India’s Export Restriction on Wheat

Why in news?

India, which surprised the world with its decision to ban wheat export with immediate effect, appears to be on the defensive now.

What is the case of prohibition of wheat exports?

India is the second-largest producer of wheat in the world wheras China ranks first.

- The global agriculture market has been destabilised by the Russian invasion of Ukraine, a major wheat producing nation that is a big supplier to the European market.
- Citing the sudden spike in the global prices of wheat and threat to food security, the government has prohibited export of wheat.
- There was also a decline in the opening stock of the wheat compared to the last fiscal.
- The officials emphasised the prohibition is not a ban, and is aimed at preventing the speculative trading in wheat to stabilise the agriculture sector.

India produced around 7 million tonnes of wheat during 2021-’22 and out of that nearly 50% was imported by Bangladesh.

What happened aftermath the prohibition?

- In the absence of clear guidelines, many nations have decided to exert their influence and leverage their bilateral relationship with India to varying degrees in search of wheat.
- India’s decision has faced criticism from the G-7’s Agriculture Ministers as it is necessary for Delhi to play a greater role in ensuring global food security.
- The recently concluded Prime Ministerial visit to Germany, Denmark and France also experienced pressure from these countries.
- US envoy to the United Nations said that the US was asking other countries to avoid stopping wheat exports and hinted that the issue would be discussed at upcoming multilateral meetings.
- The European Union’s trade chief Valdis Dombrovskis called export-restrictive measures a tendency that can only actually aggravate the problem.
- Interestingly, China defended India's position, saying that blaming developing countries like India won’t solve the global food crisis.

How does the sudden turnaround in the export policy impact domestic food security?

- Wheat production was 103.6 million tonnes in 2018-19, 107.8 million tonnes in 2019-20, and 109.5 million tonnes in 2020-21.
- Currently, the procurement of wheat by the Food Corporation of India (FCI) has been low but there is not a big shortfall in production relative to previous years.
- Given the low levels of procurement, the Government has reduced the procurement target for the current season.
- In terms of availability of food grain, if policy measures ensure adequate distribution through the food rationing network and open market operations, it is not a serious concern.
- It is essential that the PDS and open market operations be used to cool down food price inflation.

What are the other matters of concern?

- **Remunerative prices to farmers**- After the reports of the National Commission on Farmers, the announced minimum support price (MSP) for wheat has often been inadequate.
- The year-long farmer protests were largely driven by the fear that the new Farm Acts were weakening public commitment to remunerative prices for agricultural produce.
- **Costs of production**- Over the last two years, costs of production have risen sharply.
- **Government policy**- Farmers are worried about the lack of involvement of the Government in procurement.
- Rather than overcoming the shortfall in public procurement by increasing the procurement price and buying more, the Government has allowed traders to build up stocks of wheat.
- The benefits from future sales (domestic or in the export market) are thus likely to go to traders rather than farmers.

What is the need of the hour?

- Food security is both an immediate and long-term concern and does not require surgical strikes.
- A well-functioning PDS can control prices and offer relief to consumers.
- At the same time, a procurement policy can and should offer a reasonable income to farmers.

References

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