India’s Agricultural Exports

Why in news?

Food inflation fears and supply uncertainties may dampen prospects for India’s agricultural trade after last year’s record $50 billion-plus exports.

What is the status of India’s agricultural exports?

- India’s agricultural exports crossed $50 billion during the fiscal year ended March 31, 2022.
- The imports, too is scaling an all-time-high of $32.4 billion.
- The years subsequent to 2013-14 witnessed falling exports alongside rising imports, leading to a narrowing of the surplus to $8.1 billion in 2016-17.
- Exports took long to recover but the imports continued shooting up and the farm trade surplus stood at $17.8 billion for 2021-22.

What is the impact of global prices on the agricultural trade?

- India’s agricultural trade performance is closely linked to international commodity prices.
- The UN Food and Agriculture Organization’s (FAO) Food Price Index averaged to 122.5 points in 2012-13 and 119.1 in 2013-14.
- The index collapsed to 90 points in 2015-16.
- The last two years, especially after October 2020, have witnessed a renewed boom in global agri-commodity prices because of
    - The lifting of Covid-induced lockdowns
    - The after-effects of the massive liquidity injections by central banks post the pandemic
- The return of demand has helped Indian agri exports rebound and go past $50 billion.
- In general, high international prices are favourable for exports of farm produce.
- High global prices also tend to benefit farmers, both by pushing up their realizations closer to export parity levels and by making imports more expensive.
- However, 2021-22 turned out different, recording a surge in exports as well as imports.

The FAO Food Price Index (FFPI) is a measure of the monthly change in international prices of a basket of food commodities. It consists of the average of five commodity group price indices weighted by the average export shares of each of the groups over 2014-2016.

What about the trade composition?

- **Exports**- Leading the exports list is marine products, whose value has steadily risen, from just

over $5 billion in 2013-14 to $7.8 billion in 2021-22.
- But the real increase has come from rice (specifically non-basmati), sugar and wheat, with their exports breaking all earlier records.
- 2021-22 was a remarkable year for rice and wheat and the two cereals hit unprecedented levels through the public distribution system too.
- Amongst the various agri-commodity exports, rice ranks first when both basmati rice and non-basmati rice are included.
- Exports in spices mostly comprise chilli, mint products and cumin.
- Many of the items that contributed to the previous export boom have displayed stagnation which includes basmati rice, buffalo meat, oil meals, guargum and raw cotton.
- **Imports-** As far as imports go, the spike in 2021-22 has been largely because of vegetable oils.
- Pulses imports were at $2.2 billion in 2021-22.
- Other big-ticket import items were fresh fruits (mainly almonds and apples), cashew (basically raw nuts for re-export after processing), spices and natural rubber.
- In spices, India happens to be both a large importer ($1.3 billion in 2021-22) and exporter ($3.9 billion).
- On the other hand, there has been a rising trend in imports of pepper, cardamom and other traditional plantation spices from countries such as Vietnam, Sri Lanka and Indonesia.

What are the prospects of India’s agri products?

- The Russian invasion of Ukraine has imparted bullishness to agri-commodity markets.
- There are expectations of the country’s wheat and even maize exporters filling, at least partly, the void left by the two warring breadbasket nations.
- **Concerns**- Reports from the ground suggest significant yield losses, particularly for the wheat crop that was at the critical grain-filling stage because of the rising temperatures.
- The overall prospects for agri-exports hinge largely on the monsoon.

References

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