



The Impact of Globalization on Agricultural Trade and Its Effect on Local Farmers

Dr. Pardeep Rathee

Dept. Of Geography, C.C.A.S. Jain Girls College, Ganaur, Haryana

Date of Submission: 04-03-2024

Date of Acceptance: 17-03-2024

Abstract

The trade in agricultural products has been significantly impacted by globalisation in recent years, which has resulted in significant changes in the ways that farmers throughout the world interact with consumers and one another. Investigations are conducted into how globalisation has affected agricultural trade, with a focus on the effects on home farmers. One of the most significant effects of the globalisation of agricultural trade is the increase in competitiveness on a global scale. Because trade barriers have been reduced and transportation efficiency has increased, farmers from different countries may now compete more successfully with one another in international markets. As a result, prices have changed, and local farmers are under more pressure to increase productivity while lowering costs. Another impact of globalisation on agricultural commerce is the rise of large multinational corporations as industry leaders. These companies, which frequently have greater resources and better access to international markets than small-scale local farmers, contribute to an even greater concentration of wealth and power in the hands of a small number of major players.

Keywords: Globalization, Agricultural Trade, International Competition, Multinational Corporations, Local Farmers, Efficiency

I. Review of literature

(FAO 2003) conducted research Reduced transaction costs and fewer restrictions on the free flow of capital and goods are what enable the ongoing process of rapid economic integration known as "globalization" to take place on a global scale. This was discovered through globalization in the food and agriculture industries. Its manifestations include the world's economies becoming more integrated, trade flows increasing swiftly, capital movements increasing, and production becoming more internationalized—often organized both within and across multinational corporations. A significant portion of the reason why globalization has been possible is the sharp

decline in transaction costs. Improvements in the management of intricate logistical processes, as well as the development of more effective means of communication and transportation, have in turn made this possible. The amount of trade and capital flows has also increased as a result of a systematic lowering of trade and investment obstacles. As a result of this operation, the overall income of those who participated has increased significantly. Generally speaking, the incorporation of a smaller market into a larger, more competitive market has increased producers' returns on investment and given consumers access to a greater range of products at lower prices.

The term "globalization" refers to the ongoing process of rapid economic integration that takes place on a global scale and is made possible by decreased transaction costs and decreased barriers to the free flow of capital and products, as revealed by Anderson's (2010) study on the effects of globalization on world agricultural trade. Its manifestations include the world's economies becoming more integrated, trade flows increasing swiftly, capital movements increasing, and production becoming more internationalized—often organized both within and across multinational corporations. A significant portion of the reason why globalization has been possible is the sharp decline in transaction costs. Improvements in the management of intricate logistical processes, as well as the development of more effective means of communication and transportation, have in turn made this possible. The amount of trade and capital flows has also increased as a result of a systematic lowering of trade and investment obstacles. As a result of this operation, the overall income of those who participated has increased significantly. Generally speaking, the incorporation of a smaller market into a larger, more competitive market has increased producers' returns on investment and given consumers access to a greater range of products at lower prices.



(Nugroho et al., 2021) examined how economic globalization affected agricultural value added in developing nations and found that various nations use various indices to gauge how economic globalization has affected their own economies. This alludes to the myriad consequences—both favorable and unfavorable—that will arise from its execution, especially with regard to the agriculture industry. This industry is still the main source of income for many developing countries. These countries only generate modest amounts of income since they haven't been able to optimize their agricultural value-added (AVA). Under this strategy, it is the duty of developing countries to employ EG to increase agricultural export revenue and enhance farmer welfare. Further than that single study, no further research has been conducted to examine the impact of EG on AVA in developing countries. Therefore, the goal of this study is to ascertain how variables including exchange rates, FDI inflows, total agricultural export values, agricultural import levies, and fertilizer imports impact agricultural value added (AVA) in developing countries. The panel data method is used to assess the impact of this project in 17 developing countries from 2006 to 2018. The research's conclusions show that rising FDI inflows and the value of agricultural exports are positively correlated with rising AVA in developing countries. This research indicates that the EG has a positive impact on developing countries; nonetheless, careful implementation of the EG is necessary to achieve sustainable development goals.

The impact of economic globalization on agriculture in poor nations was examined by Nugroho and Lakner (2022): According to an assessment, during the past 40 years, economic globalization (EG) has been progressively increasing in emerging countries. The good and bad effects that EG may have on a sector do not exempt the agriculture sector. The aim of this research is to examine the impact of EG on agriculture in developing countries. By conducting a systematic review (SR) on 64 papers that were sourced from Scopus and the Web of Science (WoS), this goal was successfully achieved. EG has had an impact on a variety of agricultural aspects in developing nations, including: i) the product, the supply chain, and food security; ii) commerce; iii) elements relating to the economy, society, and politics; and iv) technology and research and development (R&D). In this paper, we propose several ways to optimize the beneficial effect of EG while avoiding its drawbacks.

II. Introduction

Economic globalization (EG) increases the degree to which national economies around the world are interdependent due to the growth in international money flows and commerce in goods and services. Nonetheless, many countries still approach the EG's implementation warily or reluctantly. At first, EG added to the problems that developed countries faced. They can now more effectively adapt to shifting conditions and create policies that work in the present era. Meanwhile, EG's consequences would be detrimental to the least-developed countries' economic progress. Not to mention the impact it has on agriculture, one of the most significant sectors in developing countries. Some countries had traditional agricultural systems that produced grains and supported small-scale farmers in the past. Since EG only prioritizes business, the only industries growing as a result of it are economically advantageous agriculture and rural tourism. This makes it more difficult to effectively conserve biodiversity and leads to the loss of indigenous and local knowledge regarding biological and agricultural diversity.

The Complex Impacts of Economic Globalization on Agriculture and Sustainability

The financial sector's globalisation, a part of the EG, has contributed to the rise in public debt, both in the short and long term. Globalisation of trade first raises governmental debt but reduces it over time. Economic growth (EG) is a key component that leads to fluctuations in prices and creates uncertainty in the market. This aspect pertains to the agricultural sector. This undeniably affects the food security of individuals with lower incomes and disrupts the agro-food cycle and economy. Swisher et al. argue that EG contradicts the core concepts of sustainable agriculture. This is because it prioritises sourcing products from nearby farms, decreasing reliance on supporting local ecosystems and economies. Additionally, there are accusations that EG exacerbates growing inequality and considerably promotes the negative impact of agriculture on child work, worsening the issue. EG is responsible for causing environmental destruction. Unsustainable use of natural resources in developing countries is believed to be the root cause of this issue. The increasing demand for agricultural products has led to substantial deforestation. Deforestation has negatively impacted the ecosystem by including the burning or chopping down of trees. Duarte et al. stated that implementing EG could jeopardise the successful management of sustainable water resources in some situations. The



expansion of agricultural trade in the Mediterranean region, based on irrigated crops, leads to increased competition for water resources. Exporting agricultural products leads to a water scarcity for other purposes. Research on the effects of economic globalisation (EG) on agriculture is necessary in developing countries to understand how the agricultural sector contributes to their domestic economic stability by generating revenue through exports. Foreign investors find this industry attractive because to its dual role in providing essential human nutrition and serving as a source of industrial raw materials. It also stimulates employment by attracting individuals to rural areas from different locations within the state or from other parts of the country. By 2030, 85% of the global population will reside in developing and emerging countries. Agriculture is essential to ensure the population has adequate food supplies. Globalisation has made it easier for underdeveloped countries to access technologies that can help improve their food production.

Economic Globalization: Enhancing Agricultural Practices and Market Dynamics

There is substantial anecdotal evidence to suggest that EG has a positive impact on agricultural practices. EG enhances agricultural income and employment, supports the promotion of unique national products and the expansion of exports, speeds up the modernization of agriculture, fosters the growth of agricultural markets and value chains, and increases awareness in developing countries about the importance of conserving agrobiodiversity. The management of agriculture has consistently encountered challenges both at the farm level and the industry level. Efforts have been made at both the human and institutional levels to address the problems, yet they continue to persist. During this time, global competition for agricultural products would increase the competitiveness of local agricultural items and lead to more beneficial pricing. Domestic producers will find it challenging to enhance their competitiveness sufficiently to effectively compete with imported goods. EG has also advocated for the utilisation of local products to stimulate agricultural markets in urban centres and abroad. Consumers find it easy to choose a variety of food products in different cultural settings, making the food industry highly profitable. The promotion of domestic agricultural products and the utilisation of local goods have enhanced the diversity and competitiveness of the food market. This has opened up chances for both local producers and customers to take advantage of a broader

selection of options and improved pricing. The agriculture sector has experienced growth and expansion in major cities and countries worldwide, becoming a highly profitable industry for participants. Promoting the use of local commodities has increased the competitiveness of domestic products and improved the entire eating experience for customers.

Navigating the Challenges and Opportunities of Globalization in Agriculture

The agrifood systems worldwide have seen significant changes due to the phenomenon of globalization. This trend has led to increased functional integration among global economies, facilitated by the Internet, the emergence of transnational firms, and the elimination of various trade and investment restrictions. Expanding agriculture in the context of globalisation requires the right approach. This is especially accurate given that climate change is currently causing disruptions in global food supply. If successful, these efforts in agriculture could help eradicate poverty and enhance economic equality and human growth. Globalisation has worsened the challenges encountered by agriculture in developing countries, including urbanisation, rising consumer affluence, and increased demand for food quality and safety. Therefore, these various methods may not be the most efficient. Due to these advancements, local farmers are now confronted with the task of preserving their competitive advantage in a constantly changing and developing global market. Some businesses have failed due to their failure to adapt to changes, while others have succeeded by investing in new technology and procedures to improve efficiency and quality. Another aspect to consider is that the impact of globalisation on the trade of agricultural products has not been evenly distributed. Some farmers have benefited from enhanced access to international markets and modern technology, while others have experienced negative consequences such as the abandonment of traditional farming methods and the loss of their land and means of living due to these advancements. The influence of globalisation on agriculture is clearly varied and intricate. Individuals who have adjusted to the changes and welcomed new approaches have succeeded, whilst others who have opposed or lacked the resources to do so have encountered substantial difficulties. This difference in results emphasises the necessity of providing assistance and resources to aid farmers in adapting to the changing environment of international trade



and technology to secure a sustainable and fair future for agriculture.

III. Conclusion

International competitive growth has led to price fluctuations, putting local farmers under increased pressure to enhance productivity and reduce costs due to economic globalisation (EG), significantly impacting agricultural trade. The development has led to the emergence of large multinational corporations that control the industry, resulting in a further consolidation of wealth and influence among a select few key players. An increase in public debt is linked to the internationalisation of the financial sector. However, an increase in public debt owing to globalisation of commerce leads to a short-term rise in public debt but a long-term decrease. EG is a factor that leads to price volatility and uncertainty in the market. This negatively impacts the ability of individuals with low incomes to sustain their food security and causes disturbances in both the agro-food chain and the economy. EG is antithetical to sustainable agriculture and has been associated with accusations of exacerbating inequality and escalating child exploitation. Furthermore, it is responsible for the environmental damage caused by extracting natural resources and deforestation. Developing countries urgently need study on the effects of EG on agriculture to maintain their domestic economic stability and attract foreign investors. EG has positively influenced agriculture by boosting income and employment, enhancing national specialties, diversifying exports, accelerating agricultural modernization, expanding agricultural markets and value chains, and increasing awareness about the importance of conserving agrobiodiversity. Agriculture in poor countries is facing more challenges due to globalisation. These challenges encompass urbanisation, rising consumer wealth, and a heightened need for food quality and safety. An essential method is necessary to enhance agriculture in the context of globalisation. This is especially accurate given that climate change is currently causing disruptions in food production globally. Furthermore, the impact of globalisation on agricultural commerce has not been uniform among all farmers. Some farmers have gained advantages from expanded access to worldwide markets and innovative technologies, while others have suffered due to the disruption of conventional farming methods and the deprivation of their land and means of living caused by globalisation. Policymakers must create policies to encourage sustainable agriculture practices and offer assistance

to farmers facing challenges in adjusting to the evolving agricultural environment. This involves funding research and development of crops that are robust to climate change, along with offering financial aid and training initiatives for small-scale farmers. By tackling the problems of globalisation and climate change, we can secure a more stable and robust future for global food production. It is crucial to prioritise the welfare of all farmers and guarantee they have the necessary resources and assistance to succeed in a more interconnected world.

References

- [1]. Iram, U., & Fatima, A. (2008, September 26). International trade, foreign direct investment, and the phenomenon of child labor. *International Journal of Social Economics*, 35(11), 809–822
- [2]. Shangquan, G. (2000). Economic globalization: trends, risks, and risk prevention. *Economic & Social Affairs, CDP Background Paper*, 1, 1-8.
- [3]. Molefe, K., Meyer, N., & de Jongh, J. (2018). A comparative analysis of the socio-economic challenges faced by SMMEs: The case of the Emfuleni and Midvaal local municipal areas. *Journal of Economics and Behavioral Studies*, 10(4 (J)), 7-21.
- [4]. Gygli, S., Haelg, F., Potrafke, N., & Sturm, J. E. (2019). The KOF globalisation index–revisited. *The Review of International Organizations*, 14, 543-574.
- [5]. Karwat-Wozniak, B. (2009). Economic potential of Polish agriculture and the possibilities of its developing in globalization period. *Economics & Sociology*, 2(2), 54.
- [6]. Anderson, K., & Croser, J. (2011, January 4). Novel indicators of the trade and welfare effects of agricultural distortions in OECD countries. *Review of World Economics*, 147(2), 269–302
- [7]. Gallagher, K. P. (2009). Economic globalization and the environment. *Annual review of environment and resources*, 34, 279-304.
- [8]. Nugroho, A. D., & Lakner, Z. (2022). Impact of economic globalisation on agriculture in developing countries: A review.
- [9]. Thomson, K. (2003, October). World agriculture: towards 2015/2030: an FAO perspective. *Land Use Policy*, 20(4), 375.
- [10]. Narayanan, S., & Gulati, A. (2002). Globalization and the smallholders: A review of issues, approaches, and implications.



- [11]. Robinson, G. M. (2018). Globalization of agriculture. *Annual Review of Resource Economics*, 10, 133-160.
- [12]. Mishra, V. P., & Pradhan, A. M. GLOBAL AGRICULTURE ECONOMICS: TRENDS AND CHALLENGES. *Innovative Strategies*, 33.