



India's Falling Farm Exports

For Prelims: [UN Food and Agriculture Organization's \(FAO\)](#), [Food Price Index \(FPI\)](#), [Russia-Ukraine war](#), [Inflation](#), [Minimum Export Price \(MEP\)](#), Non Basmati, Basmati,

For Mains: Concerns and Issues on economic growth and development due to falling farm exports in India.

[Source: IE](#)

Why in News?

According to recent Department of Commerce data, exports of farm commodities, at **USD 23.6** billion in April-September 2023, were below the **USD 26.7** billion for April-September 2022.

- There has been a **drop in imports as well**, from **USD 19.3 billion to USD 16.2 billion** resulting in a marginal dip in the agricultural trade surplus.

What are the Reasons Behind Falling Farm Exports?

- **Government's Restrictions on Exports:**
 - In the April-September 2023 period, India's agricultural exports declined by 11.6% compared to the previous year. This drop can be **attributed to the government's implementation of bans and restrictions** on the export of several commodities, including [wheat](#), [rice](#), and [sugar](#).
 - In September 2022, **exports of broken rice were prohibited and a 20% duty levied on all white (non-parboiled) non-basmati grain** shipments. In July 2023, exports of white non-basmati rice were banned altogether. **Henceforth, only exports of parboiled non-basmati and basmati rice were allowed.**
 - The government of India, in May 2022, moved sugar exports from the **"free"** to **"restricted"** category and capped the total quantity of the sweetener that could go out during any year.
- **Easing Global Prices:**
 - Additionally, global prices have **softened after reaching their highest levels** in the aftermath of Russia's invasion of Ukraine.

INDIA'S FARM EXPORTS AND IMPORTS (\$ billion)



What is the Impact of Global Prices on Declining Food Export?

- **India's Farm Trade and Its Connection to World Prices:**
 - India's agricultural trade, particularly its exports, exhibits a strong correlation with global price trends. This relationship is closely tied to the fluctuations in the [UN Food and Agriculture Organization's Food Price Index \(FFPI\)](#).
- **FFPI Trends Impacting India's Agricultural Exports:**
 - The FFPI, reflecting international prices for a range of food commodities, has seen notable changes in recent years. India's agricultural exports tend to follow the FFPI's movements, **declining from USD 43.3 billion in 2013-14 to USD 35.6 billion in 2019-20**, along with the FFPI (from 119.1 to 96.5 points), and subsequently rising as the index reached unprecedented levels in **2022-23**.
- **Impact of Decreasing World Prices on India's Farm Trade:**
 - As global prices have receded, the value of **both agricultural exports and imports in India is expected to decrease in 2023-24**. This trend occurs despite the easing of supply disruptions resulting from the [Russia-Ukraine conflict](#). The latest supply and demand brief from the [Food and Agriculture Organisation \(FAO\)](#) **projects global ending cereal stocks for 2023-24**.

INDIA'S TOP AGRI EXPORT ITEMS (\$ million)

	2021-22	2022-23	Apr-Sep 22	Apr-Sep 23
Marine products	7772.36	8077.98	4119.63	3803.88
Non-basmati rice	6133.63	6356.71	3199.18	2706.58
Sugar	4602.65	5770.83	2636.25	1302.06
Basmati rice	3537.49	4787.65	2278.35	2589.98
Spices	3896.03	3785.36	1926.90	1949.78
Buffalo meat	3303.78	3193.69	1636.10	1734.40
Raw cotton	2816.24	781.43	435.87	393.82
TOTAL*	50240.21	53153.55	26736.48	23621.71

What are the Consequences of Declining International Prices for Indian Agriculture?

- **Reduces Farmers' Incomes:**
 - Declining international prices **not only lower the cost competitiveness of the country's agricultural exports, but also make its farmers more vulnerable to**

imports. This is being witnessed in cotton and edible oils.

- The price crash has led to India's cotton exports not only plummeting, but also imports surging **2.5 times** between 2021-22 to 2022-23.

▪ **Impact on Edible Oil:**

- The value of India's edible oil imports more than doubled between 2019-20 and 2022-23. This was primarily **due to skyrocketing global prices, particularly post the war in Ukraine.**

- What is more concerning is prices have since collapsed, but imports of crude palm, soybean and sunflower oil are **still coming in at a low 5.5% duty.**

▪ **Procedural Concerns:**

- The government's focus on controlling food inflation ahead of national elections – and prioritizing the interests of consumers over producers – **means that imports of edible oil and pulses will continue unhindered,** alongside restrictions on exports of cereals, sugar and even onion.
- This amounts to neglecting concerns of manufacturers and producers, **which will impact [GDP growth](#) negatively.**

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

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

Ans:C

Q. What is/are the advantages/disadvantages of implementing the 'National Agriculture Market' scheme? (2017)

1. It is a pan-India electronic trading portal for agricultural commodities.
2. It provides the farmers access to nationwide market, with prices commensurate with the quality of their produce.

Select the correct answer using the code given below:

- (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Ans: C

