

How do Indian farm prices compare with global benchmarks?

By the end of Jul'25, US imposed a baseline tariff of 25% on imports from India. In quick succession, an additional tariff of 25% was further announced, taking the total tariff on Indian goods to 50%. US has raised demand for a much greater access to dairy, fishery and the agriculture markets in India. Additionally, US also expects much lower tariffs on specific farm products such as corn, cotton, almonds, soybean amongst other and removing any regulations on genetically modified produce. The Indian government has made it very clear that the interests of farmers will not be compromised on any score.

The analysis here takes a look at the wholesale and retail prices of various commodities to throw light on how opening of import of farm products could affect overall demand and hence prospects of Indian farmers. There are no clear results but divergent trends emerging when wholesale and retail prices are looked at independently.

Overview

India's agriculture sector contributes 16% to the GDP and provides livelihood to more than 40% of the population. The sector has grown at an average pace of 4.5% in last 5-years in real terms. In the US, agriculture sector contributes 0.9% to the GDP. India has imposed a simple average tariff of 36.7% on agriculture exports, which is higher when compared to 5% by the US. However, it is comparatively lower than other countries such as South Korea at 57%, Switzerland at 28.5% and Thailand at 28.3%. These rates are applied as part of MFN (most favoured nation) with countries that do not have FTAs (Free trade agreement).

India has remained steadfast in its views on opening up the farm sector for imports when it comes to safeguarding and protecting the interest of its farmers. The USA is talking of India allowing their farm exports to have easier access to our market which is very large given the size of the population. A lot rests on the ongoing trade negotiations between the two countries.

Table 1 provides a comparative picture of wholesale prices in India and global prices for a set of products. The global prices are not necessarily those of USA but international benchmarks. This is an illustrative list and the global prices are not necessarily those in the USA. The idea is highlight the level of price discrepancies which can make imports cheaper if allowed to come in with zero duty. Agricultural products, including grains, pulses and oilseeds have been taken for comparison.

The table shows that for several commodities, which are marked in yellow, the international price is ruling lower than the domestic price. The international prices of oils and pulses is lower than that in India. The difference can range from 15-30% which is quite high. This also probably accounts for the fact that at times when there are supply shocks in the country due to crop failures, we are able to import pulses, as an example, at a lower price.

Sugar, tea and shrimps are the only three products in this set which have higher global prices.

Table 1: Wholesale price picture

Items	Unit	India	Global Prices
Groundnut Oil	INR/Quintal	18,098	14,855
Masoor Dal	INR/Quintal	8,034	6687
Rice	INR/Quintal	3,810	3,269
Soya Oil	INR/Quintal	13,897	11,237
Sugar	INR/Quintal	4,267	4,437
Tea Loose	INR/Quintal	24,308	25,996
Urad Dal	INR/Quintal	10,531	8750
Wheat	INR/Quintal	3,074	1,916
Milk	INR/100 l	5,568	4,099
Sunflower Oil	INR/Quintal	15,305	12,788
Maize	INR/Quintal	2,560	1651
Shrimps	INR/Quintal	36,500	56,846
Mustard Oil	INR/Quintal	16,866	10,340
Palm Oil	INR/Quintal	12,230	8,385

Source: CEIC, Bloomberg, World Bank, IMF Bank of Baroda | Latest data as available

These prices would typically hold for bulk purchases which would be made by processors or distributors. For example, bakers would look for the lowest possible price for wheat and with international prices being lower, would be preferred. The present duty structure provides support to domestic producers. Hence it is a pertinent point that if India were to remove duties or lower them substantially, imports would come in larger quantities which will affect livelihoods in the farming sector.

Retail prices:

There are several imported goods available in India today which however come with higher duties which increase the final prices. These products are largely purchased by the affluent classes where the price does not matter.

For the purpose of analysis here, we have looked at prices in the US supermarket as denoted by Walmart and compared the same with those offered by Indian e-commerce platforms like Big Basket, Amazon Fresh etc. These prices are only indicative as they vary on daily basis. The basic price has been used as discounts are offered at different points of time which can skew the picture. But this is important because it has been seen in the west that *etailers* could offer huge discounts to increase market shares and ultimately increase price when a monopoly like position is established. Therefore prices provided here should be viewed with caution.

Table 2 below provides comparable prices at retail level for a set of products. There would evidently be qualitative differences which is hard to find out in such an exercise; and is hence held to be constant. All the prices have been converted in INR and is in the same unit to maintain comparability.

It has been largely observed that for most of the commodities, the retail prices in India are relatively cheaper than its US counterparts. Price of white bread in USA is 3 times expensive than the price of bread in India. An explanation here is that prices in the USA would be based on the dollar as a unit of transaction and the fact that the rupee value is magnified by the exchange rate accounts for the higher USA price in rupee terms. There may be scope to lower the prices by 50-60% which is the range of discounts offered at times by these outlets. Further, imported fruits like apples, oranges, plums and grapes are already available in India on the roadside carts at very competitive rates and hence the threat of large scale flows with duty relaxation cannot be ruled out.

Table 2: Retail price picture in India and US

Commodity	Unit	India (in Rs)	US (in Rs)
Rice	Rs/Kg	55	61
Wheat flour	1 kg	40-50	130
Sugar	Rs/Kg	75	209
Tea bags	100	220	678
Coffee	100 gms	220	609
Butter	Rs/Kg	630	702
Cheddar Cheese	Rs/Kg	1100	1192
Milk	Rs/ltr	65	194
Shrimps	Rs/Kg	1040	260
Chicken	Rs/Kg	460	459
white bread	Rs/Kg	100	300
Eggs	per piece	8	19
Apples	kg	220-260	200

Source: Walmart, Big basket, Amazon Fresh, Bank of Baroda

It can be concluded that the agricultural sectors is one which can be affected in case of free flow of imports. The wholesale and retail prices comparison provide a dualistic picture. At the wholesale end there is a case for imports coming in at lower prices in the absence of any duties. At the retail side however, price comparisons do show that Indian products have more competitive prices. But given the strategies used by some of the global players to capture markets, unhindered flow of imports needs deeper consideration.

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