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(A No. 165) India-U.S. Trade Deal: Implications for Indian Farmers

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ABSTRACT

In early **February 2026**, the governments of **India and the United States** announced an **interim framework trade agreement** aimed at strengthening bilateral economic ties and expanding commercial exchange across a wide range of sectors. Designed as a precursor to a fuller, comprehensive trade pact, the interim framework seeks to slash barriers in goods, services, energy and technology, build cooperation in supply chains and investment, and set the stage for a future deal that could target **$500 billion in bilateral trade** over the next several years.

While policymakers in both countries have heralded the agreement as historic and mutually advantageous, its repercussions-especially on **India's agriculturally anchored economy and millions of Indian farmers**-have sparked intense debate, political controversy, and protests. This article examines the contours of the trade deal, analyzes how it could impact Indian farmers, and explores the broader economic, political and social dimensions of the debate.

1. Setting the Context: Agriculture in India's Economy

Agriculture remains a backbone of the Indian economy. Although its share of **GDP** has gradually declined as the country becomes more industrialized and service-oriented, it still:

- Employs nearly **half of India's workforce**,
- Supports a huge rural population that depends on farm income for survival,
- Influences food security, market stability, and political discourse,
- Has deep cultural and social importance across states like **Punjab, Haryana, Uttar Pradesh, Bihar and others**.

India's post-liberalization approach to agriculture-including Minimum Support Prices (MSP), import tariffs, market interventions and regulatory protections-has long aimed to safeguard farmers from price volatility, foreign competition, and dependency on imports. Trade negotiations that touch on these protections are therefore intensely scrutinized.

2. What the India-U.S. Trade Deal Includes (Especially Related to Agriculture)

2.1 Reduced Tariffs and Market Access

Under the interim framework, both sides agreed to reduce tariff barriers on a range of goods. For India:

- Several **Indian agricultural and horticultural products**-including *tea, spices, coffee, coconut oil, areca nuts,* *cashew nuts, chestnuts, and certain fruits*-could access the **U.S. market at zero duty or with sharply reduced duties**.

- Many products that historically faced duty rates of up to 50% were brought down, boosting the potential competitiveness of Indian exports in the U.S. market.

For the U.S., India has agreed to **lower import barriers on some industrial and non-sensitive agricultural products**, while retaining **higher tariffs or protections on sensitive categories**.

2.2 Exclusions and Red Lines

According to Indian government officials, the interim pact has **explicit exclusions** for key agricultural sectors that have political and economic sensitivity at home. These include:

- *Staples such as rice, wheat, pulses, and maize;*
- *Oilseeds such as soybeans;*
- *Sugarcane and millets;*
- *Dairy and poultry products;*
- *Certain fruits and vegetables that form the bread-and-butter of domestic agriculture.*

Commerce Minister **Piyush Goyal** has repeatedly emphasized that “no concession has been made that would harm Indian farmers” and that *sensitive items have been excluded* from tariff concessions.

This is a central point claimed by the government to counter fears among farmers that cheap U.S. imports will overwhelm local production.

3. Potential Benefits for Indian Farmers

While critics have been vocal, proponents of the deal highlight several **opportunities** that could benefit Indian farmers and agribusiness:

3.1 Expanded Export Markets

Indian producers of commodities that gain tariff-free access-such as **spices, tea, coffee, coconut products, certain nuts and fruits**-could see higher demand in the U.S. and better price realization.

This could:

- Increase **foreign exchange earnings** from agricultural exports,
- Promote value-added and processed farm products,
- Boost farmer incomes in sectors where India has a comparative advantage.

3.2 Agro-Processing and Job Creation

With improved export prospects, there could be a surge in **agro-processing**, logistics and related industries. Lower trade barriers might stimulate investment in processing infrastructure, packaging, grading, and quality control-creating jobs both on and off the farm.

3.3 Feed and Input Costs

Some analysts argue that imports of products like **distillers dried grains with solubles (DDGS)**-used as animal feed-could reduce livestock feed costs. This might benefit poultry and dairy farmers if feed prices drop.

3.4 Competitiveness and Global Integration

The deal encourages greater integration of India’s agricultural exports with global supply chains-helpful for sectors that can compete globally on quality and price. Indian firms that focus on high-value crops and packaged foods are poised to benefit.

4. Concerns and Risks for Indian Farmers

Despite government assurances, a vocal segment of farmers, farm unions and political parties believe the trade deal poses serious risks:

4.1 Fear of Cheap Subsidized Imports

Even if staples like wheat and rice are excluded, critics fear the entry of **cheap, subsidized U.S. agricultural products** could exert downward pressure on domestic prices for products that are produced locally-such as **corn, soybean or certain pulses**-if tariff reductions expand in later phases of the deal.

They argue that the U.S. heavily subsidizes its farmers, giving them a cost advantage that India's smallholder farmers cannot match. If similar import liberalization happens in the future, *domestic prices could fall below MSPs*, hurting farmers' incomes.

4.2 Dairy Sector Vulnerabilities

Dairy is a livelihood source for millions of small farmers with just a couple of cows or buffaloes. According to some economic analysis, **a relatively small market share gain by subsidized U.S. dairy products** could displace many marginal Indian milk producers if protective tariffs are lowered.

Even discussions in farm groups suggest that removing tariffs on skimmed milk powder or whey could jeopardize local dairy industries that are less mechanized and less productive than U.S. counterparts.

4.3 MSP and Procurement System Pressures

While the deal does not alter India's MSP system, critics fear trade liberalization will put pressure on the **mandi/MSP ecosystem**, which has already faced challenges such as high input costs, labor shortages, and infrastructure gaps. Reduced import barriers, they say, could weaken MSP's effectiveness over time by distorting market price signals.

4.4 Political and Psychological Backdrop

Farmers' protests in India-especially the massive movements of 2020–21-left deep scars and heightened sensitivity to trade deals perceived as inimical to farmers' interests. Even the *possibility* of market opening generates strong mobilization, because farmers associate it with losing bargaining power and diminished incomes.

4.5 Concerns over Future Phases of the Deal

Many farmer unions believe the **interim agreement could be the first stage of a bigger, more comprehensive pact**. If future negotiations open up more sectors or lower tariffs further-especially in staples or dairy-then the risk of cheap imports dominating the market increases. This fear drives much of the opposition rhetoric.

Farm organizations like the Samyukt Kisan Morcha (SKM) have warned of renewed protests if agricultural products or dairy are included in future trade deals.

5. Political and Social Reaction in India

The trade deal has quickly become a **political flashpoint** in India:

- Opposition parties have criticized the pact as favoring U.S. interests at the expense of Indian farmers and labeled it a "surrender of national interests" if agricultural protections are weakened.
- Multiple farmer unions have announced nationwide protests, arguing that any inclusion of agricultural imports threatens rural livelihoods.
- Government ministers, in contrast, have defended the deal emphatically-asserting that farmers' interests are fully protected and that the pact opens **new export opportunities without weakening protections**.

This clash has triggered heated debates in Parliament, on social media, and across rural and urban communities. Given the political weight of farmers in Indian elections, this controversy may have electoral consequences.

6. Impact on Food Security and Price Stability

Beyond individual farmers, the deal touches on concerns about **national food security** and household food prices:

- Protecting food grains and staples from cheap imports is seen as essential for ensuring **food sovereignty**.
- Critics worry that if tariff barriers are lowered too swiftly, imported Asian and American products could disrupt **local supply chains and mandi markets**.
- Government assurances about excluding sensitive items aim to mitigate these concerns, but trust deficits persist among some farmer communities.

In contrast, proponents of trade liberalization argue that controlled market exposure, combined with strong domestic mechanisms like MSP, public procurement and warehouses, can protect food security *while still encouraging exports of high-value commodities*.

7. Long-Term Structural Implications

7.1 Productivity and Competitiveness

Some economists assert that the deal could **incentivize Indian agriculture to become more efficient and competitive**. Exposure to global markets often compels producers to upgrade quality, adopt better technology, and improve supply chains-factors that could benefit Indian agricultural exports in the long run.

7.2 Diversification into High-Value Crops

India may shift focus from traditional low-margin staples to **high-value exports** like spices, processed foods, horticulture and nut products. These areas face high demand in global markets and often command better prices for farmers.

7.3 Rural Industrialization and Value Addition

The push toward exports could encourage **rural agro-processing industries**, cold storage facilities, and logistics upgrades-creating jobs and improving farmers' access to markets and credit.

8. Possible Policy Responses and Safeguards: To balance trade opportunities with farmer protections, policymakers might consider:

8.1 Maintaining MSP and Procurement: Ensuring MSP operations continue for key staples and expanding buffer stocks to absorb price shocks.

8.2 Targeted Subsidies and Credit: Providing direct income support, low-interest credit and crop insurance to vulnerable farmers to enhance resilience.

8.3 Infrastructure Investments: Improving mandi infrastructure, cold chains, grading and processing facilities to cut post-harvest losses and raise export quality.

8.4 Regulatory Safeguards: Retaining the ability to impose safeguard duties against sudden surges of cheap imports that could injure domestic producers.

8.5 Market Intelligence and Extension Services: Helping farmers adapt to changing market dynamics through real-time price data, crop advisories and export facilitation.

9. Balancing Global Trade and Domestic Welfare

Ultimately, the India–U.S. trade deal illustrates a classic dilemma faced by developing economies:

- Should a country pursue **global trade integration** to boost exports, attract investment, and drive economic growth?
- How can it simultaneously protect **vulnerable domestic sectors** that form the backbone of rural livelihoods?

India's policymakers are attempting to navigate this balance by excluding sensitive agricultural sectors while promoting export opportunities. Whether this approach will satisfy farmers and deliver tangible benefits remains to be seen-and will likely depend on how the deal's provisions are implemented over time, including subsequent negotiation phases.

10. Conclusion

The India–U.S. trade deal represents a major step in bilateral economic cooperation, with potential to unlock export growth, diversify markets, and strengthen strategic ties. For Indian farmers, the deal presents a **mixed picture**:

- **Opportunities** exist for export-oriented agriculture and value-added products.
- **Risks** remain if protections erode and cheap imports compete with domestic producers.
- **Political and social dynamics** have amplified apprehensions, prompting widespread debate and protest mobilizations.

It is clear that **farmers' livelihoods, food security, price stability, and rural economy** must remain central in trade policymakingrequiring careful calibration of international commitments with domestic safeguards.

India's agricultural story is deeply rooted in its history, communities, and economic challenges. As trade negotiations evolve, policymakers must ensure that progress on the global stage does *not come at the cost of the individuals who feed the nation*-a task that will require transparency, responsiveness, and sustained engagement with farmer voices.