Concerns with Agri-Import Policies

What is the issue?

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- Union government is at risk in tackling the problem of low agri commodity prices and high imports.
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- Indian market lacks intelligence to take informed decisions on international tariff changes.
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What are the concerns with Indian agri Imports?

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- Major imports include vegetable oils, pulses, fresh fruits and vegetables, raw cashew as also wheat and sugar from time to time.
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- Over the last three years these products were worth Rs.17-19 lakh crore (about $ 30 billion).
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- The import of essentials such as edible oil and pulses is inevitable for Indian population.
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- The Indian oilseeds and oils market is well integrated with the global market through the trade route, any change in world market prices will get reflected here.
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What are the issues with government polices?

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- Export-Import policy ignores India’s role in the global marketplace.
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- Exim policy for oilseeds and oils is being counter-productive because India is import-dependent for edible oil.
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- This makes frequent tariff changes seem like a logical alternative.
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- On the pulses front, the Government is planning trade and tariff changes to lift the price of domestic pulses, but this is not a viable solution.
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- A hike in customs duty on imported oils has had no effect on oilseed rates in India.
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- A long credit period 90 to 150 days encourages over-trading and many importers are delayed due to ‘import debt trap’.
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What needs to be done?

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- Trade policy must be fixed by considering international sensitivities and trade relations.
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- A progressive foreign trade policy is one where export and import windows both are open.
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- In the case of vegetable oil, it is possible to restrict trade without imposing trade or tariff barriers.
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- Excessive import can be curbed by reducing the credit period for payment against imports.
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- Imposing a maximum credit period of 30 days will remove the incentive to indulge in over-trading.
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- Affirmative action in the form of strong procurement, and distribution of pulses (after milling) through the PDS is a best available option before the government.
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- Holistic approach covering production, processing, consumption and trade will address the issues.

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Source: Business Line

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