

IS THE BAN ON WHEAT EXPORTS GOOD POLICY?

Relevant for: International Relations | Topic: Effect of policies and politics of developed & developing countries on India's interests

Workers carry sacks of wheat for sifting at a grain mill on the outskirts of Ahmedabad. | Photo Credit: REUTERS

Over the last month, the government has [banned the export of wheat](#) and [imposed quantitative restrictions on outbound sugar shipments](#). The wheat export ban came within days of a push to enhance India's wheat supplies to the rest of the world after [Russia's invasion of Ukraine](#). This is a time of persistently [high inflation](#), spurred by rising food and fuel prices, and there are concerns about a lower yield this year due to intensive heat waves. The government has argued that farmers have not lost out due to the ban as most had already sold their produce this season. In a discussion moderated by **Vikas Dhoot**, **S. Mahendra Dev** and **Himanshu** consider the efficacy of these curbs. Edited excerpts:

Himanshu: I don't think the export ban is going to help much with inflation as the procurement season for the wheat crop is more or less over. I don't think it is going to keep the prices down or help the government to procure and prepare better for food security.

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My objection to the ban has not been on the policy of export curbs per se — almost 30 countries have done the same, and countries should have a sovereign right to decide what is the right time to curb exports. My problem is with a kind of ad-hocism or muddled policy-making. And this is not the first time, which makes it more worrying. This has been going on for the last two decades — there is no planning on how to manage the trade policy for agriculture products or even other products. Look at it: on May 12, there was an official press release about sending delegations to nine countries to explore wheat export opportunities. And then on May 13, there was an export ban. That's not the right way of looking at it. Through April, officials went to the U.S., talked to President Joe Biden, and the Finance and Commerce Ministers were saying, 'If not for the WTO [World Trade Organization], we will be feeding the entire world'. And then suddenly within a month, the government says, 'No, no, we don't have enough for exports.' This gives a wrong signal to domestic farmers as well as traders. It is certainly not good for food security because whatever damage was supposed to happen has already happened. The government has not been able to procure whatever is required for managing its food security apparatus.

S. Mahendra Dev: Even before the Ukraine-Russia war, global food prices were increasing because of excess liquidity across the world. But the war gave India an opportunity to export more wheat. The global export market is around 200 million tonnes, of which 55 million tonnes are generally from Ukraine and Russia. India exported 7 million tonnes in 2021-22, and everybody thought we had a lot of opportunity this year. Open market prices were higher at 2,400 a quintal compared to the MSP [Minimum Support Price] of around 2,100. So, farmers were getting higher prices after a long time. The export ban has two effects. It impacts farmers' incomes as well as the long-term credibility of the export policy. One reason given for the ban was the production estimates. In 2006 too, production was overestimated and India had to import as procurement was low. It's the same now: many people thought production was overestimated at 111 million tonnes; now we may have 99-100 million tonnes. The second reason was procurement. Last year, 44 million tonnes were procured; now we are expecting around 19 million tonnes. The third reason was the retail inflation, which was inching close to 8% in April,

with food products even higher.

The government may have acted for these reasons, but it has hurt farmers' incomes and the impact on inflation may not be very high because global food prices are still high. Instead of an export ban, it could have opted for a minimum export price and given a bonus of 250 to 300 to spur more procurement for food security goals. On sugar, of global exports of around 64 million tonnes, India was exporting 8 million tonnes last year. Now, there is no shortage of sugar production. We are expecting 35 million tonnes. Even with exports, we could have had a closing stock of around 6 million tonnes. So, there was no need — the government says it is because of global shortage and higher prices in India. It thinks that during the festival season, sugar prices should not go up and has restricted exports to 10 million tonnes.

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Himanshu: Global credibility is not as important as India has not been a regular wheat exporter except for the last two-three years when it had excess stocks. The more serious issue is the credibility of government policy for our biggest stakeholders — the millions of farmers who need a stable and consistent policy. This has not been provided. As far as domestic price measures are concerned, things get a little tricky — because for the last few years, farmers have been suffering through low prices domestically, due to the slowdown in the economy and the pandemic. Finally, when they had the chance to get slightly better incomes from the produce, the government imposed the export ban. So, the domestic outcomes of the export ban are worrying, because we had options like a bonus for procurement that could have helped farmers and food security concerns. Some kind of disincentives could have been built in rather than an outright ban on exports, which basically doesn't help the farmers or even the consumers that much, whatever the government claims.

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We have to see this in the context of the overall agricultural policy, not just for exports, but also incentives and market interventions. What we need is a more cohesive, consistent, stable and predictable agricultural policy, rather than an ad-hoc, unjustified manner of pressing the panic button.

Himanshu: This is an important question. Let's look at oil seeds, another commodity which has seen a massive increase in prices. We have been importing roughly 60% of our seeds and must produce more. But as prices have gone up, the government reduced the import duty on palm oil, and while that is going to reduce market prices for consumers, it would be at the cost of the farmer who will not enjoy the benefits of higher price. So, in a sense, we are penalising the farmer who could have actually shifted production towards oil seeds, but can't compete with cheaper imports. So, we have a policy that penalises farmers at the cost of the consumers, who always get the preference, whether it is pulses or oil seeds.

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The 2016 episode with pulses is a good example — when farmers were able to get higher prices, the government dumped imports from Mozambique and other countries, which led to the collapse of prices. Since then, farmers have been hesitant to go into pulses production. The risks of a muddled policy can damage prospects across the spectrum. We have gone from self-sufficiency in edible oils at the beginning of the 1990s to complete dependency on imports — and trade policy had a large role in that.

S. Mahendra Dev: Since Independence, we have been favouring the consumers at the expense

of the farmers. That has to change. The situation assessment survey of 2018-19 shows that farmers' incomes are low, with only 127 a day from cultivation. We have to think of the farmers' families because they also have expenses, such as health, education and agriculture inputs. For consumers, social protection programmes can act as a support rather than a reduction in farm prices.

Sowing preferences may not change that much, because rice and wheat get a lot of incentives and take up about 80% of the water of the entire agriculture sector. But this ad-hocism — one year we export, next year we ban it — has been happening with most commodities, from wheat to onions. Diversification is important not just for food security, but also nutrition security as many of the poor are not able to buy pulses or eggs and meat.

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S. Mahendra Dev: In 2013, farmers were getting 6,400 and in 2018-19, that was around 7,700 in real terms. That's a 21% increase in six years, or 3.5% per annum. You need 10% growth per year to double farm incomes. Non-farm income is also needed because cultivation alone is not enough.

Himanshu: I think everybody knew when the announcement was made that this is impossible — when it had not happened in the past, it was unlikely to happen when the economy was in the middle of a slowdown. Also, farmer incomes are dependent on not just output prices but also input costs, which have been rising. So, you can have a weird situation where input prices grow faster than output prices, and farmers actually make losses rather than higher incomes. Even over the last six months of rising prices, I don't think farmers gained much. A large part of the benefits went to traders and speculators, who hoarded stocks to sell at high prices later.

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Himanshu: I think the last three months have been a good example of the futility of the farm laws. The Government says the farmers have sold wheat at a higher price because the government was able to pick up less than 20 million tonnes, less than half the target. So, farmers obviously had avenues if they wanted to sell it to the private players. They managed to sell it without any change in the market infrastructure and without the farm laws. The problem is only when the prices are low as that is when you need the government to step in, and that is the point of MSP. This is a good example of how a bogey was created around the farm laws, that these were the only barriers to farmers not getting high prices. But now the government itself is saying farmers have got high prices, nullifying the entire premise on which the laws were formulated. The problem was not about the farmers, it's the nature of agricultural markets and the vulnerability of farmers.

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S. Mahendra Dev: We have been talking about farm reforms since 2003. My stand has been this: leave it to the States. In India, a large country, you cannot have one system for the entire country, which has so many variations in soil, climate. etc. So, each State can see what can be done rather than the Centre imposing farm laws.

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