

Need for a new agricultural export-import policy

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What's in today's article?

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- Overall agricultural scenario in India
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Why in News?

India's agricultural exports decreased by 8.2% in the fiscal year ending March 31, 2024, due to restrictions on shipments of various commodities (from cereals and sugar to onions).

Overall agricultural scenario in India

• Growth rate and contribution

- According to the second advance estimates, agriculture and allied sector is projected to grow 0.7% in FY24.
- The agricultural sector is estimated to constitute 18 percent of India's GVA in FY24.

• Production

- The total food grains production for FY23 was 329.7 million tonnes, marking a rise of 14.1 million tonnes compared to the previous year.
 - The horticulture production was 355.25 million tonnes which is the highest ever for Indian Horticulture (as per third advance estimates).
- India's global dominance extends across agricultural commodities, making it the largest producer of milk, pulses, and spices worldwide.
- Additionally, India ranks second-largest producer of fruits, vegetables, tea, farmed fish, sugarcane, wheat, rice, cotton, and sugar.

Analysis of Agricultural export

• Statistics

- The total value of farm exports was \$48.82 billion in 2023-24, according to Department of Commerce data.
- It has shown a decline from the record \$53.15 billion in 2022-23 and \$50.24 billion in the previous fiscal year.

• Trends Over Years

- During the initial years of the present govt, agricultural exports dropped from \$43.25 billion in 2013-14 to \$35.60 billion in 2019-20, accompanied by an increase in imports from \$15.53 billion to \$21.86 billion (during the same period).
- During this period, global agri-commodity prices fell significantly, leading to a decline in India's agricultural exports.
 - The [UN](#) Food and Agriculture Organization's (FAO) food price index dropped from an average of 119.1 to 96.5 points between 2013-14 and 2019-20.
- Low international prices made India's exports less competitive and increased its vulnerability to imports.

• Impact of Global Events

- The global price recovery after the Covid-19 pandemic and Russia's invasion of Ukraine caused India's farm exports and imports to reach all-time highs in 2022-23, with the FAO index soaring to 140.8.
- However, exports decreased in the fiscal year that just ended.

Agri exports: key trends

• Impact of ban on export of sugar and non-basmati rice

- The fall in exports to have been led primarily by sugar and non-basmati rice.
- The government hasn't allowed any sugar to go out of the country during the current production year from October 2023.
 - Exports of the sweetener were valued at only \$2.82 billion in 2023-24, after peaking at \$5.77 billion and \$4.60 billion in the preceding fiscals.
- Concerns over domestic availability and food inflation have similarly triggered a ban on exports of all white non-basmati rice since July 2023.
 - Currently, only parboiled grain shipments are being permitted within the non-basmati segment, while also attracting a 20% duty.
 - These restrictions have pulled down overall non-basmati exports from a record \$6.36 billion in 2023-23 to \$4.57 billion in 2023-24.

• Impact of export restrictions on wheat and onion

- Wheat exports were altogether stopped in May 2022, following which their value plunged to \$56.74 million in 2023-24, after reaching an all-time-high of \$2.12 billion in 2021-22.
- Similarly, the onion export was also banned.
 - On May 4, 2024, the Centre lifted a ban on exports of the bulb. Simultaneously, a floor price of \$550 per tonne, along with a 40% duty, was imposed.

• Trend of other major agri export items

- Most of the other major agri export items — barring marine products, castor oil and other cereals (mainly maize) — have posted growth.
- Basmati rice exports fetched \$5.84 billion in 2023-24, surpassing the previous high of \$4.86 billion achieved back in 2013-14.
- Spices exports, too, crossed the \$4 billion mark for the first time.

Agri imports - key trends

• Dip in imports of edible oils

- Analysis of data shows that the 7.9% dip in overall agri imports during 2023-24 was largely due to a single commodity – edible oils.
- India's imports of vegetable fats topped \$20 billion in 2022-23.
 - That was the year immediately after the Russia-Ukraine war when the global price of vegetable oils increased.
- However, 2023-24 saw lowering of global prices of the vegetable oil. This, in turn, reduced the import bill to below \$15 billion during last fiscal.

• Increase in import of pulses

- The import of pulses almost doubled to \$3.75 billion in 2023-24, the highest since the \$3.90 billion and \$4.24 billion levels of 2015-16 and 2016-17 respectively.

Key takeaways

- **Policy stability and predictability is the key**

- Farmers and agri-traders, like all businessmen, want policy stability and predictability.
- When governments resort to banning/restricting agri exports, they usually privilege the interests of consumers over producers.
 - These actions hurt more when taken overnight, like with wheat exports.
- Building export markets takes time and effort.
- A more predictable and rules-based policy — say, introducing temporary tariffs instead of outright bans or quantitative restrictions — is what is recommend.

- **Zero/low import duties are not suitable for crop diversification**

- The govt has done away with import duties on most pulses — arhar (pigeon pea), urad (black gram), masoor (red lentils), etc.
 - The rate has been kept at 5.5% for crude palm, soyabean and sunflower oil.
 - The above zero/low tariffs are at variance with the government's own objective to promote crop diversification.
 - The govt is taking steps to wean away farmers from rice, wheat and sugarcane to growing pulses and oilseeds, which are less water-guzzling and also significantly imported.
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Q.1. What is Parboiling?

Parboiling is a traditional method of processing rice in Asian and African countries that involves soaking, steaming, and drying rice while it's still in its inedible outer husk.

Q.2. What is Food and Agriculture Organization (FAO)?

The Food and Agriculture Organization (FAO) is a United Nations agency that works to end hunger and improve food security and nutrition. The FAO's goals include: Improving nutrition, Increasing agricultural productivity, Raising the standard of living in rural areas, and Contributing to global economic growth.

Source: [Why agriculture may need a new export-import policy](#) | [PIB](#) | [Invest India](#)

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