Indian Economy · GS - III

What are the direct and indirect subsidies provided to farm sector in India? Discuss the issues raised by the World Trade Organization (WTO) in relation to agricultural subsidies.

EXAM YEAR	PAPER	SUBJECT
2023	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

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Answer Hint

Agricultural subsidies support farm incomes, reduce input costs and promote food security, but excessive or poorly targeted support can distort markets; WTO disciplines therefore seek to balance domestic policy space with fair international agricultural trade.

Model Answer

Introduction

Agricultural subsidies are government interventions that reduce farmers' costs, support incomes or influence agricultural production and prices. India uses both direct and indirect forms to support a predominantly smallholder farming system.

Body

Direct Subsidies

Income support: Schemes such as PM-KISAN provide direct income assistance to eligible farmers.

Price support: Minimum Support Price (MSP) and procurement operations provide price assurance for selected crops.

Interest support: Concessional agricultural credit reduces the effective cost of borrowing.

Indirect Subsidies

Fertiliser subsidy: Reduces farmers' input costs.

Irrigation subsidy: Public investment and subsidised water lower irrigation costs.

Electricity subsidy: Subsidised agricultural electricity reduces pumping costs.

Credit subsidy: Institutional credit at concessional rates supports agricultural investment.

Infrastructure support: Public expenditure on irrigation, research, extension, storage and rural infrastructure indirectly benefits farmers.

WTO Concerns

The WTO's **Agreement on Agriculture (AoA)** disciplines domestic support that can distort international agricultural trade.

Market price support: India's MSP-based procurement has generated concerns regarding the calculation of trade-distorting support.

De minimis limits: Developing countries generally have specified limits for certain product-specific and non-product-specific support.

Public stockholding: India's food-security procurement programmes have raised concerns because administered prices may be treated as trade-distorting support under existing rules.

India's Position

India argues that small and marginal farmers, food security and livelihood concerns require adequate policy space. It has sought a permanent solution on public stockholding at the WTO.

Conclusion

India must protect **farmer livelihoods and food security while improving subsidy efficiency**. WTO rules should also evolve to provide developing countries adequate space for legitimate food-security and livelihood policies.