



Reforming Agri-Marketing Amid Trade Uncertainty

This editorial is based on “[The trade trap for Indian farmers](#)” which was published in The Hindu Business Line on 07/04/2025. The article brings into picture the rising risks faced by India’s smallholder farmers amid global trade shifts, highlighting the gap between the country’s global ambitions and domestic agricultural distress

For Prelims: [US reciprocal tariffs](#), [India’s FTAs](#), [Agriculture Export Policy \(AEP\) of 2018](#), [Agricultural Produce Market Committees \(APMC\) reforms](#), [MSP \(Minimum Support Price\)](#), [Production-Linked Incentive \(PLI\) Scheme](#), [e-NAM](#).

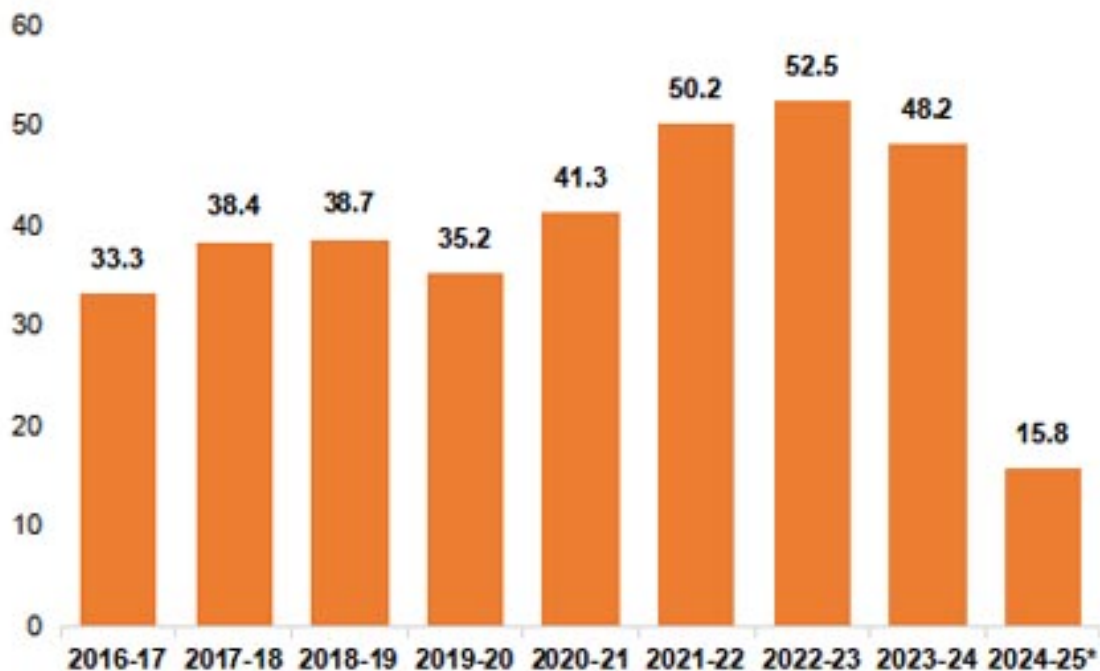
For Mains: Implications of Global Trade Shifts on the Indian Agricultural Sector, Structural Issues Associated with Indian Agricultural Marketing.

The global agricultural trade is undergoing dramatic shifts due to **trade wars, retaliatory tariffs, and new trade conditions**, putting **India's 100+ million smallholder farmers at risk**. While India navigates [US reciprocal tariffs](#) and complex [FTA negotiations](#) with the EU and others, it faces the dual challenge of **protecting vulnerable farmers while pursuing strategic international partnerships**. India must transform its approach by **treating agriculture as an enterprise as well rather than just welfare**, developing state-level agricultural visions, and equipping farmers to meet international standards.

What are the Implications of Global Trade Shifts on the Indian Agricultural Sector?

- **Increased Protectionism and Trade Barriers:** The rising global trend of protectionism, particularly by major economies like the U.S. and the EU, poses significant challenges to **India's agricultural exports**.
 - With **tariffs and non-tariff barriers** being raised, India’s agricultural products, such as **rice, shrimp, and spices**, face rising costs and reduced competitiveness.
 - For example, the **U.S. imposed a 27% reciprocal tariff on Indian shrimp exports**, severely impacting the livelihoods of coastal farmers.
 - [India’s agriculture and allies](#) grew 20.79% in 2021-22, but declined by 8% in 2023-24 and 2024-25.

India's agriculture exports trend (US\$ billion)



Note: *Until July 2024

Source: The Ministry of Commerce & Industry

- **Lagging Behind Value-Added and Processed Agricultural Exports:** Global demand is increasingly shifting towards **high-value processed food products**, and India's agricultural export strategy is yet to adapt to this trend.
 - India still lacks the **infrastructure and technological capacity to fully capitalize on processed food exports** compared to competitors like the EU and the U.S.
 - While the total value of agricultural exports rose from around US\$5 billion to over US\$37 billion over the past two decades, **the share of value-added products has declined—from over 21% in 2001 to about 13% in 2020-21**, shrinking at an average annual rate of -1.2%.
 - The **Agriculture Export Policy (AEP) of 2018** has laid out a roadmap for expanding **high-value processed food exports**, but its implementation has been slow.
- **Dependency on Developed Economies for Agricultural Inputs:** Global shifts in trade also expose India's growing dependency on external markets for **critical agricultural inputs, such as fertilizers and machinery**.
 - The **Ukraine Conflict and supply chain disruptions** highlighted India's reliance on imports for raw materials, leading to skyrocketing prices.
 - For instance, the **2022 palm oil export ban by Indonesia led to a 27% increase in edible oil prices in India**, affecting consumers and farmers alike.
- **Disrupted Domestic Agricultural Markets from Free Trade Agreements:** The **negotiation of Free Trade Agreements (FTAs) with countries like New Zealand and the EU** poses a double-edged sword for Indian agriculture.
 - On one hand, FTAs promise better access to new markets, but on the other hand, **they expose domestic farmers to cheaper imports that could undermine local production**.
 - The proposed FTA with New Zealand, for example, **could flood India with low-cost dairy**

products, harming the livelihoods of the **100 million dairy farmers in India**.

- **Technological Advancements and Innovation in Agriculture:** The global shift towards technological innovation in agriculture offers India both challenges and opportunities.
 - While **agricultural start-ups in India are driving innovation in precision farming**, irrigation technologies, and post-harvest processing, India's farmers still face a technology gap that limits their **competitiveness**.
 - Start-ups, for example, Waycool is **India's fastest-growing agricultural start-up and food distribution company**.
- **Climate Change and Global Supply Chain Risks:** Climate change is a major disruptor of global agricultural trade patterns, affecting **India's agricultural productivity and its ability to meet global demand**.
 - **Erratic monsoons, changing temperatures, and shifting crop patterns** undermine India's agricultural supply chain, which is already under pressure from global trade shifts.
 - **India's agricultural imports have increased 50.56% in 2021-22**, partly due to local supply shortages caused by climate-related factors.
 - The global shift towards sustainability in trade regulations, such as those **in the EU's green conditionalities**, could further strain Indian farmers who are ill-equipped to meet these new requirements.
- **Increased Competition in Global Agricultural Markets:** As the share of the Global South in agricultural trade increases, India faces heightened competition in traditional markets, especially from emerging economies like **China and Brazil**.
 - While India's share in world exports of rice has increased from nearly 36% in 2022 to nearly 46% in 2023, it faces intense competition in products like pulses and wheat, where countries like **Russia and Canada** are key players.

What are the Structural Issues Associated with Indian Agricultural Marketing?

- **Fragmented and Inefficient Supply Chain:** Fragmentation of supply chain leads to inefficiency, high wastage, and increased costs.
 - The lack of integrated supply chain infrastructure results in **delays, spoilage**, and the inability to match demand with supply in real-time.
 - As a result, a significant portion of produce, **especially perishables like fruits and vegetables, is wasted**.
 - In India, **40% of the food wasted is equivalent to nearly 92,000 crore/year**. This is equivalent to nearly 1% of the GDP which is depleted in the form of food wastage in India.
- **Unorganized Agricultural Markets:** India's agricultural markets remain largely unorganized, with an **overwhelming presence of middlemen who manipulate pricing and reduce farmers' incomes**.
 - These middlemen often act as **barriers to farmers accessing fair prices for their produce**, leaving them at the mercy of market dynamics that they cannot control.
 - The government's recent push for **Agricultural Produce Market Committees (APMC) reforms** has faced resistance, as it aims to reduce this middleman influence and **enable direct farmer-to-consumer transactions**.
 - According to an RBI paper, **farmers receive 31%-43% of the consumer rupee in the domestic market**.
- **Inadequate Infrastructure for Agricultural Storage and Processing:** Poor infrastructure for storage and processing remains a major bottleneck in India's agricultural marketing system.
 - With inadequate cold storage facilities and limited processing units, a significant amount of agricultural produce is **sold at suboptimal prices**.
 - As per **National Centre for Cold Chain Development (NCCD)**, India requires **35-40 million metric tons of cold storage** but only has about 32 million metric tons of such storage space.
 - The lack of infrastructure also **reduces the ability to add value through processing**, limiting India's ability to compete in global markets.
- **Fluctuations in Government Policies and MSP:** Frequent changes in government policies regarding **MSP (Minimum Support Price)** and **export bans** create instability in agricultural

marketing and disrupt market dynamics.

- In recent years, **sudden export restrictions on crops like onions and non-basmati rice (though lifted recently)** have led to market confusion and led to losses for farmers.
- These sudden policy shifts **contribute to market volatility and discourage long-term investment** in agriculture.



MINIMUM SUPPORT PRICE (MSP)

The rate at which the govt. purchases crops from farmers; based on a calculation of at least 1.5x the cost of production incurred by the farmers

RECOMMENDED BY

Commission for Agricultural Costs & Prices (CACP) (recommends MSPs for 22 mandated crops and Fair and Remunerative Price for Sugarcane)

22 MANDATED CROPS

(14 Kharif, 6 Rabi and 2 Other Commercial crops)

- 7 CEREALS** Paddy, Wheat, Barley, Jowar, Bajra, Maize And Ragi
- 5 PULSES** Gram, Arhar/tur, Moong, Urad And Lentil
- 7 OILSEEDS** Groundnut, Rapeseed/mustard, Soyabean, Sunflower, Sesamum, Safflower And Niger Seed

RAW COTTON

RAW JUTE

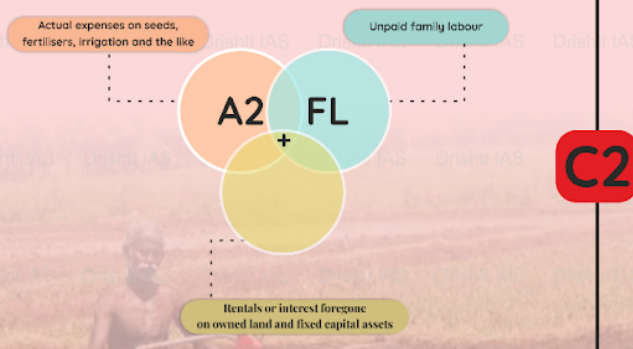
COPRA

MSP is the price at which the govt. is supposed to procure the mandated crops from farmers if the market price falls below it

FACTORS FOR RECOMMENDING MSP

- Cost of cultivation
- Demand-Supply situation for the crop
- Market price trends
- Inter-crop price parity
- Implications for consumers (inflation)
- Environment (soil and water use)
- Terms of trade b/w agri and non-agri sectors (ratio of farm inputs and outputs)

Considers both A2+FL and C2 costs



MSP has no statutory backing — a farmer cannot demand MSP as a matter of right

- **Market Monopolies and Oligopolistic Behavior:** In certain agricultural sectors, the presence of market monopolies or oligopolistic behavior by large corporate players severely limits competition and affects fair pricing.
 - In sectors such as **seeds, fertilizers, and even dairy**, large companies control a significant portion of the market, **often dictating prices and margins**.
 - Despite the rise of **e-commerce** and **digital platforms globally**, Indian farmers still lack access to modern marketing channels that could help them tap into wider consumer bases(**e-NAM** is progressing slowly).
 - For instance, together marginal-small dairy farmers contribute only **60%** of India's milk, down from **90% pre-deregulation**.
- **Inadequate Credit and Financing Options:** Agricultural marketing is severely hampered by **limited access to credit and financing options for farmers**, particularly smallholder farmers who lack assets and collateral.
 - This **lack of financing options prevents farmers from investing in better tools**, machinery, or storage facilities to enhance their productivity and marketability.
 - **Marginal farmers also account for about 71% of all non-institutional borrowers**. This lack of capital or informal channel exacerbates the challenges faced by farmers in improving their marketing capacities.

What Measures India Can Adopt for Enhancing Agricultural Marketing and Navigating Global Trade Complexities?

- **Strengthening Agricultural Infrastructure:** To improve the agricultural marketing system, India must **invest heavily in developing efficient cold storage, transportation, and processing facilities**.
 - Establishing a robust and modernized infrastructure network would help **reduce post-harvest losses**, improve product quality, and enable better price realization for farmers.
 - This can be achieved by **leveraging both government and private sector investments in cold chain logistics** and food processing units, ensuring access to these facilities for smallholder farmers and agricultural cooperatives.
- **Promotion of Digital Platforms for Market Linkages:** Encouraging the widespread adoption of digital platforms like **e-NAM (National Agriculture Market)** and **integrating these platforms with regional mandis** can help streamline agricultural marketing.
 - Providing farmers with real-time market prices, access to a wider range of buyers, and **opportunities to directly connect with consumers** can improve transparency and eliminate middlemen.
 - Expanding the scope of these digital initiatives and offering digital literacy programs will empower farmers, enabling them to make informed decisions and increase profitability.
- **Diversifying Agricultural Exports and Strengthening Value Chains:** India must focus on diversifying its agricultural export basket, moving beyond traditional commodities like rice and spices to include **high-value processed foods, organic products, and other niche crops**.
 - By fostering stronger linkages between **farmers, exporters, and food processors**, India can add value at various stages of the supply chain.
 - This can be facilitated through initiatives such as the **Agriculture Export Policy (AEP)** and the **Production-Linked Incentive (PLI) Scheme**, which together can support product innovation and help meet global market standards, enhancing competitiveness in international markets.
- **Reforming Agricultural Markets and Reducing Middlemen Influence:** India should come up with a reformed version of **Agricultural Produce Market Committee (APMC) reforms** and encourage the establishment of private and contract farming markets.
 - By reducing the dominance of intermediaries, farmers can access better prices and improve income stability.
 - Encouraging states to implement **model APMC reforms** and creating more **farmer producer organizations (FPOs)** will allow farmers to aggregate their produce, improving bargaining power and enabling direct transactions with larger buyers or exporters.

- **Incentivizing Sustainable Practices and Compliance with Global Standards:** To align with global sustainability trends, India must incentivize farmers to adopt environmentally friendly and sustainable agricultural practices.
 - This includes promoting **organic farming, reducing pesticide use, and enhancing water conservation techniques**.
 - By linking these practices to financial incentives such as subsidies or export benefits under the AEP, India can not only ensure compliance with global environmental standards but **also create niche markets for sustainable and organic products**, strengthening India's position in international trade.
- **Financial Support and Credit Access for Farmers:** Improving farmers' access to affordable and timely credit through formal financial institutions is critical for enhancing agricultural marketing.
 - The government should expand the **reach of schemes like Kisan Credit Cards (KCC)** and introduce more **robust credit guarantee schemes** to ensure farmers have the necessary capital for investments in technology, infrastructure, and market access.
 - **Pairing these efforts with financial literacy programs** can empower farmers to utilize credit more effectively, ensuring they can invest in improving production and marketing capabilities.
- **Leveraging Public-Private Partnerships (PPP) for Agribusiness Development:** Encouraging public-private partnerships (PPP) in the agriculture sector can help create a more efficient and resilient agricultural marketing ecosystem.
 - By collaborating with **private players in logistics, processing, and retail**, the government can enhance market access, improve supply chain efficiency, and facilitate technology transfer.
 - This partnership approach should be focused on creating infrastructure, developing **value-added products, and expanding market reach**, particularly in export-oriented segments.

Conclusion:

To navigate global trade complexities, India must balance **welfare-driven to an enterprise-oriented agricultural model**. Strengthening infrastructure, diversifying exports, and aligning with global standards are crucial for resilience and competitiveness. **Empowering farmers through credit access, digital platforms, and FPOs** will enhance their market presence. A **holistic, farmer-centric strategy** is essential to protect livelihoods while seizing global trade opportunities.

Drishti Mains Question:

In the context of rising global trade complexities, examine the challenges faced by India's agricultural sector in maintaining export competitiveness

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. In the context of India's preparation for Climate -Smart Agriculture, consider the following statements: (2021)

1. The 'Climate-Smart Village' approach in India is a part of a project led by the Climate Change, Agriculture and Food Security (CCAFS), an international research programme.
2. The project of CCAFS is carried out under Consultative Group on International Agricultural Research (CGIAR) headquartered in France.
3. The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) in India is one of the CGIAR's research centres.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (d)

Q. Consider the following pairs: (2014)

1. Programme/Project Ministry
2. Drought-Prone Area Programme Ministry of Agriculture
3. Desert Development Programme Ministry of Environment and Forests
4. National Watershed Development Project for Rainfed Areas Ministry of Rural Development

Which of the above pairs is/are correctly matched?

- (a) 1 and 2 only
- (b) 3 only
- (c) 1, 2 and 3
- (d) None

Ans: (d)

Q. In India, which of the following can be considered as public investment in agriculture? (2020)

1. Fixing Minimum Support Price for agricultural produce of all crops
2. Computerization of Primary Agricultural Credit Societies
3. Social Capital development
4. Free electricity supply to farmers
5. Waiver of agricultural loans by the banking system
6. Setting up of cold storage facilities by the governments

Select the correct answer using the code given below:

- (a) 1, 2 and 5 only
- (b) 1, 3, 4 and 5 only
- (c) 2, 3 and 6 only
- (d) 1, 2, 3, 4, 5 and 6

Ans: (c)

Mains:

Q. Given the vulnerability of Indian agriculture to vagaries of nature, discuss the need for crop insurance and bring out the salient features of the Pradhan Mantri Fasal Bima Yojana (PMFBY). (2016)

Q. Explain various types of revolutions, took place in Agriculture after Independence in India. How these revolutions have helped in poverty alleviation and food security in India? (2017)

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