

Direction of trade and export competitiveness of onion

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ABSTRACT

Onion is one of the important vegetable/ spice crop around the globe and is cultivated in one hundred countries in the world. In view of global economic scenario onion in India has ample potential for exports in both fresh and processed forms. It is essential to examine the growth pattern, competitiveness and trade directions which may pave the way for increasing onion exports in future. Hence, an attempt has been made in this direction. Markov chain analysis has been employed to ascertain the direction of trade through transitional probability matrix and also the values of nominal protection coefficient and domestic resource cost worked out have revealed that Malaysia has shown the increasing trend while UAE has shown a declining trend. UAE and Sri Lanka have been very loyal markets for Indian onion market. The NPC for onion was 0.947 during 2000-2001 under exportable hypothesis while under the importable hypothesis it was 0.311. This implied that domestic prices received by farmers were below the international prices in India. The DRC ratio worked out to be less than unity (0.23) indicating high export competitiveness of onion. The policy implications in the form of subsidies, simplified export licensing procedures may be directed in view of potential exports for onion from India.

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INTRODUCTION

Onion (*Allium cepa* L.) is an important and indispensable item in every kitchen as condiment and vegetable, hence commands an extensive internal markets. On account of its special characteristics pungency, it is valued much and rich in minerals, phosphorus, calcium and carbohydrates, it is cultivated with over hundred countries in the world.

In India, it is cultivated on an area of about half a million ha. producing 5.00 million tonnes per year with an average productivity of 10 tonnes per ha. India is a leading exporter of onion earning valuable foreign exchange of about Rs. 300 crores. Malaysia, Singapore, UAE, Sri Lanka and Bangladesh are potential markets for export of onion.

With the increasing trend of onion exports and expanding market for fresh and processed onion and with the available technologies of production and processing of onion, India has ample scope for exports in the near future. An insight into the performance of exports and competitiveness may provide for policy measures to be undertaken to improve the economy of onion in the light of changing economic and agrarian scenario in the country. Hence, an attempt has been made in the study to analyse the direction of trade and changing pattern of exports, to ascertain the projections of Indian onion exports to major importing

countries and to analyse the export competitiveness for onion.

METHODOLOGY

To examine the growth, pattern, competitiveness and trade directions of exports, data regarding country wise export of onion from India were collected for the period from 1992-1993 to 2000-01 from APEDA and DGCIS. The Markov chain analysis has been used to analyse the directions of trade.

The trade direction of Indian exports was analysed using the first order Markov chain approach (Laxminarayana, 1993), Central to Markov chain analysis is the estimation of the transitional probability matrix P. The elements P_{ij} of the matrix P indicates the probability that export will switch from country i to country j with the passage of time. The diagonal elements of the matrix measure the probability that the export share of a country will be retained. Hence examination of diagonal elements indicates the loyalty of an importing country to a particular country's exports.

In the context of the current application, six major importing countries of onion and five of onion importing country were considered. The average exports to a particular country was considered to be a random variable which depends only on the past exports to that country, which can be denoted algebraically as

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