other policy and practice measures. This is an imperative to address capacity-related gaps of our farmers and to develop necessary infrastructure in export-centric clusters of production.

It will be useful to adopt global good practices of collectivising farmers to facilitate their direct participation in trade-related activities including better price realisation at farm gate. Development of cold-storage chains, e-portal for purchase/sale of agricultural inputs/outputs, promotion of export-oriented agro-clusters can help achieve significant positive linkages among trade, food security and livelihood.

*This Policy Brief is based on major findings of a study entitled "India-Bangladesh Agriculture Trade: Demystifying Non-Tariff Barriers to India-Bangladesh Trade in Agricultural Products and their Linkages with Food Security and Livelihood" ([http://www.cuts-citee.org/ntbagr/pdf/project\\_report-ntbagr.pdf](http://www.cuts-citee.org/ntbagr/pdf/project_report-ntbagr.pdf)).*

*The views expressed in this Policy Brief do not represent the views or positions of the U.S. Agency for International Development or the U.S. Government.*



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