

**Voluntary Report** – Voluntary - Public Distribution

**Date:** July 30, 2021

**Report Number:** IN2021-0089

**Report Name:** India Lowers its Tariff Duty on Lentils - HS Code 07134000

**Country:** India

**Post:** New Delhi

**Report Category:** Grain and Feed, Trade Policy Monitoring, Agricultural Situation, Agriculture in the Economy, Agriculture in the News, FAIRS Subject Report, SP1 - Expand International Marketing Opportunities, SP2 - Prevent or Resolve Barriers to Trade that Hinder U.S. Food and Agricultural Exports, Export Accomplishments - Border Facilitation, Climate Change/Global Warming/Food Security

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**Report Highlights:**

On July 26, 2021, India's Ministry of Finance issued Notification No. 38/2021-Customs. India is lowering the basic import duty on lentils (HS 0713.40.00) from 10 percent to zero percent for all origins, except for U.S.-origin lentils. The basic import duty on U.S.-origin lentils, however, is being reduced from 30 percent to 10 percent. India's Agriculture Infrastructure Development Cess (ADIC), levied on imported foreign-origin lentils, is also being lowered from 20 percent to 10 percent. India's Social Welfare Surcharge of 10 percent applied on the total duties (the basic duty plus the ADIC) remains unchanged. The total effective import duty on U.S.-origin lentils is dropping from 55 percent to 22 percent.

## GENERAL INFORMATION:

### Tariff on Lentils Lowered

**Date of Announcement:** July 26, 2021

**Date of Enforcement:** July 27, 2021

**Products Effected:** Lentils, Harmonized Tariff System (HS) Code 0713.40.00

**Agency in Charge:** Government of India, Ministry of Finance

On July 26, 2021, India's [Ministry of Finance](#) issued [Notification No. 38/2021-Customs](#). India is lowering the basic import duty on lentils from 10 percent to zero percent for all origins, except for U.S.-origin lentils. The basic import duty on U.S.-origin lentils, however, is being reduced from 30 percent to 10 percent. India's Agriculture Infrastructure Development Cess (ADIC), levied on imported foreign-origin lentils, is also being lowered from 20 percent to 10 percent.<sup>1</sup> India's Social Welfare Surcharge of 10 percent applied on the total duties (the basic duty plus the ADIC) remains unchanged.

After accounting for the Social Welfare Surcharge, the total effective import duty on lentils is dropping from 33 percent to 11 percent for all origins, excluding the United States. The total effective import duty on U.S.-origin lentils is dropping from 55 percent to 22 percent. The change in duty rates is effective as from July 27, 2021, midnight India Standard Time (IST) (UTC+05:30).

**Table 1: India, Import Duty Rates, Lentils (HS 0713.40.00), All Origins vs. U.S.-Origin**

	<b>OLD RATE</b> (All Origins, Excludes U.S.)	<b>NEW RATE</b> (All Origins, Excludes U.S.)		<b>OLD RATE</b> (Applicable to U.S.)	<b>NEW RATE</b> (Applicable to U.S.)
Basic Duty	10%	0%		30%	10%
ADIC (Cess)	20%	10%		20%	10%
Total Duty (Basic Duty + ADIC)	30%	10%		50%	20%
Social Welfare Surcharge	10%	10%		10%	10%
<b>Total Effective Duty</b>	<b>33%</b>	<b>10%</b>		<b>55%</b>	<b>22%</b>

Note: The total effective duty is calculated ((total duty \* SWS) + total duty).

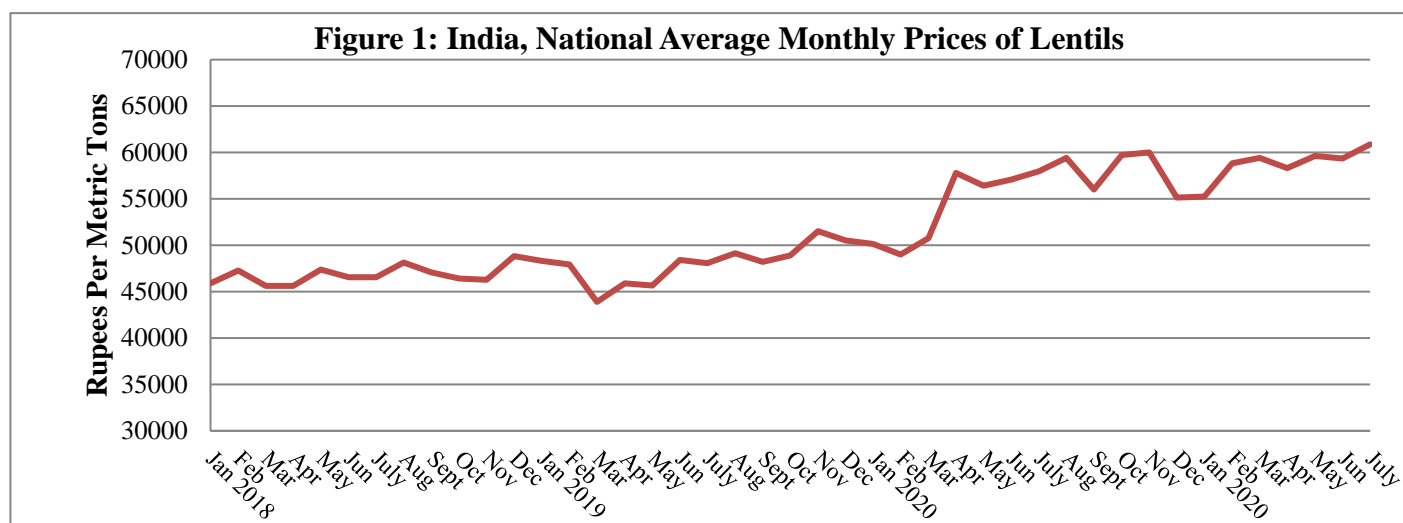
Source: Ministry of Finance, FAS New Delhi office research.

**Food Price Inflation Concerns Fuel Import Duty Rates Adjustments:** FAS New Delhi's (Post) market sources report that the Indian government's decision to lower import duties on foreign-origin lentils is intended to help augment domestic supplies, while assisting to lower prices paid by consumers. With the national population surpassing 1.33 billion, growing at 1.04 percent per annum (Central Intelligence Agency, July 2021 estimate), India is experiencing a sharp increase in at home consumption of pulses (such as lentils) in the wake of the coronavirus (COVID-19) pandemic outbreak and the ensuing 2020 and 2021 national lockdown measures

<sup>1</sup> A cess is a tax on tax that is imposed/levied by the central government for a specific purpose. It refers to a tax earmarked for a particular purpose. In India's case it is for boosting agricultural infrastructure development to increase domestic production of key commodities. Cess is the shorten form of "assess." The Indian government is empowered to raise revenue through levies, including taxes (both direct and indirect), surcharges, fees, and cesses.

taken to combat the spread of the virus. Protein-rich lentils have been widely touted as an immunity boosting health food, useful for preventing COVID-19 contagion. With the lentil prices now on an upward trajectory, the government is concerned with further price increases fueling food inflation.

**India’s Lentil Production:** With the domestic lentil crop harvest occurring yearly in March, most of the 2021 crop is already marketed. Despite the Ministry of Agriculture and Farmers’ Welfare third advance estimate, reporting the current market year (MY) 2020/2021 harvest at 1.26 million metric tons (MMT), higher in comparison to the previous year’s 1.1 MMT, it nonetheless remains below the MY 2017/2018 record harvest volume of 1.62 million metric tons.



Source: Agricultural Marketing Information Network, Ministry of Agriculture and Farmers’ Welfare, FAS New Delhi office research.

**India’s Lentil Prices:** Average spot prices in July 2021, were five percent higher compared to prices in July 2020, which in turn were nearly 21 percent greater than the July 2019 prices. Spot prices today are 19 percent higher than the government’s minimum support price (MSP) for MY 2020/2021, that are set at Indian rupees (INR) 51,000 per metric ton (MT) (\$690/MT).

**Duty Reduction, Impact on Trade:** Post foresees that the duty reduction will support higher imports over the remaining months of 2021. This will put downward pressure on domestic prices, as imports will augment domestic supplies. With most of the domestic lentil crop already marketed by farmers, and with spot prices well over the MSP, the Indian government is not foreseeing imports adversely affecting farmers’ income at this point. The local lentil crop is planted during the winter (*rabi* season); the prices during next few months are unlikely to influence affect the planting decisions.

**Sequel to Previous Measures Relaxing Pulse Imports:** On May 15, 2021, India’s Ministry of Commerce and Industry/Department of Commerce issued Notification S.O. 1858 (E). The notification amends the import policy for select pulses (i.e., pigeon peas/*Tur*, mung beans and black gram lentils/*Urad*). It removes select pulses from the restricted list, moving them to free list. This measure now allows for the unrestricted import of these items with a bill of lading issued on or before October 31, 2021, and cleared by India’s customs before

November 30, 2021 (see, [GAIN-INDIA \(IN2021-0069\) Food Inflation Concerns Lead to the Removal of Import Restrictions on Select Pulses](#)).

Prior to the notification, the import of these three pulses along with peas (yellow, green and Dunn peas) fell within the restricted list. Imports being limited to a specified import quota set for the Indian fiscal year (IFY April/March). The Indian government would set the quota volume at the beginning of the fiscal year.

On March 19, 2021, the Ministry of Commerce and Industry/Directorate General of Foreign Trade (DGFT) issued [Public Notice No. 44/2015-20](#), a trade notification, authorizing imports of 200,000 MT of pigeon peas from Mozambique. The notice permits in IFY 2021/2022 imports of Mozambique-origin pigeon peas outside the annual quota restriction for the select four pulses (i.e., peas, pigeon peas, black gram lentils, and mung beans). This announcement results from the Memorandum of Understanding signed between the Governments of Mozambique and of India on cooperation in the field of production and marketing of pigeon peas.

On June 24, 2021, the DGFT similarly issued new trade notices announcing annual quotas for imports of pigeon peas and black gram lentils from Malawi ([Public Notice No. 8/2015-20](#)) and from Myanmar (Burma) ([Public Notice No. 9/ 2015-20](#)). India is authorizing imports of up to 50,000 MT of pigeon peas yearly from Malawi over the next five years. Import volumes authorized are outside of the annual import quota restrictions established for IFY 2021/2022 through 2025/2026. India is also authorizing imports of 250,000 MT of black gram lentils and 100,000 MT of pigeon peas per year from neighboring Myanmar (Burma) by the private trade over the next five Indian fiscal years.

Imports from Mozambique, Malawi, and Myanmar (Burma) remain subject to the import conditions specified in the respective trade notices referenced.

**Attachments:**

No Attachments.