Indian Economy · GS - III

Examine the factors influencing volatility in global agricultural commodity prices.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 24/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Supply-demand dynamics, exchange rates, geopolitical disruptions, shipping costs, import dependence, food security

Model Answer

Introduction

Global agricultural commodity prices are influenced by changing demand and supply conditions, international trade flows, currency movements and geopolitical developments. Recent fluctuations in soybean and wheat futures illustrate these interconnected factors.

Major Factors Influencing Price Volatility

1. **Demand and supply:** Strong demand for soymeal, animal feed and food grains, combined with production shortfalls, can increase market prices.

2. **Geopolitical disruptions:** Conflicts and attacks on cargo vessels can disrupt maritime trade, delay shipments and raise uncertainty over export availability.

3. **Exchange rate movements:** A weaker US dollar can make dollar-denominated commodities more affordable for international buyers, potentially stimulating demand.

4. **Trade policies and import tenders:** Government procurement, export restrictions and import tenders from major buyers can influence global price expectations.

5. **Climate and logistics:** Unfavourable weather, harvest delays, inadequate storage and supply-chain bottlenecks can constrain market availability.

Implications for India

1. **Food inflation:** Rising global prices of wheat and edible oils can increase domestic food inflation.

2. **Import dependence:** Higher international prices can raise India's import expenditure on edible oils and other agricultural commodities.

3. **Farmer incomes:** Price increases may benefit producers, but volatile markets make production and marketing decisions uncertain.

Way Forward

1. Strengthen domestic agricultural productivity, irrigation and storage infrastructure.
2. Diversify import sources and improve maritime supply-chain resilience.
3. Use transparent market intelligence and calibrated trade policies to manage price shocks.
4. Promote strategic reserves and efficient procurement mechanisms for essential commodities.

Conclusion

Global agricultural markets are increasingly interconnected and vulnerable to geopolitical and economic shocks. Strengthening domestic resilience and diversifying trade channels are essential for India's food and price security.