

# Government bans Wheat Exports

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## [GS Paper 3 - Indian Economy, Trade]

**Context** - The Indian Government bans wheat exports after a new low output estimate, a need to ensure food availability was the stated objective behind the decision.

The export of all wheat including high protein and normal soft bread varieties has been moved from free to the prohibited category.

## Key Developments

- Exports will be allowed to vulnerable countries for their food security needs through government-to-government agreements. The government expects these steps to tame domestic wheat and atta prices that have risen sharply following demand for exports and likely lower output in the current year.
- The government has said that the decision to restrict wheat exports will:
  1. Control food prices
  2. Strengthen the food security of the country
  3. Strengthen and makeup for the deficit
  4. Ensure India remains a reliable supplier
- The authorities said that all export orders where the letter of credit has been issued would be fulfilled in the future if it is saved now.
- Directing the wheat exports through government channels would not only ensure fulfilling the genuine needs of our neighbors and food-deficit countries but also control

inflationary expectations.

- The authorities said that apart from the food security of India the government is committed to ensuring the food security of neighbors and vulnerable countries.
- The center has reallocated some quantities by changing the ratios of wheat and rice.
- The states getting beat and rising in the ratio of 60: 40 will get it in the ratio of 40: 60. For all small states and special category states allocation has not been changed.
- The explanation behind the decision could be that the revised estimates of wheat production are much lower than the estimated 111 mmt (million metric tonnes), and that wheat procurement is likely to end up at around 19 to 20 mmt by June-end against the more than 43 mmt last year.
- Another factor could be that the April '22 wheat inflation is at 9.59 per cent (y-o-y) against overall cereal inflation of 5.96 per cent.
- According to official data, the average price of wheat flour in retail markets was about ₹33 per kilogram on May 8, nearly 13% up from a year ago.