

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

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### **Abstract**

In recent years, globalisation has had a considerable impact on the trade in agricultural goods, which has led to important shifts in the ways in which farmers all over the globe connect with both one another and with customers. The consequences of globalisation on agricultural commerce are investigated, with a special emphasis placed on the toll that globalisation has had on domestic agricultural producers. The rise in the level of competitiveness on a worldwide scale is one of the aspects of the globalisation of agricultural commerce that has had the most important impact. Farmers from various nations are now able to compete with one another more effectively in global marketplaces as a result of the reduction of trade barriers and the improvement in the efficiency of transportation. Because of this, prices have fluctuated, and local farmers are under additional pressure to improve their output while simultaneously decreasing their expenses. The growth of major multinational businesses as the dominant players in the agriculture sector is another effect that globalisation has had on agricultural commerce. There is a further concentration of wealth and power in the hands of a small number of significant actors as a result of these businesses, which often have more resources and better access to global markets than small-scale local farmers.

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

### **Introduction**

Because of the increasing volume of international commerce in products or services and international money flows, economic globalisation (EG) heightens the degree to which national economies throughout the globe are dependent upon one another. However, a great number of nations continue to approach the implementation of EG with caution or reluctance. Initially, EG contributed to the challenges experienced by developed nations. In the modern day, they are now better able to respond to changing circumstances and devise policies that are successful. In the meanwhile, the economic development of the least developed nations would suffer as a result of the effects of EG. Not to mention the effects it has on agriculture, which is one of the most important industries in nations that are still growing. In the beginning, the agricultural systems in certain countries are traditional grain producers and provide assistance to small-scale farmers. Today, only economically beneficial crops and rural tourism are expanding as a result of EG, which exclusively places an emphasis on business. “This results in the loss of local and indigenous knowledge about agricultural and biological variety, and it

also poses a challenge to the efficient conservation of biodiversity. Globalization of the financial sector, which is a component of the EG, has had a role in the increase of public debt, both in the short term and the long run. In the meanwhile, globalisation of trade contributes to an increase in the public debt in the short term but brings it down in the long run.

EG is one of the factors that contribute to price volatility and uncertainty in the market. This factor is related to agricultural industries. This undoubtedly has a negative impact on the food security of those with lower incomes, not to mention the disruption it causes to the agro-food chain and the economy. According to Swisher et al., EG is the opposite of the fundamental principles that underpin sustainable agriculture. This is because it causes an emphasis to be placed on product supply from local farmers and reduces dependence on nourishing local ecosystems and economies. On top of this, there are allegations that EG is to blame for growing inequality and significantly encourages the detrimental influence that agriculture has on child labour, which makes the situation much worse. EG is also liable for environmental devastation. The exploitation of natural resources in developing nations that have not been handled in a sustainable manner is thought to be the cause of this phenomena. As a result of the rising demand for agricultural goods, there has been a significant amount of deforestation. This has had a negative impact on the environment due to the fact that deforestation involves either setting fire to or cutting down trees. In other circumstances, Duarte et al. claimed that the implementation of EG would pose a risk to the successful management of sustainable water resources. For instance, the growth of the agricultural trade in the Mediterranean region, which is predicated on irrigated crops, raises competition for the use of water. The export of agricultural products results in a shortage of water for other uses. In developing nations, there is a need for research on the impacts of EG on agriculture since the agricultural sector helps developing countries maintain their domestic economic security because it may earn foreign cash via exports. This industry is appealing to foreign investors for a number of reasons, one of which is that it supplies critical human nutrition while simultaneously using those nutrients as industrial raw materials. It also boosts employment because people move to rural regions from other parts of the state, or move to rural areas from other parts of the country. By the year 2030, 85 percent of the world's population will call the world's developing and rising countries their home. In this sense, agriculture is absolutely necessary in order to guarantee the population's access to sufficient food supplies. Because of globalisation, it is now much easier for developing nations to acquire the technologies that may assist them in elevating their food production to a higher level.

There is a sizeable body of anecdotal data to support the concept that EG has a favourable effect on agricultural practises. EG boosts agricultural revenue and employment, promotes national specialities and export diversification, accelerates agricultural modernisation, develops agricultural markets and value chains, and raises developing nations' knowledge of the need of agrobiodiversity conservation. In the meanwhile, the worldwide rivalry for agricultural goods would boost the competitiveness of domestic agricultural products and cause their pricing to become more favourable. It will be difficult for domestic manufacturers to raise their competitiveness to the point where they can compete successfully with such imported items. EG has also promoted the use of local goods in an effort to boost agricultural markets in

major cities and other countries. In addition, consumers have an easier time selecting diverse food products in a wide variety of cultural situations, which makes the food sector very lucrative.

In order to expand agriculture in the face of globalisation, the appropriate approach is essential. This is particularly true when taking into consideration the fact that climate change is now disrupting food production on a worldwide scale. If these efforts are successful, agriculture may be able to contribute to the elimination of poverty as well as the improvement of economic disparity and human development. However, given that globalisation has exacerbated the different obstacles that are faced by agriculture in developing nations, such as urbanisation, growing consumer incomes, and greater demand for food quality and safety, these diverse techniques may not be the most effective ones. Because of these developments, local farmers now face the challenge of maintaining their competitive edge in the face of a global market that is always shifting and evolving. Others have failed to keep up and may have been forced out of business as a result of their inability to keep up with the changes, while others have found success by investing in new technology and procedures that enhance efficiency and quality. A further point to consider is that the effects of globalisation on the trade of agricultural goods have not been equally dispersed. While some farmers have profited from improved access to global markets and new technology, others have suffered from the displacement of traditional agricultural techniques as well as the loss of their land and livelihoods as a result of these developments.

### **Review of literature**

(FAO 2003) studied Globalization in food and agriculture discovered this and The term globalisation refers to the continuing process of fast economic integration that occurs on a global scale and is made possible by decreased transaction costs and decreased obstacles to the free flow of capital and products. It has shown itself in a growing interconnectedness of the economies of the globe, quickly rising trade flows, increases in capital movements, and an increasing internationalisation of production, which is often structured both inside and between multinational firms. Globalization has been made possible, in large part, by a dramatic decrease in the costs associated with conducting business transactions. This, in turn, has been made feasible by the development of more effective modes of transportation and communication facilities, as well as by innovations in the management of intricate logistical procedures. A systematic lowering in trade and investment barriers has also contributed to an increase in the volume of commerce and capital movements. Those who took part in this procedure have seen significant increases in their total income as a result. In general, the integration of a smaller market into a bigger market that is more competitive has raised the returns on investment for producers while also providing customers with a wider selection of goods at more affordable rates.

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(Nugroho et al. 2021) studied The impacts of economic globalization on agricultural value added in developing countries discovered that different countries throughout the globe use different indices to measure the effects of economic globalisation on their own economies (EG). This is a reference to the various effects, both good and negative, that will result from its implementation, particularly in the agricultural sector. In many underdeveloped nations, this industry continues to provide as a primary means of subsistence. At the same time, these nations have not been able to maximise their agricultural value-added (AVA), and as a result, they only bring in a little amount of revenue. In this approach, developing nations have a responsibility to make use of EG in order to boost their revenue from agricultural exports and improve the welfare of farmers. Aside from that one study, there hasn't been any further research done looking at the effects that EG has on AVA in underdeveloped nations. As a result, the purpose of this research is to investigate the ways in which AVA in developing nations is affected by factors such as currency exchange rates, inflows of foreign direct investment (FDI), total agricultural export values, agricultural import levies, and imports of fertiliser. The effect of this initiative in 17 developing nations throughout the period of 2006–2018 is evaluated using the panel data approach. According to the findings of the research, the amount of AVA in developing nations rises along with FDI inflows and the value of agricultural exports. According to this research, the EG has a good influence on developing nations; nevertheless, in order to accomplish sustainable development objectives, its implementation has to pay attention.

(Nugroho and Lakner 2022) studied Impact of economic globalisation on agriculture in developing countries: A review discovered that and Economic Globalization (EG) has been steadily expanding in developing nations over the course of the last 40 years. The agricultural industry is not immune to the positive and negative effects that EG may have on a sector. The purpose of this study is to investigate the effect that EG has had on agriculture in less developed nations. This goal was successfully accomplished by doing a systematic review (SR) on a total of 64 publications sourced from Scopus and Web of Science (WoS). EG has had an impact on a number of aspects of agriculture in developing nations, including i) the product, the supply chain, and food security; ii) commerce; iii) economic, social, and political aspects; and iv) technology and research and development (R&D). In this work, we suggest a number of

strategies with the goal of maximising the positive effect of EG while simultaneously minimising its negative impact.

### **Conclusion**

The growth in international competition has caused price volatility, and local farmers are under greater pressure to produce more effectively and at lower prices as a direct result of economic globalisation (EG), which has had a substantial influence on agricultural commerce. It has also resulted in the creation of enormous multinational firms that dominate the sector, which has led to an even greater concentration of wealth and power in the hands of a small number of important players. Additionally, an increase in public debt has been attributed to globalisation of the financial sector, but an increase in public debt due to globalisation of commerce results in an increase in public debt in the short term but a reduction in public debt in the long run. Finally, EG is one of the factors that contributes to price volatility and uncertainty in the market. This is detrimental to the ability of people with low incomes to maintain their food security and creates disruptions in both the agro-food chain and the economy". The use of EG is the opposite of sustainable agriculture, and as a result, it has been linked to allegations of growing inequality and increased use of child labour. In addition to this, it is accountable for the harm done to the environment as a result of the extraction of natural resources and the cutting down of forests. In developing countries, there is a pressing demand for research on the impacts of EG on agriculture because to the fact that it helps developing nations retain their domestic economic stability and is appealing to foreign investors. EG has had a positive impact on agriculture, including an increase in income and employment, an improvement in national specialties and a diversification of exports, an acceleration of agricultural modernization, an expansion of agricultural markets and value chains, and a growing awareness of the need to conserve agrobiodiversity. However, agriculture in developing nations is experiencing a greater number of obstacles as a result of globalisation. These issues include urbanisation, growing consumer affluence, and an increased demand for the quality and safety of food. To improve agriculture in the face of globalisation, the appropriate approach is essential. This is particularly true when taking into consideration the fact that climate change is now disrupting food production on a worldwide scale. In addition, the effects of globalisation on agricultural trade have not been equally felt by all farmers. While some farmers have benefited from increased access to global markets and new technologies, others have been harmed by the displacement of traditional agricultural practises and the loss of their land and livelihoods as a result of globalisation.

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