Indian Economy · GS - III

Discuss the different types of subsidies and supports provided by the Government of India to agricultural sector. Examine the related issues pertaining to Agreement on Agriculture of World Trade Organisation (WTO).

EXAM YEAR	PAPER	SUBJECT
2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Input subsidies, fertiliser, power, irrigation, MSP, procurement, food subsidy, Green Box, Amber Box, de minimis, public stockholding, WTO disputes

Model Answer

Government support to agriculture operates through both input subsidies and price/income support mechanisms. These seek to maintain food security, stabilise farm incomes and protect vulnerable farmers.

Major forms include:

1. Input subsidies: Fertiliser, electricity, irrigation, seeds and agricultural credit reduce production costs.
2. Price support: MSP and government procurement provide remunerative prices for selected crops.
3. Food subsidy: Procurement and distribution through the NFSA support consumers while maintaining buffer stocks.
4. Investment and risk support: PM-KISAN, crop insurance, irrigation and agricultural infrastructure strengthen farm resilience.
5. Market support: e-NAM, FPO promotion and storage infrastructure improve market access.

The WTO Agreement on Agriculture classifies domestic support broadly into trade-distorting support and exempt support. Green Box measures have minimal or no trade-distorting effects, while developing countries have a 10%

de minimis threshold for product-specific and non-product-specific support.

India faces difficulties because MSP-based procurement and public stockholding can be treated as market-price support under WTO rules. The issue is especially significant for developing countries where food security programmes serve large vulnerable populations. India has therefore advocated a permanent solution to the public-stockholding issue and greater policy space for developing countries.

India’s approach should combine transparent notification of subsidies, better targeting, reduced leakages and greater emphasis on Green Box-compatible investments such as irrigation, research, infrastructure and extension.

Thus, WTO compliance should be reconciled with the developmental reality that agricultural support in India serves both producer protection and national food security.

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