

High tariffs on farm goods breed inefficiency: Study

● **Hike in US tariffs may impact India's shrimp and rice exports**

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HIGHER IMPORT TARIFFS breed inefficiencies and expose Indian agricultural products' exports to reciprocal tariffs by the United States, a study by ICRIER said on Thursday.

"If the US enforces tit-for-tat tariffs, Indian agriculture will face challenges at three levels - country-level, product-level competitiveness loss, and increased non-tariff barriers," a paper titled "Trump's tariff threat: likely impact on India's agriculture trade," by ICRIER has stated.

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If the United States implements a broad tariff revision on Indian agricultural exports, farm products such as frozen shrimp

TARIFF TANTRUMS

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entering duty-free, while semi-milled and wholly-milled rice face 11.2% tariff.

"A blanket tariff hike would reduce the competitiveness of these exports, against competitors like Vietnam, Thailand, and Indonesia," the study has noted.

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■ India imposes "significantly higher tariffs" than the US, particularly in agriculture where it imposes a simple average tariff of 39%.

"On similar lines, tariff concessions are to be selectively applied to agricultural products facing high tariff differentials, such as food preparations (currently at 150%), walnut (100%), dairy products, cheese and SMP (30-60%), and cut chicken legs (100%)," according to the study.

According to ICRIER, India imposes "significantly higher tariffs" than the US, particularly in agriculture where it imposes a

simple average tariff of 39% and a trade-weighted tariff of 65%, compared to the US' 5% and 4%, respectively.

Non-agricultural tariffs also follow a similar pattern, with India imposing a 13.5% simple average and a 9% trade-weighted tariff, compared to the US' 3.1% and 2.1%, respectively.

"These figures suggest that India's trade policies safeguard domestic agriculture, whereas the US follows a more liberalised approach," according to the study.

India has reduced import duties on Washington apples, from 50% to 15%, signalling the concessions on horticulture products, it stated.

The study has suggested that on similar lines, selective tariff reductions on outlier categories, especially food preparation (150%), walnuts (100%), cut chicken legs (100%), dairy products, particularly cheese and skimmed milk powder, could have a phased reduction from 30% and 60%, respectively and could encourage reciprocal market access for Indian products in

the US.

It suggested that instead of tariff protection, India must focus on right instruments such as enhancing productivity and modernising its agricultural value chains to remain globally competitive in agricultural produce," the paper noted.

It has proposed expanding cold storage capacity, upgrading logistics infrastructure, and ensuring better quality certification and traceability to boost the export potential of India's agricultural products.

It stated that even with these tariffs, India has a growing trade surplus of \$3.46 billion in agri-products for 2023-24 with the US, the country's largest trading partner.

Increased investment in research and development for high-yielding crops, mechanisation, and improved irrigation techniques are steps in the right direction, the paper observed. "Yield gaps in key commodities in comparison to global standards must be addressed through seed technology, precision farming, and efficient fertiliser use," it noted.