

Export competitiveness of agri products

5.27 India's agro exports face certain constraints that arise from conflicting domestic policies relating to production, distribution, food security and pricing concerns. Consequently, in recent years, India has lost its competitive edge in the export market of major agricultural commodities like rice, wheat, edible oils, tea and coffee.

5.28 Large increases in Minimum Support Prices (MSP) of rice and wheat have eroded their export competitiveness in the international market. Whereas the country's exports of basmati rice is nearly 400 to 500 thousand tonnes annually, it is for non basmati rice that we find ourselves edged out of the nearly 25 million tonne global market, because of high domestic prices.

5.29 In the global wheat trade of over 100 million tonnes, India has been only a marginal exporter even though till the mid 1990s we were price competitive. In recent years, when India could export at least 3 to 5 million tonnes of wheat annually, global prices have dropped to a

level that exporting wheat has become uneconomical.

5.30 In the case of edible oils, the domestic price of two major edible oils - groundnut oil and mustard oil has been more than twice the international price of most globally traded oils. This is because India not only has little comparative price advantage in the production of oilseeds, but oil extraction is also based on obsolete traditional technology as edible oil production is still reserved for the small scale sector. Domestic supply of edible oils is unable to meet the domestic demand requirements and India imports about 4 million tonnes of edible oils annually. Low global prices had benefited India during the last three years as it was able to import large volumes to meet the growing domestic demand for oils. However, the decline in international production of oilseeds and decline in stocks this year may cause global availability of edible oils to decline thus pushing up international prices. (Chapter 8 on Agriculture discusses the export competitiveness of agricultural products at length).