India’s Erratic Agriculture Trade Policies Are Hurting Both Farmers and Exporters

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Women use wooden tools to spread and dry harvested rice grain, in Nadia district, West Bengal, Wednesday, June 24, 2026. Photo: PTI.

As of 2022, India has commanded a staggering 40% share of global rice exports, making it the literal “caloric infrastructure” for over 150 nations across Sub-Saharan Africa and West Asia. When Indian supply flows freely, food markets stabilise.

When it doesn’t, the reverberations are felt from Dhaka to Dakar. Yet despite this structural dominance, India’s tendency toward sudden, ad-hoc export restrictions like abrupt bans, arbitrary minimum export prices, overnight tariff hikes, is quietly eroding the very credibility that its market weight confers.

To unlock the true dividends of its ambitious new trade architecture, India must reconcile a deeply entrenched protectionist reflex with its external economic aspirations.

The shockwaves of ad-hoc interventions

The summer of 2023 provides the most recent example of this conflict. Amid concerns about price hikes due to the impact of El Niño on the economy, coupled with worries over food prices prior to the 2024 general elections, New Delhi introduced a series of restrictions on agricultural exports.

It banned rice exports in July 2023, imposed an export duty of 20% on parboiled rice in August, and put an export price floor of $1,200 per metric tonne on basmati rice. The international market reacted swiftly. The global market reacted rapidly. The Food and Agriculture Organization's All Rice Price Index was seen rising to 142 points in August 2023, the highest it reached since October 2011, owing to an increase of 20% in Thai white rice prices.

What makes these interventions particularly difficult to justify is that they were reactive rather than scarcity driven. At the time of the restrictions, Indian rice stocks in state-run warehouses stood at 37.6 million metric tonnes, nearly triple the formal buffer storage target of 13.5 million tonnes. The government was not responding to a food emergency. It was insulating itself from political risk at the cost of a global one.

The financial toll was equally stark. Between April and October 2023, exports of farm commodities went from $ 23.6 billion in April-September 2023 to below $26.7 billion for April-September 2022.

The damage was uneven: while premium basmati exports grew by 16%, non-basmati white rice exports dropped sharply. Roughly 6.9 MT were shipped between April and September 2023 – a reflection of the July ban. Wheat exports were virtually halted, shipments in April–October 2023 were essentially zero as compared to several million tonnes in April-October 2022. These losses are merely the visible symptoms of a deeper structural risk – the permanent diversion of global supply chains away from Indian nodes.

Policy Action Date	**Affected Rice Commodity**	**Regulatory Notification / Mechanism**	**Direct Global Market Impact**
September 9, 2022	Broken Rice	Complete Export Ban (Notification No. 31/2015-2020)	Immediate 78% reduction in Indian broken exports; global supply squeeze
July 20, 2023	Non-Basmati White Rice	Complete Export Ban (Notification No. 20/2023)	88% plunge in Indian exports; FAO Rice Index peaked at 142 points
August 25, 2023	Parboiled Rice	20% Export Duty (Notification No. 49/2023-Customs)	11% decline in export volumes; upward pressure on global prices
August 27, 2023	Basmati Rice	Minimum Export Price (MEP) restriction	18% export growth despite restrictions due to high inelastic demand

The cost of unpredictability

In international markets, predictability carries a higher premium than price. India's recurring policy whiplash acts as a catalyst for what trade economists call "de-risking" – the systematic substitution of a volatile supplier with a reliable one, even at greater cost.

This phenomenon is exemplified by the case of onions. The imposition of the export ban on India in December 2023 caused the price of onions in Bangladesh to double instantly from Tk 60 to 120 per kg.

Not only did consumers face temporary hardships, but a permanent shift towards China, Egypt, and Turkey occurred as well. For rice, Thailand and Vietnam have emerged as the primary beneficiaries of India's restrictions, capturing market share that may prove difficult to reclaim.

For domestic agri-business, the consequences are equally corrosive. Foreign and domestic capital will not flow into cold-chain infrastructure or post-harvest management if the government retains the power to unilaterally shut off global market access. This investment freeze ensures India remains a bulk commodity exporter rather than advancing toward the higher-margin, value-added food processing role it aspires for.

The structural duality

With nearly 700 million rural individuals dependent on agriculture, trade policy is not merely an economic instrument, it is a fundamental tool of social stability. This reality has institutionalised what might be called a "protectionist reflex," whereby the government deploys trade barriers to insulate the rural commons from global price shocks.

The country's Minimum Support Price system, designed to guarantee farmers a floor price, further complicates matters.

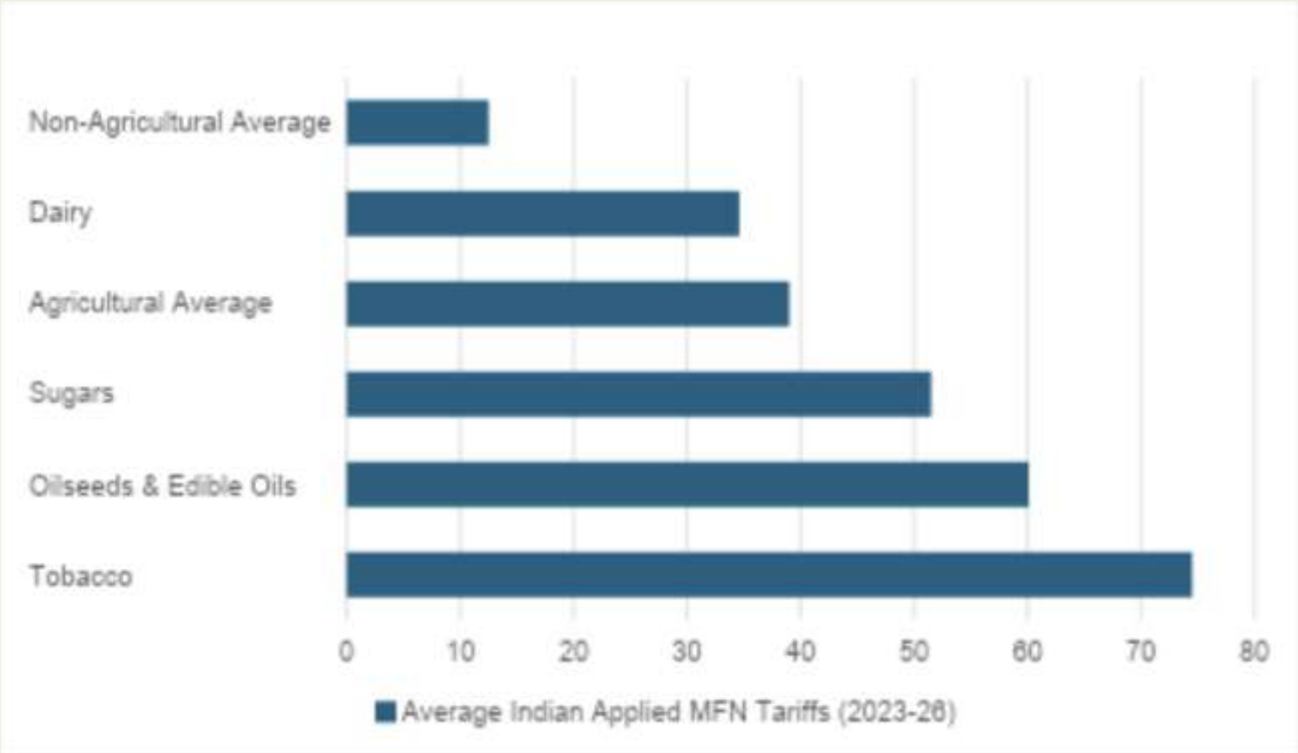
In November 2024, India faced formal WTO allegations of breaching the 10% "Amber Box" domestic support limit for rice and wheat. The internal logic of this system is defensible. The external cost is not. It should be noted that global supply chains usually have contracts lasting from three to five years. This means that when procurement specialists make their decisions in this regard now, they will not come back to them again until 2028 or 2030. Therefore, India needs to prove its reliability and stability during the next 18 to 24 months at most.

The irony is sharpest when viewed against India's recent diplomatic achievements. By negotiating a new round of Free Trade Agreements with the United Arab Emirates, Australia, and (the ongoing one with) the European Union, India has succeeded in obtaining sizeable tariff concessions on its exportable goods.

For example, through its agreement with the European Union, India has been able to obtain a tariff reduction of 26% for its marine exports, opening up an estimated $53.6 billion market for them. Additionally, the FTA allows for an immediate zero-tariff entry of certain labour-intensive goods, such as leather, footwear, textiles, and apparels.

In return, India implemented a well-thought liberalisation process where it agreed to grant immediate duty-free access on 49.6% of its tariff lines accounting for 30.6% of trade value, and phased tariff reduction on another 39.5% over 5, 7, or 10 years. This allowed India to protect its most sensitive agricultural sectors, including beef, poultry, dairy, rice, wheat, and edible oils.

However, India agreed to reduce high tariffs on EU industrial and consumer imports over time. But post-FTA data reveals a concerning utilisation gap – export-side FTA utilisation sits at a fraction compared to the import side.



Sabu, Nirmal & Mariyappan, A. (2025). Trade Tensions in Agriculture: The Impact of India's Agriculture Protectionist Policies on U.S Tariffs. BODHI International Journal of Research in Humanities, Arts and Science. 10. 68-73. 10.64938/bijsi.v10si3.25.Dec033.

The reasons are partly administrative. Approximately 60-70% of smaller exporters cannot claim FTA benefits due to what might be called a compliance "chokehold", the burden of navigating 8-digit HS code precision, proving Certificates of Origin to prevent third-party dumping, and meeting the stringent Sanitary and Phytosanitary standards demanded by developed market partners.

Yet, the deeper barrier here is credibility. No amount of market access gains can compensate for a domestic regulatory environment that remains unpredictable and opaque to foreign buyers.

Curing the credibility discount

A better course of action is not about leaving India's farmers behind, nor making vulnerable communities suffer through wild fluctuations. Instead of implementing total bans on exports which cut off the supply chain, India must use a sliding scale of export taxation in line with price levels in the international markets.

Domestically, this means decoupling consumer protection from trade disruption. Targeted subsidies channelled through the Public Distribution System can insulate the poor from price volatility, allowing the export market to function on commercial terms and farmers to access global prices. Combined with simplified digital facilitation for MSME exporters navigating Rules of Origin and certification requirements, these reforms would make FTA commitments real rather than merely notional.

India cannot sustain a "split personality" trade policy, aggressively courting Western FTAs while simultaneously deploying unilateral export bans that destabilise global food markets. The two postures are mutually corrosive. Consistency is the only path to credibility, and credibility is the only path to the strategic economic autonomy India seeks. The window is open now. It will not remain so indefinitely.

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