India – US Agricultural Trade

GS II | Bilateral Relations

Why in News?

Amid the threat of tariffs, the new US administration is seeking greater market access for American agricultural produce in India.

What is the status of India – US Agricultural Trade?

- **India-United States trade** - In 2023, India exported $85.5B to United States.
- **United States-India trade** - In 2023, United States exported $41.4B to India.
- **India's agri export to US** – India exported $5.7 billion worth agricultural products to US which is 11% of the total agri exports from India in the calendar year 2024.
- **Major export items** - Top product are marine products , rice- both Basmati and non-Basmati rice and vegetable extracts.
- **US agri exports to India** - In 2024, the US exported agricultural products worth $2.27 billion to India.
- **Major exports** included tree nuts ($1.12 billion), ethanol ($441.25 million), and cotton ($210.73 million).

What are the challenges in India – US Agri trade?

- **Impending reciprocal tariff** - The intensifying demand for greater Indian market access by US, using potential reciprocal tariffs on Indian exports.
- **Agri import tariffs of India** - India's simple average agricultural tariff is 39 % and the tariff structure ranging from zero to 150 % to protect its agricultural sector.
- **US Tariffs** - The US also imposes higher tariffs on select agricultural goods - for instance, tobacco (350 %).
- **Trade Imbalances -** The US often raises concerns about its trade deficit with India, pushing for more balanced trade**.**
- **US interest** - The US has three major crops of interest —soyabean, corn (maize) and cotton — when it comes to securing greater market access in India.
- The US is a huge exporter of all the three commodities, whose combined shipment value peaked at almost $62 billion in 2022.
- **Declining US export to other markets** – China's import of US agri commodities like Cotton, Corn, Soya bean has been declining.
- Due to this US has been pushing markets like India to open its market to compensate the loss.
- **Subsidies and domestic Policies** - Both nations have domestic agricultural policies

and subsidies that can distort trade and create disagreements.

- **Threat to domestic production** - If India opens its dairy sector which is being demanded by the US, it could lead to an influx of heavily subsidized imports, threatening the livelihoods of millions of small-scale Indian dairy farmers
- **Global political development** – Use of trade as an instrument to achieve geopolitical objectives.
- The new US administration announcement to impose 25% additional tariffs on countries that buy oil from Venezuela.
- In 2024, India imported 22 million barrels from Venezuela, and Indian PSUs have invested about $1 billion in the country.

What lies ahead?

- India and the U.S. can focus on increasing market access, reducing import duty and non-tariff barriers, and enhancing supply chain integration in the proposed bilateral trade agreement.
- India can continue to engage with the U.S. to achieve enhancement and broadening of bilateral trade ties in a mutually beneficial and fair manner.

References

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2. Deccan Herald | US push for grand trade agreement with India; opening agri sector

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