

# CHAPTER 1

## INTRODUCTION

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### 1.1 Background

The primary unit of world and life is human being in ancient time needs are not more and resources availability was sufficient to fulfill needs. But as life would move on or human got knowledge and awareness of happy life which could be possible through good clothing, rich food and shelter. He started working to make it possible. It was not possible that one man can get all these facilities by himself. He got aware to take help of somebody, manufacturing of cloth is done by one then other engaged in agriculture and the other one had engaged in other work and so on with the process of development these activities has increased to make life more pleasure and happy. One's output was needed for others and vice versa. Slowly this process took a name of trade between people, family, village, state and country etc. in the process of development people started to connect others and through this production, consumption and distribution process started. These three are known as problem of an economy. Economy moves these three problems.

Economy is just a branch of society in which production, distribution and consumption of goods and services by different agents in a given territory. Economy can be defined as social domain which emphasizes to fulfill all needs with limited and scarce resources. Economy involves economic activities which are incorporated with the use of natural resources, capital to maximize the utility of human being.

Economic activities constitute three sectors. These three sectors are pillars of economy which indicate the stage of development in which economic sectors are divided on the basis of use of resources. These three sectors are named as primary, secondary and tertiary sector. Primary and secondary sectors are referred as traditional and modern sector respectively while service sector is a last stage of development of any economy. Sectors has been generated through economic changes in which one but it on the

extraction of raw materials for consumption and sale to one that is now more dependent on revenue from services. This shift is a result of generation of sectors. These sectors can be explained as sequence, commencing, in which those goods are produced by extracting raw materials directly from the earth for consumption or sale. Whereas coming towards secondary or industry sector, it is the part of economy that transforms the raw materials into goods for sale or consumption and finally the services or tertiary sector, which is the part of the economy that involves the sale or trade of services instead of goods.

Each sector has its own importance in every stage of development. Even famous economist Rostow and Marx talk about their importance in these models of stages of development. Not another sector can be developed without commencement of first sector development process take place in the sequence of development of primary, secondary and tertiary sector. Without the development of primary sector, secondary sector development is not possible and same has also apply for next stage of development. But in India condition is not as similar as in case of other countries. In India, without peak point of development of secondary sector, tertiary sector has been started developing. So it is question mark on the development process of India. Country like India which is agrarian country, where livelihood of 60 percentage people is based on primary sector and it provides 59 percentage of employment. In the initial stage of development in 1950 the share of primary sector in employment was 70 percentages. With the process of development people had started to shift towards the industry and service sectors. Now the contribution of primary sector is 17.9%, secondary sector is 24.2% and tertiary sector is 57.9% at 2014-15 in current price.

## **1.2 Introduction of Horticulture Crops**

The word horticulture is generated from two Latin words 'HORTUS' meaning Garden and 'CULTRA' meaning Cultivation. Horticulture is a science which refers production, processing and merchandizing of Fruits, Vegetables, Flowers, Spices, Plantations, Medicinal and Aromatic Plants.

Horticulture is a broad field which includes many Variety and diversity of crops. The crops of horticulture can be divided into several branches depending upon the crops it deals with. Major branches of horticulture crops are following:

- Pomology- cultivation of fruits crops
- Olericulture - cultivation of vegetables crops.
- Floriculture – cultivation of flowers crops.
- Plantation crops which are refer to cultivation of arecanut, coconut, rubber, coffee and tea.
- Spices crops – cultivation of cardamom, pepper, nutmeg etc.
- Medicinal and Aromatic crops which refers to cultivation of medicinal and aromatic crops.
- Post-Harvest technology which refers to post harvest handling, grading, packaging, storage, processing, value addition and marketing of horticulture crops.
- Plant Propagation -cultivation of propagation plants.

Horticultural crops give more returns per unit area than agricultural crops. It gives nutritional security for large number of population. Horticultural crops provide big opportunity for employment in the rural area and increasing economic condition of the farmers. The study is related only fresh fruits and fresh vegetables in India. India has a large varied agro climate area and diverse soil then opportunity of fruits and vegetables has more than other crops. Horticulture sector is likely to grow fastely in future both on account of internal demands and export opportunities. Large number of area in India has tropical which have provided ample opportunity growing for fruits and vegetables crops in India.

During the last decade horticulture area increased nearly 4.0 percent per annual and production grew over 7.5 percent per annual. As the sector now contributes more than 33.0 percent to Gross Domestic Product of agriculture. Area under fruits crops has increased from 4010 thousands hectare in 2001-02 to 7216 thousands hectare in 2013-14 and production of fruits has increased from 43001 thousands metric tons in 2001-02 to 88977 thousands metric tons in 2013-14. Area under vegetables crops has increased from

6156 thousands hectare in 2001-02 to 9396 thousands hectare in 2013-14 and production of vegetables has increased from 88622 thousands metric tons in 2001-02 to 162897 thousands metric tons in 2013-14. Maharashtra (15%) was the largest Fruits producing states and West Bengal (14.1%) were the largest vegetables producing states in 2013-14. Grapes, Mango, Papaya in the fruits and Onion, Potato were much exported commodity from India. In terms of export competitiveness India has highly comparative advantage for Guava, Mango and Onion in the world trade. The major share of India's fresh fruits and fresh vegetables go to Bangladesh, Nepal, United Arab Emirates, Saudi Arab and United Kingdom. The maximum share of Apple, Grapes, Litchi, Mango, Onion and Tomato go to Bangladesh. Other major importing countries from India for fresh Fruit and Vegetables are Malaysia, Singapore and Netherlands. Bangladesh is the one of major trading partner for fresh Fruits and vegetables.

But there have been a lot of problem facing by the horticulture crops in India such as lower crop productivity and underdeveloped support like cold storages, feeble market accessibility, roads, transportation facilities, lack of planning in the major horticulture crops by the farmers. Horticulture seeds are costly than other agriculture seeds, low investment in horticulture crops by the traditional farmers. Regarding to Export Problem number of problem generates in the horticulture product export like lack of seaports, air ports, inland ports, untrained manpower, packaging, lack of awareness about IPM protocols in the Indian farmers and traders. Export fluctuation have also generated by the irregular trade partners and tax structure issues.

### **1.3 Theoretical Background of Study**

The study is based on Ricardian comparative advantage theory. David Ricardo wrote a book whose title is the 'Principles of Political Economy' published in 1819, from where, the theory of comparative advantage originated. Comparative advantage define as, if a country or individual is relatively more efficient in the production of a good than another country or individual then it is called as any nation has comparative advantage in production of that good. Comparative advantage measures efficiency in terms of relative terms. Since countries have limited resources and given level of technology, they want to produce goods or services in which they have a comparative advantage. Comparative

advantage revealed as an opportunity cost associated with the production of one good compared to another. That is why; countries tend to specialize in production of certain products and that nation is called the international division of labour. Moreover, the theory concerned with the static resource allocation problem, Ricardo defined the concept of comparative advantage, which is determined not by absolute values of labor productivity but by labor productivity ratios. In other way, Ricardo countered on Adam Smith theory, made an improvement and state even if a country didn't have an absolute advantage in any good, it and all other countries would still benefit from international trade. It would be happened if countries specialized in the production of those goods with which they had the greatest absolute advantage or the least absolute advantage, called as the law of comparative advantage.

Other comparative advantage theory derived by Raymond Vernon (1960) has introduced Product Life Cycle (PLC), where PLC theory revealed that comparative advantage may shift over time from one country to another, PLC divided in stages i.e. product is invented and introduced in home country, foreign production begins and comparative advantage lost to foreign firms, but model has limited applicability. In detail Vernon said many manufactured goods, comparative advantage over the time, one nation to another nation shifts. It happens on account of goods goes through PLC. It involves a stage during, which goods more involved and tested in the market place. While processing, the production of the goods processed through standard experimentation. In the other way the process by which a product is invested and then over the time became more standard as consumers and producers gain familiarity with its futures. While standardization deals with capital intensive technologies (production technique). No doubt there are fit- fall in model or theory was its inability to generalize its prediction about the timing of change in the location of comparative advantage.

#### **1.4 Statement of the Problems**

After china India is the largest producers of fruits and vegetables in the world. From 1980-81 to 2002-03, the share of fruits and vegetables in total value of agricultural export was increased from 9.5 percent to 16.5 percent respectively (Mittal, 2007), (Kondal, 44). Apart from this various fiscal reliefs such as delicensing of food processing, declaring

number of them a high priority industries, permitting foreign equity investment up to 51 percent of the paid up capital and removing restriction under Monopolies and Restricted Trade Practices (MRTP) act; were provided for the growth of fruit and vegetable processing industries in India. In spite of this the share of Indian trade of processed food and vegetables in world is still less than 1percent (Sidhu, 2005).

Being a largest producer of fruits and vegetables in the world it is facing the export competitiveness around the globe. This scenario prompted to examine the competitiveness in the horticulture crops from India.

### **1.5 Objectives of the Study**

1. To access and analyze the recent performance trends in horticulture crops (mainly fruits and vegetables) in India.
2. To investigate the export performance of major horticulture crops in India.
3. To access the export competitiveness of major horticulture crops from India.

### **1.6 Organization of the Study**

Chapter 1-Introduction

Chapter 2- Review of Literature

Chapter 3- Methodology and Data Source

Chapter 4- Recent Trends and Patterns of Major Horticulture Crops in India

Chapter 5- Export Performance and Competitiveness of Major Horticulture Crops in India

Chapter 6- Major Findings, Conclusions, Policy Implications and Limitations of the Study

Bibliography