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TOPIC OF THE DAY (DATE: 04.09.2023)

BAN ON RICE EXPORTS AND ITS IMPACT

WHY IN NEWS?

Recently, Government of India imposed a 20% export duty on parboiled rice with immediate effect. This decision was made to curb the surge in rice shipments that occurred after July 20, when the government banned exports of non-basmati white rice.

BACKGROUND

Status of Rice production and export:

- India is the second-largest producer of rice in the world, after China.
- India is the world's largest exporter of rice, with a 45% share.
- Non-Basmati rice exports have been on a consistent upward trend over the past three years.
- Decreased production: The latest rice production estimate in India for the Rabi season 2022-2023 indicates a decrease of about 14% compared to the previous year.

Recent government restrictions on Rice exports:

- In May 2022, the government banned wheat exports. In June 2023, restrictions on stock holdings were imposed.
- In September, 2022, the export of broken rice was prohibited, and a 20% tariff was imposed on non-parboiled white grain shipments.
- In July, 2023, non-basmati white rice exports were entirely prohibited, with only parboiled non-basmati and basmati rice allowed.
- Recently, a 20% duty was introduced on all par-boiled non-basmati rice exports.

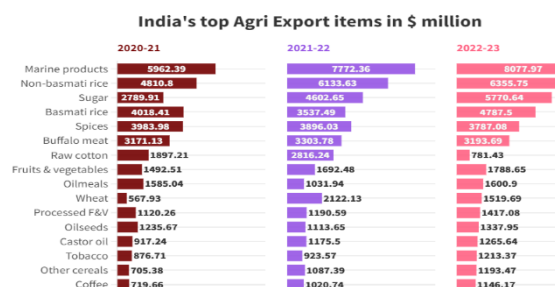
What is the centre's ban about ?

There are four categories of rice exports.

1. Raw (white)
 2. Basmati rice
 3. Parboiled non-basmati rice
 4. Broken non-basmati rice
- The government has notified a 20% duty on exports of rice "other than parboiled and basmati rice". The government has also imposed a blanket ban on broken rice exports.

Reasons for ban on Exports

- Possibility of decline in rice production because of deficient monsoon rainfall.
- Possibility in yield reduction due to a new virus that has caused "dwarfing" of paddy plants in Punjab and Haryana.
- Low rice stocks could pose a threat on Pradhan Mantri Garib Kalyan Anna Yojana and the public distribution system (PDS).



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- To ward off the threat of a price spiral.
- Broken rice can be used to boost India's ethanol production.

Why is the Indian government imposing restrictions on rice and wheat exports?

- **Enhancing Domestic Supply:** The government's goal is to reduce exports to ensure an adequate supply of grains within the country.
- There are concerns about depleting rice stocks, especially in light of the free-foodgrains scheme's continuation pressure (Pradhan Mantri Garib Kalyan Anna Yojana)
- **Impact of monsoon/El Nino:** It includes potential declines in rice production in several Indian states. El Nino may affect new crop arrivals.
- **Tackling Inflation:** Retail food inflation was at 11.5% in July, and the government is taking measures to control rising food prices.
- **Preventing Illicit Exports:** The minimum export price is meant to prevent illegal exports of non-basmati white rice from being misrepresented as basmati rice.

What are the criticisms against the government's move?

- **Irrational ban on Rice Exports is neither good for economics nor farmers.** India exports rice to more than 140 countries. Key buyers of Indian non-basmati rice include: Benin, Bangladesh, Angola, Cameroon, Djibouti, Guinea, Ivory Coast, Kenya and Nepal. Iran, Iraq and Saudi Arabia mainly buy premium basmati rice from India. As these countries may face problem of food Insecurity due to the unpredictable Rice Export policy of India so these countries search for Alternative Exporters. It will damage the Indian Rice Export Base.
- According to **Ashok Dalwai committee set up by Government of India on April 13, 2016**, to prepare a report **on Doubling Farmers Income**. The key recommendation of the committee is doubling farmers' income by focusing on Agricultural exports. The aim should be to raise agricultural export by a minimum of three times by 2022-23.

Other Recommendations of the Committee

- Placing agricultural marketing in the Concurrent list
- Greater private sector participation in Agri-marketing and logistics
- While GST is a step in the right direction, a lot more needs to be done at the State level.
- Farmer producer and village producer Organisations (FPO/VPO) could play a critical role in integrating small and marginal farmers into the agricultural market system.
- Union Agriculture Ministry to roll out the Model Agricultural Produce and Livestock Marketing (APLM) Rules
- Market reforms and investment in infrastructure for cold-chain integration to reduce wastages
- The committee strongly recommends stepping up of institutional credit on a large scale.
- It suggests a permanent inter-ministerial committee, including commerce, consumer affairs and agriculture. This would monitor domestic and global prices, recommending on needed changes.

Recently, Government of India imposed a 40 per cent duty on the export of onions to check price rise and improve supplies in the domestic market till December 31, 2023.