

## 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 whereas 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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