Nepal leans ever more on India for food

The food import bill rebounded to Rs434 billion last fiscal year amid rising demand, shrinking farm labour and stagnant agricultural productivity.

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Nepal's food import bill has started climbing again after a brief slowdown triggered by India's export restrictions. The rebound points to the country's growing dependence on imported agricultural products.

The country imported food worth Rs434.26 billion in the last fiscal year, driven by rising consumer demand, remittance-fuelled purchasing power and a widening gap between domestic production and consumption.

Experts have sounded the alarm, warning that food is rapidly becoming Nepal's second major external dependency after petroleum products.

Food imports had eased for a while following the Covid pandemic and India's restrictions on exports of several food commodities.

However, with New Delhi easing exports of key staples such as rice, imports have begun rising again.

At the same time, record remittance inflows and the continued outflow of Nepali migrant workers are weakening the agricultural workforce, making the country increasingly dependent on imported food.

The trend has also been amplified by Nepal's re-export of edible oils to India, a trade that takes advantage of tariff differentials between the two countries.

India has intermittently banned exports of essential commodities such as wheat, rice, sugar, onions and paddy, citing concerns over domestic supply. These policy shifts have directly influenced Nepal's import patterns.

In the fiscal year 2009-10, Nepal's agricultural import bill stood at just Rs44.43 billion. A decade later, in 2019-20, it had surged to Rs250 billion. The Covid pandemic temporarily slowed the growth in 2020-21 as border closures and lockdowns disrupted trade.

Since the outbreak of the Russia-Ukraine war and the resulting global food supply disruptions, India has increasingly restricted rice exports to safeguard domestic stocks through quotas and outright bans on products such as rice and paddy.

By fiscal year 2021-22, Nepal's agricultural imports had ballooned to Rs400 billion, prompting experts to warn that a farming country becoming so dependent on imported food represented a national emergency.

According to the Department of Customs, the latest increase in the import bill has been driven primarily by edible oils and cereals.

Nahendra Khadka, national coordinator of the National Peasants Coalition Nepal, said rising disposable incomes have boosted food consumption, resulting in a sharp increase in imports.

"Like petroleum products, we are now almost entirely dependent on imported food. This is a serious challenge for a country like Nepal," he said.

Khadka said India has repeatedly imposed export restrictions on food products for various reasons, and Nepal is the first country to feel the impact because it imports almost everything from its southern neighbour.

In April 2024, rice prices in Nepal rose by as much as Rs800 per 25-kg bag over a year, according to a market analysis by the National Consumer Forum.

Before India's restrictions, pearl jeera masino and similar rice varieties sold for around Rs1,600 per 25-kg bag. They cost Rs2,400 after the restriction. Prices of other varieties have also increased sharply, according to retailers.

The surge was largely attributed to India's restrictions on non-basmati white rice exports. India is the world's largest rice exporter, accounting for about 40 percent of global rice trade.

In July 2023, the Indian government banned exports of non-basmati white rice to protect domestic food reserves amid concerns over El Niño-related crop disruptions.

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Rising disposable incomes of most Nepalis are believed to have boosted food consumption, resulting in a sharp increase in imports.