India faces limited gains, more pain from US-China trade war

Advantage cotton producers, but other farm items at risk of glut from US supplies, say experts

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As the trade war between the US and China escalates, potential benefits for Indian agricultural exporters remain largely confined to cotton, according to sector experts. At the same time, the risk of US surplus flooding the Indian market poses a serious threat to domestic farmers.

On Tuesday, China announced retaliatory tariffs on a range of US agricultural imports, including chicken, wheat, corn, cotton, sorghum, meat, soybeans, and dairy products, effective from March 10. The move follows Washington's decision to double import duties on Chinese goods to 20 per cent, a month after imposing an additional 10 per cent levy. "Among all commodities, cotton stands to gain the most if China curtails imports from the US, as India has been a key supplier," said Gokul Patnaik, chairman of Global Agrisystems and former head of Agricultural and Processed Food Products Export Development Authority (APEDA). "Soybeans are not surplus in India, and wheat exports are restricted. In my view, cotton is the only commodity where India may see export opportunities amid the tariff increases."

According to data from APEDA, India exported agricultural goods worth $3.54 billion to China in FY24, while shipments to the US stood at $5.52 billion during the same period.

China's imports of US agricultural products fell to $29.25 billion in 2024, a 14 per cent decline from the previous year, extending a 20 per cent drop in 2023. Since 2018, Beijing has imposed tariffs of up to 25 per cent on US soybeans, beef, pork, wheat, corn, and sorghum in retaliation for levies imposed by Trump in his first presidential term. In response, China has diversified its supply sources, increasing purchases from Brazil and bolstering domestic production to enhance food security. Despite this shift, China remains the largest export market for US farmers, with industry leaders describing it as "irreplaceable" even as they seek alternative buyers, according to a *Reuters* report.

Some experts caution that higher Chinese tariffs on US agricultural products could lead to an influx of some of the aforementioned goods into India, potentially harming domestic producers, particularly in maize and soybeans. "The US will be saddled with a surplus of certain agricultural products previously destined for China. This may increase pressure on India to buy more from the US," said Biswajit Dhar, distinguished professor at Council for Social Development.

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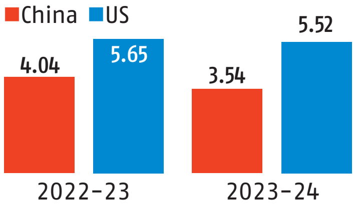
India's agri exports (in $ bn)



Source: APEDA

Non-tariff measures limit mkt access for Indian exports: DGFT

Non-tariff measures being announced by developed economies such as European Union's carbon tax and deforestation regulation limit market access for Indian goods in those markets, a senior government official said on Tuesday. Addressing a post-Budget webinar, Director General of Foreign Trade (DGFT) Santosh Kumar Sarangi said that the other challenges before Indian exports include insufficient integration with global value chains, high import duties, technology disadvantage, and high cost of logistics (about 8-9 per cent of GDP against 5-6 per cent in developed nations). **PTI**