Q14

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

UPSC Civil Services Mains 2023 · GS III · 15 marks · Farm Subsidies and PDS

Issues related to direct and indirect farm subsidies and minimum support prices; Public Distribution System - objectives, functioning, limitations, revamping; issues of buffer stocks and food security; Technology missions; economics of animal-rearing.

Core demand of the question

- List direct and indirect subsidies to the farm sector
- **Discuss WTO issues:** Amber, Blue and Green Box, de minimis, peace clause, public stockholding
- Treat any bank typo WTP as World Trade Organization (WTO)

Revision summary

Direct subsidies include fertiliser, power, irrigation, crop-loan subvention, PM-KISAN and insurance premium support.

Indirect subsidies include MSP, public procurement, food subsidy, and cheap public research and seed.

WTO Amber Box covers trade-distorting price and input support, with 10 per cent de minimis for developing countries.

Green Box is uncapped if genuinely non-distorting; Blue Box is production-limiting payments.

The peace clause protects public stockholding from disputes pending a permanent solution.

Introduction

The Indian State cheapens farm **inputs** and holds up farm **output prices**. Both are subsidies in economic effect. The **World Trade Organization (WTO)** Agreement on Agriculture puts those payments into boxes. India's fight at WTO is mainly about **food security stockholding** and the **Amber Box** ceiling, not about whether a poor farmer may receive help at all.

Body

Direct subsidies

- **Fertiliser subsidy** (urea and nutrient-based subsidy) paid to companies so the farmer sees a lower bag price.
- **Power and irrigation** at below cost, often unmetered in some States.
- **Interest subvention** on short-term crop loans.
- **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN):** a flat income transfer to eligible landholders.

- **Pradhan Mantri Fasal Bima Yojana (PMFBY)** premium subsidy.
- Some State farm-loan waivers (occasional, not a standing Union head).

Indirect subsidies

- **Minimum Support Price** plus **Food Corporation of India / State agency procurement:** the economic subsidy is the gap versus a market price, plus the cost of storage.
- Cheap **credit priority**, **agri-research and extension**, and subsidised **seed**.
- **Food subsidy** to consumers under the National Food Security Act is a consumer subsidy that still shapes what the State must buy from farmers.
- Canal water, cheap diesel in some States, and export or stock rules that prop a price.

WTO issues

- **Amber Box:** trade-distorting support (price support, input subsidies tied to production). Developing countries have a **de minimis** allowance of **10 per cent** of the value of production (product-specific and non-product-specific). India's MSP-plus-procurement for rice has been argued to breach or crowd that ceiling when calculated at the WTO's old reference prices.
- **Blue Box:** payments under production-limiting programmes; little used by India.
- **Green Box:** research, extension, pest control, decoupled income support, environmental payments - allowed without cap if they fit the criteria. PM-KISAN-type transfers are closer to this logic if truly decoupled from a crop.
- **Public stockholding for food security:** India and the G-33 want a permanent solution so procuring rice and wheat at administered prices for PDS is not counted as a violation.
- **Peace clause (Bali 2013, later rolled over): other members refrain from WTO disputes on this stockholding if transparency conditions are met. It is a shield, not a right**.
- Developed members criticise India's **export restrictions** and stockholding; India criticises their **Green Box** scale and cotton support. The dispute is distributional, not a claim that WTO forbids all farm help.

Flow diagram

Direct input and PM-KISAN -> Farm sector

Indirect MSP procurement -> Farm sector

Farm sector -> WTO AoA

WTO AoA -> Amber de minimis

WTO AoA -> Green Box

WTO AoA -> Peace clause stockholding

Conclusion

Direct farm subsidies cheapen fertiliser, power, credit, insurance and PM-KISAN cash. Indirect ones run through MSP, procurement and food subsidy. At WTO the live fight is Amber Box arithmetic and a permanent solution for public stockholding, with the Bali peace clause as a temporary shield.

Facts & figures

Amber Box

Trade-distorting domestic support under the WTO Agreement on Agriculture; developing-country de minimis is 10 per cent.

Green Box

Permitted support such as research, extension, and decoupled income payments that meet WTO criteria.

Peace clause

Bali 2013 Ministerial Decision: members refrain from disputes on developing-country food stockholding that breaches Amber limits, subject to conditions.

G-33

Coalition of developing countries, including India, seeking a permanent public-stockholding solution.

PM-KISAN

Pradhan Mantri Kisan Samman Nidhi: per-year income support to eligible farmers; closer to decoupled support than a crop-wise MSP.

WRAP Exams · Write. Read. Analyse. Practice. · https://wrapexams.com/upsc/mains-answers/gs-3/2023/what-are-the-direct-and-indirect-subsidies-provided-to-farm-sector-in-india-discuss-the-issues-raised-by-the-world-trade-organization-wtp-in-relation-to-agricultural-subsidies/ · ask@wrapexams.com · wrapexams.com