



An Analysis of Paradigm Shift in the Export of Wheat due to Dynamic Changes in the World Market

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ABSTRACT

Wheat is a widely grown crop whose seed is a grain that is used as a staple food all over the world. After maize, it is the cereal grain that is produced in the second-highest quantities, and wheat trades at a higher worldwide volume than all other crops combined. There were 760 million tonnes of wheat produced worldwide in 2020. India's agricultural exports reach \$50 billion, a new high; wheat shipments have increased by 273%.

Exports of wheat increased by almost four times, from \$568 million in 2020–21 to \$2.12 billion in 2021–22. Additionally, the Covid-19 pandemic raised demand for staple foods, opening the door for more agriculture exports. From 2021 to 22 agricultural exports increased by 19.92% to \$50.21 billion. The increase is notable because India saw a gain of 17.66 percent in 2020–21, reaching \$41.87 billion.

Despite being the world's second-largest producer of wheat, India only contributes 1% of the world's wheat exports. India could now fill the vacuum as a result of the ongoing conflict in Ukraine and the ensuing interruption to the market there.

A strategy to export wheat is being discussed by a number of ministries despite the conflict's high prices and limited supply. Even though the procurement of the fresh crop is about to begin, India had over 21 million tonnes of wheat in the central pool as of March 16.

Due to enormous domestic stockpiles of wheat, India is currently the sole significant worldwide supplier. Wheat shipments are appealing to Indian sellers because to the rise in worldwide prices and a historic decline in the value of the Indian rupee relative to the dollar. After five consecutive record harvests of wheat, India's warehouses are overflowing with the grain, thanks in large part to favourable weather, the adoption of high-yielding seed varieties, and government-set support prices for farmers.

Keywords : Indian exports, wheat production, Russia-Ukraine war, World trade organisation

Introduction

Wheat is grown as a commercial crop because it yields well per unit of land, thrives in a temperate climate with a reasonably short growing season, and produces a high-quality, adaptable flour. Rice, wheat, sugar, other cereals, and meat exports from India have reached record highs, and wheat exports have increased by nearly four times, from \$568 million in 2020–21 to \$2.12 billion in 2021–22. This is because many nations are turning to India for their wheat needs following Russia's invasion of Ukraine and the subsequent Western sanctions against Moscow that reduced the availability of wheat.

Literature Review

Singh Kehar After addressing the domestic needs of the huge population, the agriculture sector, which is driving India's economic development, has undergone a remarkable change from a food-deficit situation to the generation of exportable surplus. India's development strategy saw a significant transformation from a physical control regime to a market-driven one.

Gaikar, Vilas According to the 2011 census, 54.6% of Indians work in agriculture and related industries, which contributed 17.4% to the nation's Gross Value Added in 2016–17. (Current prices). As of 2017, India's agricultural exports totaled \$33.87 billion, or 10.5% of all its exports.

Ivan Paramasivan India's post-independence economic progress has mostly been attributed to exports. To make a tangible contribution to the country's GDP, food-based agricultural products and related goods have gradually grown their percentage of total exports. India must produce its goods more cost effectively on a global scale.

Ohlan Ramphul The Granger causality test through a Vector Error-Correction Model is used in the study to empirically analyse the relationship between agricultural exports and India's agricultural GDP over the years 1970-1971 to 2009-2010. According to the results of unit-root testing, India's agricultural GDP and farm exports are integrated in a series of order one. The results of the Auto Regressive Distributed Lag Bounds Testing Approach to Co-integration demonstrate that the relationship between India's agricultural exports and GDP of agriculture is positive and stable over the long run.

Objective

To understand India's wheat exports in the current economy and world crisis with the help of facts and figures.

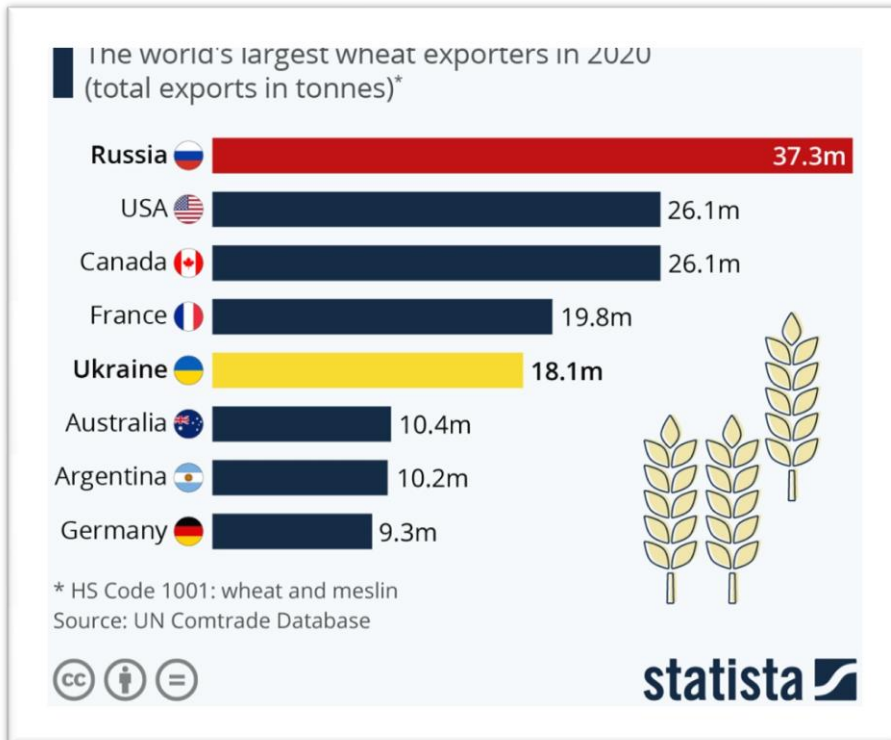
World wheat exports.

The most significant wheat types among the many that are currently recognised are club wheat (*Triticum aestivale*), durum wheat (*T. durum*), and common wheat (*T. compactum*).

Products like bread, pasta, cereal, pastries, cookies, crackers, muffins, tortillas, and pitas are among the many things made with wheat flour.

With around 41% of the world's total wheat production, Russia is the top exporter of wheat, followed by Canada and the United States. Russian, Canadian, and American exports of wheat total more than 20 million tonnes.

The fourth-largest individual producer of wheat worldwide is the United States. But if the European Union were considered a single nation, it would produce more wheat than every other nation except China.



Top 10 Wheat Producing Countries (in tons of wheat produced 2020)

		Exports From India	
		Value in Rs. Lacs	
		Quantity in MT	
Sr No.	Country	2020-21	
		Qty	Value
1	Bangladesh Pr	1,157,399.35	219,137.06
2	Nepal	330,707.74	61,963.79
3	U Arab Emrts	187,949.46	37,388.10
4	Sri Lanka Dsr	94,039.63	18,218.10
5	Yemen Republic	86,000.00	17,506.33
6	Afghanistan Tis	55,584.00	14,238.60
7	Qatar	63,452.87	12,254.59
8	Indonesia	56,051.00	11,131.88
9	Oman	30,179.33	6,095.68
10	Malaysia	9,509.33	1,866.53
Page Total		2,070,872.71	399,800.66

The majority of exports from India have been to Bangladesh (about 1,157,399.35 MT), Nepal (about 330,707.74 MT) and United Arab Emirates (about 187,949.46 MT)

Increase in agricultural production.

In FY22, agricultural exports increased by 19.92% to reach \$ 50.21 billion. The growth rate is impressive because it exceeds the 17.66% growth (\$41.87 billion) realised in 2020–21.

India's agricultural exports reach a record high of \$50 billion, with wheat shipments increasing by 273%.

Rice, wheat, sugar, other grains, and meat exports from India reached record highs in 2021–22, with wheat exports virtually doubling from \$568 million in 2020–21 to \$2.12 billion. Additionally, the Covid-19 pandemic raised demand for staple foods, opening the door for more agriculture exports. During 2021–22, agricultural exports increased by 19.92%, reaching \$50.21 billion.

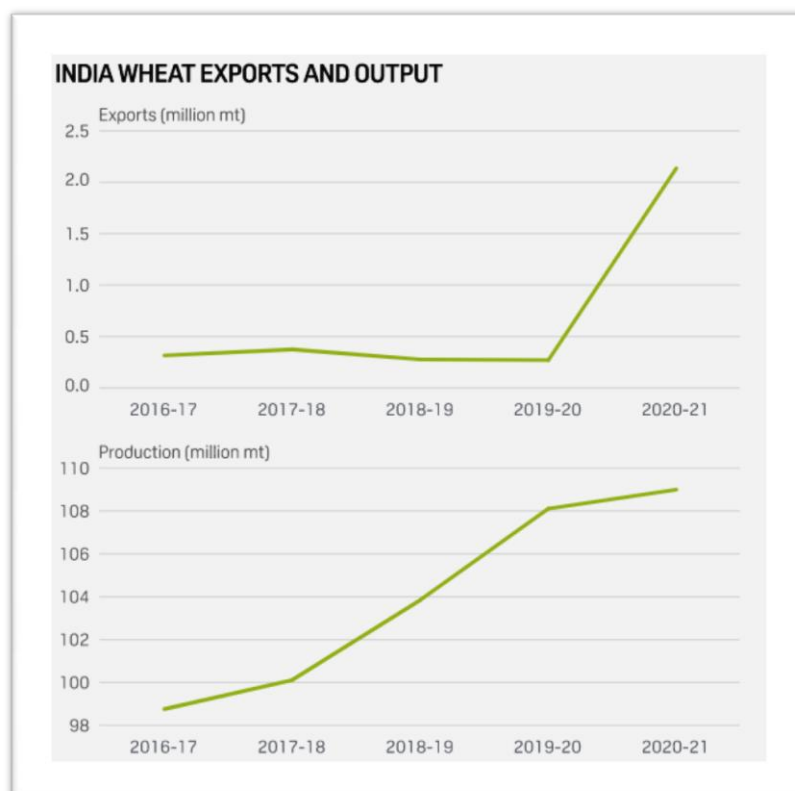
Highest-ever exports in staples.

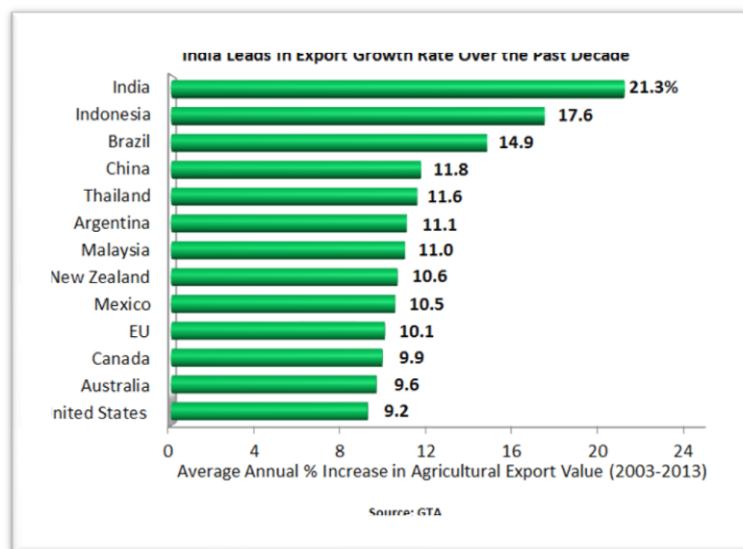
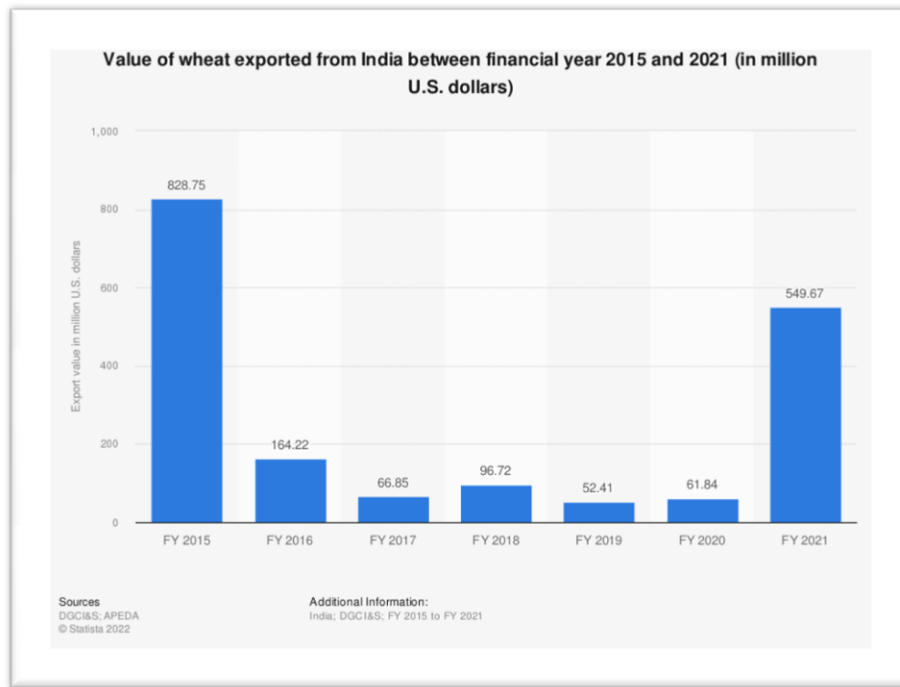
1. Rice - \$9.65 billion
2. Wheat - \$2.19 billion
3. Sugar - \$4.6 billion
4. Other cereals - \$1.08 billion

India plans to export a record 10 million tonnes of wheat in 2022–2023, according to Union Minister for Commerce and Industry Piyush Goyal.

The largest wheat exporter in India, ITC, anticipates a threefold increase in wheat exports in FY23 and higher domestic pricing all year long. The government and trade estimates of wheat export are approximately 40% lower than the ITC's estimate.

After the Food Corporation of India, ITC is the biggest purchaser of Indian wheat (FCI). While the government and the sector expect wheat exports to be between 12 and 15 million tonnes in FY 23, ITC anticipates substantially larger shipments.





The Department of Commerce, along with its many export promotion organisations like APEDA, MPEDA, and various commodities boards, has made consistent attempts to increase exports. The Department has worked particularly hard to encourage district and state governments to support agricultural exports.

Due to the rising demand for the commodity on the global market, traders have signed contracts for the shipment of 30-35 lakh tonnes of wheat between April and July, according to Food Secretary Sudhanshu Pandey. According to official figures, the nation's wheat exports reached 70 lakh tonnes in 2021–2022, up from 21.55 lakh tonnes in 2020–2021.

According to the trade estimate, 30-35 lakh tonnes of wheat have been contracted for export between April and July of this year, said Sudhanshu Pandey, the food secretary. Because of their proximity to ports and simpler logistics, Gujarat, Rajasthan, and Madhya Pradesh will ship the most wheat, he told reporters. It is too soon to predict whether there will be a decrease in government procurement as a result of private trade obtaining wheat for export. However, he continued, the administration is continuously keeping an eye on the issue.

In a statement made last week, Piyush Goyal, the minister of commerce and industry, predicted that by the fiscal year 2022–2023, the nation's wheat exports may reach 100 lakh tonnes.

Following Russia's invasion of Ukraine and the ensuing Western sanctions against Moscow, many nations are now importing wheat from India and other nations.

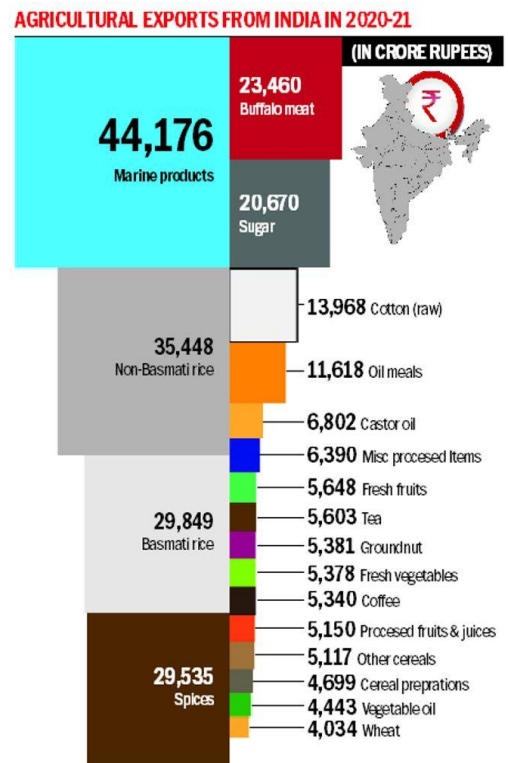
To take advantage of rising wheat prices on the international market, the Indian government intends to encourage wheat exports. The second-largest producer of wheat worldwide is India.

The impact of Russia's 2022 invasion of Ukraine on global wheat production.

Together, Russia and Ukraine represent around 30% of the world's wheat trade. As a result of Ukraine's production capacity being harmed by Russia's military invasion of that country in 2022, many nations restricted or ended trade links with Russia, driving up world wheat prices. Farmers' lives are further complicated by the fact that Russia is a significant supply of fertiliser, which is essential to optimising agricultural production.

Despite being the world's second-largest producer of wheat, India only contributes 1% of the world's wheat exports. India could now fill the vacuum as a result of the ongoing conflict in Ukraine and the ensuing interruption to the market there. India is considering exporting over 10 MT of wheat in FY23 to fill supply gaps brought on by the conflict between Russia and Ukraine. As the Russia-Ukraine conflict entered its fourth week and threatened a worldwide food crisis, Egypt, Israel, Oman, Nigeria, South Africa, and Nigeria have contacted India to obtain wheat supplies, according to two government sources. Every day, there are more and more restrictions and bans placed on Russian goods from all over the world. Additionally, the fighting has compelled Ukraine to shut down its grain ports in the Black Sea. The majority of India's wheat production has gone toward meeting domestic demands. Only 2% of India's wheat supply was exported between 2017 and 2021; the remainder was either saved for later use or consumed domestically..

By upsetting the existing global agri-commodity chain, the Ukraine-Russian conflict has benefited Indian wheat farmers. The traditional European breadbaskets can no longer satisfy market needs. As the second-largest producer of wheat behind China, this implies greater business for India. That too, at the lowest costs compared to its international rivals.



A strategy to export wheat is being discussed by a number of ministries despite the conflict's high prices and limited supply. Even though the procurement of the fresh crop is about to begin, India had over 21 million tonnes of wheat in the central pool as of March 16. A task group has been established by the ministry of business and industry to investigate the markets in Egypt, Turkey, and Italy. The ministry of consumer affairs, food, and public distribution is striving to provide suitable storage facilities at five or more ports that the Central Warehousing Corp. has designated.

A few Indian agri-exporters who deal in wheat, maize, millet, and processed foods have found an odd opportunity as a result of the conflict in Ukraine

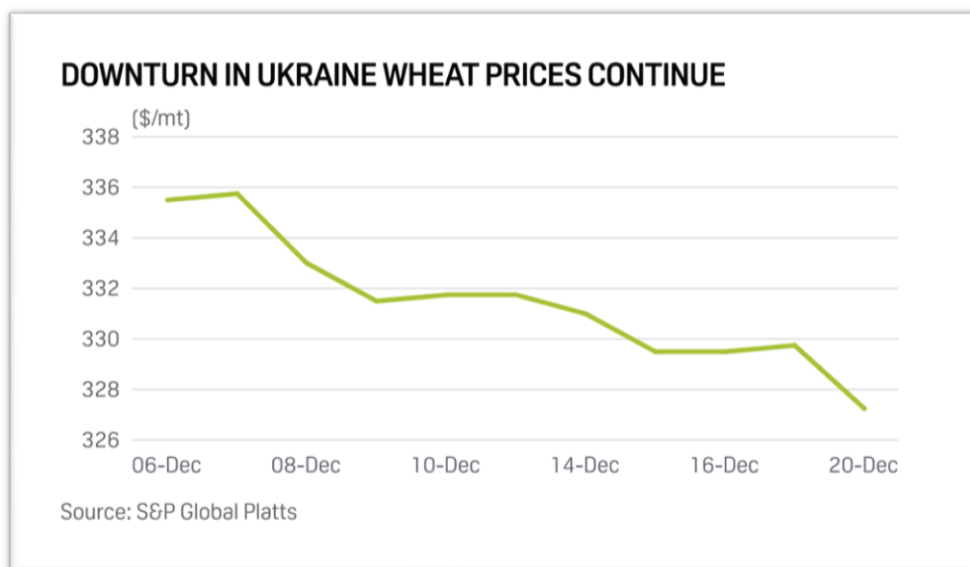
against this socioeconomic environment. The globe has been looking to Indian wheat since the crisis started last month to fill the enormous stockpile gap left by the unrest in Europe's breadbasket. Russia and Ukraine jointly account for 25% of the world's wheat exports, making Ukraine one of the leading exporters of the grain in the world.

In just two words, Kunal Shah, a partner in the trading firm Kunal Corporation based in Mumbai, summarises India's opportunities: Every year, our company typically ships 50 to 60 20-foot containers of wheat. Nevertheless, we already have an order for 40 for the upcoming fiscal year. He continues by saying that if the prices had been more competitive, his business would have actively marketed maize. "Maize per tonne in Mumbai costs \$325, while it costs \$300 in Pakistan," he claims.

Nitin Gupta of Olam Agri, another exporter from Gurgaon, explains why the entire world is relying on India to supply wheat and adds that the price of the product has surged on the global market, which would help exporters as well as farmers make a quick cash. "Except for India, no fresh wheat arrival is anticipated from anywhere else in the world between now and June. Nobody is aware of the full degree of damage to Ukraine's devastated wheat fields. Russia will continue to live in isolation for a while. Additionally, Australian wheat, a competitor to Indian wheat, won't arrive until November, according to Gupta, who also notes that India will be able to export 10 to 12 million tonnes of wheat in the upcoming fiscal year, up from roughly 8 million tonnes.

However, it is unlikely that India will attempt to take over all of the markets left open by Russia and Ukraine this year. In an effort to ensure that the country, ravaged by Russian missiles, has enough food on hand to feed its own population as the country's supply chains are seriously disrupted, Ukraine earlier this month barred the export of wheat, oats, millet, sugar, cattle, and cow byproducts. According to data from 2020–21, the majority of the wheat exported from Russia and Ukraine went to countries including Egypt, Indonesia, Turkey, Nigeria, Italy, and Bangladesh. Should India concentrate on all six of these nations?

India's strategy is described by M Angamuthu, chairman of APEDA, as being three-pronged. He claims that the initial strategy will be to strengthen India's position in nations like Bangladesh, Sri Lanka, and Indonesia where Indian wheat is already well-liked.



India's ambitious wheat export plan could come under WTO lens.

Wheat exports from Russia and Ukraine have been hampered due to the Ukraine crisis, pushing up the price of the grain globally. Prime Minister Narendra Modi has urged India to assist in meeting the global demands in this context, if the World Trade Organization (WTO) permits it. India is sitting on ample of wheat supply. The warning deserves careful study.

India has a massive public stockholding (PSH) programme in place with the objective of ensuring food security. According to it, government organisations like the Food Corporation of India (FCI) purchase agricultural products from farmers at the minimum support price (MSP), such as wheat, rice, and coarse cereals, and then distribute them to the country's poor through a network of fair price shops, also known as the Public Distribution System (PDS). Over and above the revenue from sales, MSP plus handling, storage, and distribution costs are deducted as a subsidy from the Union Budget.

The system was initially designed to simply purchase the amount required to satisfy PDS demands plus a strategic buffer. However, there is currently a complete disconnect between the two as a result of vote-bank politics. Instead, we have an open-ended procurement system where the government purchases from the farmers the largest amounts feasible at rising MSP. The WTO's scanner has been applied to the plan.

The subsidy given under PSH has two parts: (a) subsidy to the farmer being the excess of MSP of, say, rice over its international price, also known as External Reference Price (ERP) in WTO parlance; and (b) subsidy to the food consumer – being the excess of ERP over the price paid (say, Rs 3 per kg

of rice).

A concern of the WTO is (a), often known as "product-specific" subsidies. In 1995, the AoA went into effect. Up until 2005, MSP was less expensive in India than ERP. Following that, MSP has consistently outperformed ERP, and over the past ten years, the difference has grown. For example, in the case of rice during 2018–19, AMS reached 11%, above the 10% cap. Given the increase in MSP and subsequent increase in quantities purchased, the AMS is currently even greater.

India is currently protected by a "peace clause". According to it, "no member will challenge this if a developing country gives AMS in excess of 10% until a permanent solution is found." The peace clause has a number of conditions attached to it, including the reporting of information on food purchases, stockpiling, distribution, and subsidies, so it is not a cure-all. Establishing that subsidies are not "trade distorting" is one of them. India is consequently exposed, as seen by some nations' insistence on "safeguards" and "transparency" requirements after it triggered the peace clause in 2018–19.

India is currently petitioning the WTO for a "complete exemption for help to PSH for food security" in order to overcome these weaknesses. The plan, which was presented at the 12th MC from November 30 to December 3, 2021, has been postponed until the week of June 13, 2022. This assumes that "all" purchases from Indian farmers are made only for the purpose of providing Indian customers under the PDS and that no quantity from this pool is ever exported.

In light of this, it is possible to interpret India's exportation of wheat from this stock—which is intended solely for PSH for food security—as a breach of WTO terms. The mere fact that these exports will cost more than MSP won't assist because, according to the AoA methodology, AMS calculations are made using average ERP for the entire year, which is inevitably lower.

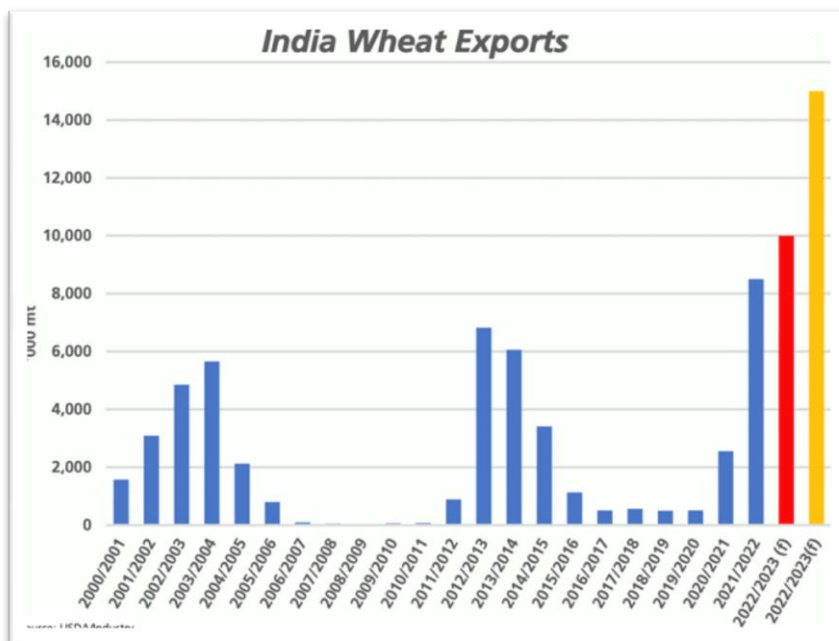
Aside from that, compliance with the 10% cap must be crop-specific as well as cumulative, meaning that even if the subsidy is less than 10% for wheat, India will be found in violation of the WTO if it is higher for rice or if product-specific and non-product-specific subsidies added together are higher than the threshold.

As a result, the moment the government decides to export from this stock, our argument for complete exemption from providing support to PSH for food security will be strongly challenged. As long as India maintains its current open-ended procurement regime, it will remain susceptible. The only method to get around the WTO is to replace it with a direct benefit transfer (DBT) of subsidies, whether it goes to farmers or food consumers, as these transfers are exempt from the 10% cap.

Future Opportunities.

Due to record-high worldwide prices, Indian traders have secured agreements to export 500,000 tonnes of wheat recently, and they are anticipated to sign other contracts to increase shipments from the No. 2 producer of the staple in the world.

As a result of Russia's invasion of Ukraine, concerns about supply disruptions from the Black Sea region, which generates 30% of the world's wheat exports, have risen. Wheat prices rose to a 14-year high this past week on a global scale. Fears of supply delays from the Black Sea region, which produces 30% of the world's wheat exports, have increased as a result of Russia's invasion of Ukraine. Due to this, wheat prices around the world reached a 14-year high this week.



Can India emerge as a major exporter of wheat?

Due to enormous domestic stockpiles of wheat, India is currently the sole significant worldwide supplier. Wheat shipments are appealing to Indian sellers because to the rise in worldwide prices and a historic decline in the value of the Indian rupee relative to the dollar. After five consecutive record harvests of wheat, India's warehouses are overflowing with the grain, thanks in large part to favourable weather, the adoption of high-yielding seed varieties, and government-set support prices for farmers. With farmers expecting to harvest 111.32 million tonnes of wheat starting next month, up from 109.59 million the year before, harvests of wheat will once again reach record highs in 2022. The Food Corporation of India, a government-backed grain stockpiler, is frequently forced to store wheat in temporary sheds due to overflowing grain bins. Compared to the aim of 13.8 million tonnes, there are 28.27 million tonnes of wheat in government storage facilities. Granaries will be overflowing in May and June as a second bin-bursting crop begins in April.

The government was able to lessen the impact of the droughts in 2014 and 2015 because to burgeoning wheat reserves, while Prime Minister Narendra Modi's administration was able to provide free food during coronavirus lockdowns. The monoculture also depletes the soil of nutrients, according to economists, and keeping such a massive, ineffective inventory of wheat puts undue on an already overburdened governmental coffers. Due to the annual increase in government support or fixed prices provided to growers, India has had difficulty exporting wheat. Indian wheat's price rose above global levels as a result, rendering export sales unprofitable. However, exports from India have become more appealing due to the unusual convergence of multi-year high global wheat prices, a record-low rupee, and a rise in demand from traders looking to replace Russian and Ukrainian wheat with the Indian type.

Are there other advantages or challenges for India?

India is able to provide wheat at cheaper freight costs because to the strong demand from Asian consumers including Nepal, Bangladesh, Sri Lanka, Indonesia, and the Philippines. Additionally, India can ship wheat to the Middle East for less money than many other suppliers. As a result of the introduction of numerous high-protein wheat varieties appropriate for pasta and pizza dough, Indian scientists have also recently been able to allay concerns regarding the quality of their country's wheat. Increased cargo handling capability at Indian ports is another benefit mentioned by Indian businesspeople and government representatives. However, traders warn that a probable shortage of railroad waggons as well as a rise in internal freight rates to convey grain from major wheat-producing regions to ports could obstruct shipments.

Rules block India's efforts: WTO to help untie wheat export knot.

Nirmala Sitharaman, the minister of finance, stated in Washington that Ngozi Okonjo-Iweala, the director general of the World Trade Organization (WTO), is looking "positively" to resolving the issue that is preventing India from sending wheat from state granaries to other nations that are experiencing a shortage brought on by the conflict between Russia and Ukraine. According to WTO regulations, it is challenging for a nation to export grains from official inventories if they were bought from producers at a predetermined price (the minimum support price in India's case) rather than at market prices. Of fact, the WTO standard has no effect on exports made by private traders who pay farmers market prices for their grains. Given the profitable export markets, there are already indications that individual traders are buying more wheat. Recently, PM Modi made the offer to provide grains to other nations experiencing a food shortfall during his discussions with US President Joe Biden, should WTO regulations permit it.

Sitharaman said: "I have emphasised that nations like India who have potential for delivering agricultural produce, particularly cereals, have had difficulty with the WTO." Sitharaman has been in the US since Monday for the IMF and World Bank's spring meetings. She claimed that the WTO DG, who was present at the IMF plenary meeting on Thursday, stated that the global organisation was viewing the situation "positively."

The Ukraine crisis, which has increased the price of oil and other commodities globally and impacted net importers like India, is a "difficult scenario," according to the minister, and New Delhi has been working to create these possibilities out of it. She mentioned opportunities throughout this crisis, such as grain and manufactured goods exports.

India's wheat exports in FY23 are expected to exceed the initial goal of 10 million tonnes and possibly even approach 15 mt, according to Piyush Goyal, the minister of trade and industry. Of course, India is looking for outlets for its goods. Two, it wants to provide real help so that no obstacle should prevent people from coming where there is hunger, Sitharaman said in a Friday speech in Washington.

Conclusion

In FY22, Indian agricultural exports increased by 19.92% to reach \$ 50.21 billion. The growth rate is impressive because it exceeds the 17.66% growth (\$41.87 billion) realised in 2020–21.

Despite being the world's second-largest producer of wheat, India only contributes 1% of the world's wheat exports. Rice, wheat, sugar, other grains, and meat exports from India reached record highs in 2021–22, with wheat exports virtually doubling from \$568 million in 2020–21 to \$2.12 billion. Given that India is the world's second-largest producer of wheat, the Indian government intends to encourage wheat exports in order to profit from rising wheat prices on the international market.

Due to the rising demand for the commodity on the global market, traders have signed contracts for the shipment of 30-35 lakh tonnes of wheat between April and July, according to Food Secretary Sudhanshu Pandey.

According to official figures, the nation's wheat exports reached 70 lakh tonnes in 2021–22, up from 21.55 lakh tonnes in 2020–21. India might fill the vacuum as a result of the ongoing conflict in Ukraine and the ensuing market disruption there. In order to fill the supply gaps caused by the Russia-

Ukraine conflict, India plans to export nearly 10 MT of wheat in FY23. However, under WTO regulations, it is difficult for a country to export grains from official stocks if they were purchased from producers at a fixed price (the minimum support price in India's case) rather than market prices.

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