Need of Export-Import Policy

Why in news?

A rational agricultural import and export policy is required, as India needs to balance the interests of the both.

Status of India's agricultural trade
• **Exports-** It fell 8.2% in FY ended March 2024 on the back of shipment curbs on a host of commodities, from cereals and sugar to onions. • As per Department of Commerce data the value of farm exports declined from 48.82 billion in 2023-24 to 53.15 billion of 2022-23. • From 2013-14 to 2019-20 the exports declined with increase in imports. • **Imports-** The decrease in overall agricultural imports in 2023-24 was mainly attributed to lower imports of edible oils, driven by a decline in global prices. • However, *imports of pulses surged*, indicating a shift in consumption patterns or domestic production inadequacy. • Import dynamics- The trend suggests a *trade imbalance*, where imports outpaced exports, potentially due to factors such as domestic demand, import dependencies, or trade agreements.

Why India needs a rational export-import policy?

- **Decline in exports-** Restrictions on the export of key commodities such as sugar, rice, wheat, and onions have contributed to the decline in agricultural exports.
- **Policy paralysis-** Government's export bans and duty impositions can hinder investment climate and undermine ease of doing business, particularly in the agricultural sector.
- **Political impact-** During election season measures such as subsidies, loan waivers etc., may have short-term benefits but can also strain fiscal discipline and impact the economic health of the agricultural sector.
- **Concern of import policy-** The removal of import duties on certain agricultural products aims to reduce consumer prices and promote trade but it raises concerns about the impact on domestic production and crop diversification.
- **Impact on farmers-** A reduction in onion prices, for example, can lead to significant revenue losses for farmers, impacting their livelihoods.
- **Trade diversification-** By facilitating a diverse range of imports and exports, India can reduce its dependence on specific markets or commodities, thus mitigating risks associated with fluctuations in global demand or prices.
- **Foster global relations**- A coherent import-export policy strengthens India's position in international trade negotiations and fosters positive relations with trading partners, leading to mutual benefits and opportunities for collaboration.
- **Global uncertainty**- A rational import-export policy is needed to tackle issues such as Russia-Ukraine war, COVID-19 etc., which disrupted global supply chains and trade

flows, impacting agricultural imports.

Restrictions imposed by India on Agricultural exports
• **Sugar**- India, the world's second producer of sugar has banned it's export for the first time in 7 years as lack of rain has cut cane yields. • **Non-basmati rice**-A ban on white non-basmati rice exports since along with a 20% export duty on parboiled grain shipments, resulted in a reduction of non-basmati rice exports. • **Selective ban on rice export-** It is due to various factors such as - Decline in rice production due to deficient monsoon rainfall - Low rice stock could pose a threat on PMGKY and public distribution system. - Possibility in yield reduction due to a new virus that has caused dwarfing of paddy plants in Punjab and Haryana. - To curb threat of inflation and to divert broken rice for India's ethanol production. • **Wheat**- Export restrictions is aimed at preventing the speculative trading in wheat to stabilise the agriculture sector. • **Onion-** The exports were banned in 2023 to ensure adequate availability for local consumption against the backdrop of estimated lower Kharif and Rabi crops in 2023-24 compared to the previous year and increased demand in the international market

What lies ahead?

- A more *balanced approach* is needed, considering the interests of both producers and consumers, as well as the short-term and long-term goals of the agricultural sector.
- *Temporary tariffs* could be considered as an alternative to outright bans or quantitative restrictions, providing a more predictable regulatory environment for stakeholders.
- The creation of buffer stocks for essential commodities is proposed as a means of market intervention to manage price volatility.

References

1. Indian Express- Need of export-import policy
2. Indian Express- Need of more rational agri policy

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