



## India's Potential to Increase Cereals Export

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### Why in News

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The US Department of Agriculture (USDA) has noted in its latest **Grain: World Markets and Trade report** that **exports of wheat and rice from India are likely to increase.**

### Key points

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- **Findings:**
  - **Increase in Wheat Exports:** The US Department of Agriculture (USDA) has recently **upped its forecast of Indian wheat exports** for **2020-21** (July-June) to **1.8 million tonnes (mt)**, as against its earlier estimate of **1 mt**.
  - **Increase in Rice Exports:** USDA has also estimated India's rice exports to have hit a record **14.4 mt** in 2020, up from the **preceding two years**.
- **Causes for Increase in Wheat Exports:**
  - **Chinese Stockpiling:** The key driver of global price turnaround seems to be China. The reasons for its building strategic stockpiles of everything aren't as fully clear as their effect on international prices.
  - **Rising Global Prices:** For example, the **Russian government** is levying an export tax on wheat in response to high domestic prices. **Bangladesh**, a potential importer of wheat from Russia is beginning to **shift its purchases towards India**.
  - **Ultra-low interest rate** money increasingly being invested into **agri-commodity markets**.
    - In the wake of Covid 19 Pandemic Various Countries such as the USA, India, Russia are reducing their interest rates.
    - **For example:** Bank of England current bank rate: 0.1%  
Reserve Bank of India current RBI repurchase rate: 4%

- **Causes for Rise in Rice Exports:**
  - **Impact of drought:**
    - The country's closest competitors **Thailand and Vietnam** have been facing drought leading to **decline** in rice productivity.
    - Increase in **demand in Bangladesh**
- **Potential Challenges to Rise in Export:**
  - Indian wheat is still not competitive at the government's **minimum support price (MSP) of Rs 19,750 per tonne**. Further additional cost of **cleaning, bagging, loading and transport to port** would be in addition making export uncompetitive.
  - **Solution:** Procurement of wheat below MSP from Uttar Pradesh, Bihar, Gujarat and Maharashtra, where not much government procurement happens.
- **Significance:**
  - Estimates for increase in these exports will be beneficial as India's **own domestic production of rice and wheat** has touched an all-time-high of 118.43 mt and 107.59 mt, respectively, in 2019-20.
  - Government agencies also procured **an all time high in 2019 -20** thus burdening **government exchequer**.

### **Cereals Exports of India**

- India is one of the **largest producers** as well as **exporter of cereal products in the world**.
- The important cereals are - **wheat, paddy, sorghum, millet (Bajra), barley and maize**.
- Previously in 2008, India had imposed a ban **on export of rice and wheat etc.** to meet **domestic needs**.
  - Owing to **huge demand in the global market and country's surplus production**, India allowed limited amounts of export of the commodity.
- Rice (including Basmati and Non Basmati) occupy the **major share in India's total cereals export with 95.7% in 2019-20**. Whereas, other cereals including wheat represent only **4.3% share in total cereals exported from India during the year 2019-20**.
- **Major Export Destinations (2019-20) of Wheat :** Nepal, Bangladesh , UAE, Somalia.
- **Major Export Destinations (2019-20) of Non Basmati rice:** Nepal, Benin, UAE, Somalia.
- **Major Export Destinations (2019-20) of Basmati Rice:** Iran, Saudi Arab, Iraq, UAE.

**Source:IE**