

Direct & Indirect Farm Subsidies in India

Intro. -

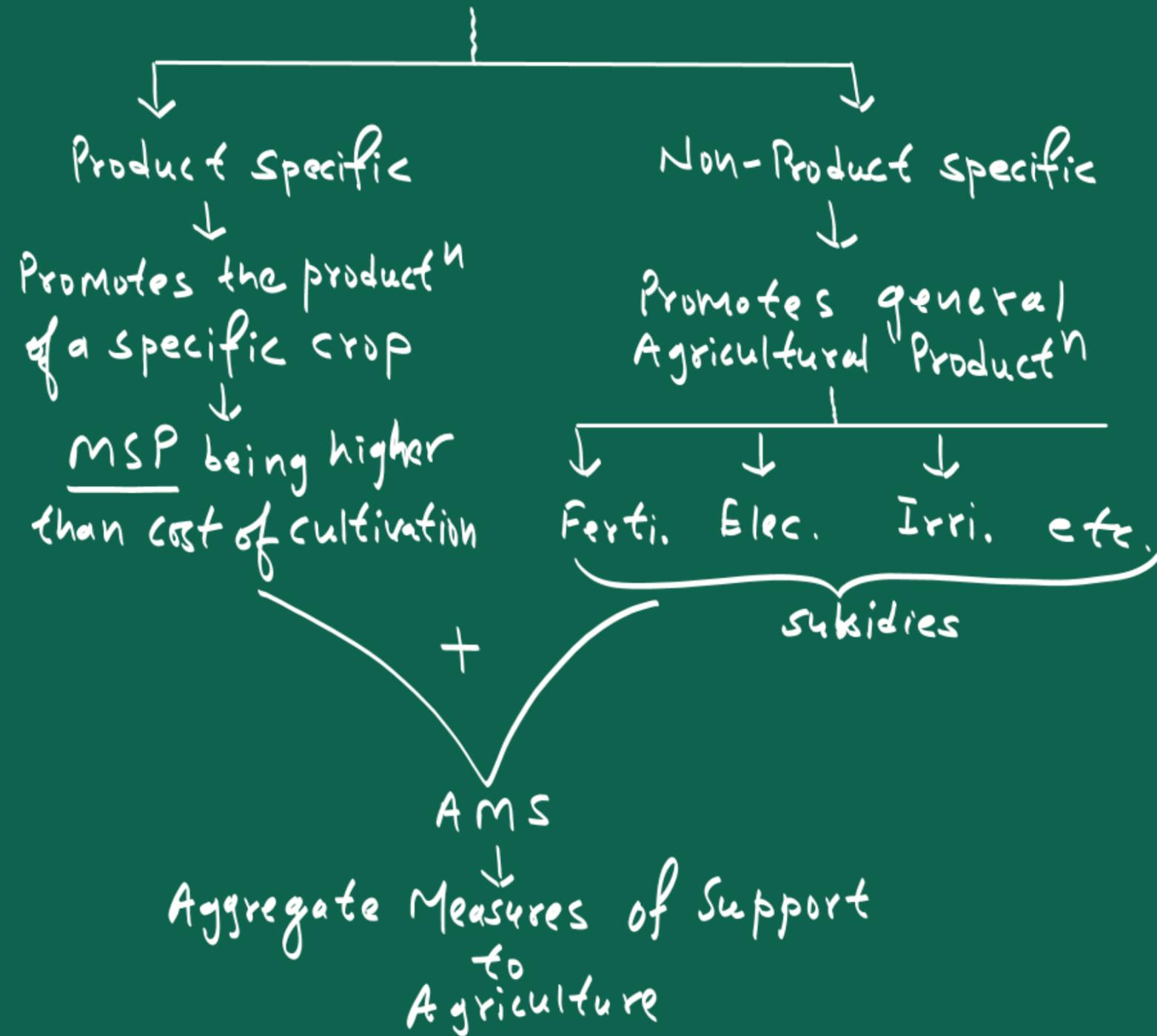
Subsidy is a unilateral transfer of economic benefit by the state to the people.

Farm subsidies are given in the agricultural sector by the govt.

These subsidies may be direct or indirect depending on whether they

}

INTO classification (Agri. Subsidies)



Boxification of Agri. Subsidies by WTO

The WTO classifies agri. subsidies also in the form of various boxes. This is called boxification.

It depends on whether or not an agricultural subsidy or govt. expenditure distorts international trade.

In this respect, the following boxes can be considered -

(i) Green Box - can be given without limit

↓
Includes non-distorting agricultural subsidies/govt. exp.

↓
Examples:

- ↳ Exp. on R&D
- ↳ Exp. on disease & Pest control
- ↳ Decoupled income support to farmers etc.

(ii) Amber Box - under the limit



Includes agri. subsidies / Govt. Exp.



which distort inter. trade



Example : AMS

(iii) White Box / De minimis



The permitted level
(like 10% or 5%) of
Amber Box Subsidy.

(iv) Red Box -



Amber box subsidy beyond
the permitted level.

(v) Blue Box —



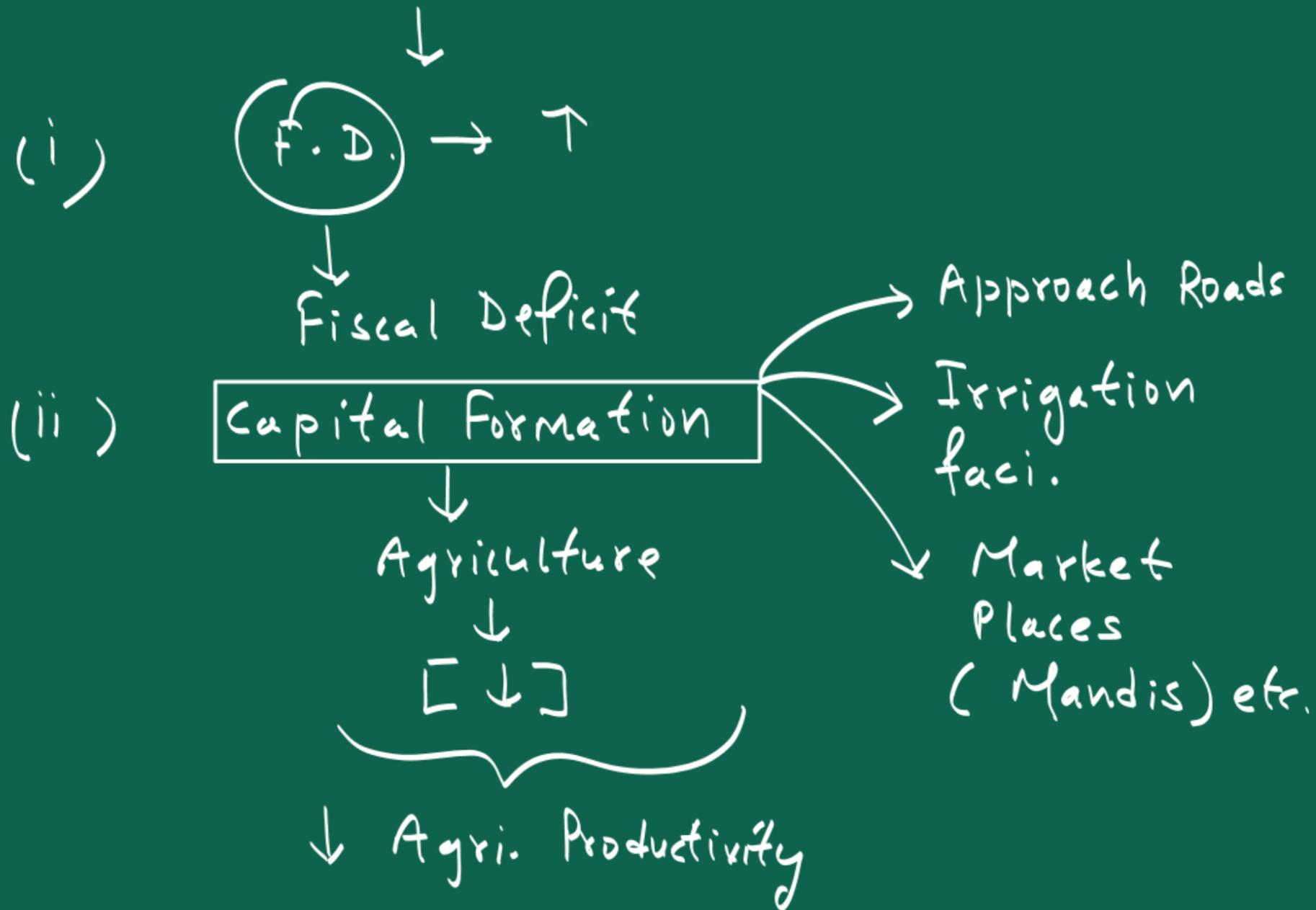
Amber box with Conditions



{ It must not be
trade-distorting }

can be given without limit.

Why farm subsidies are controversial in India?



(iii) They are discouraging



Traditional Farm
inputs



Manure etc.

(They are environ. friendly)

(iv) leading (Particularly, power subsidies)



Over-exploitation



Ground-water



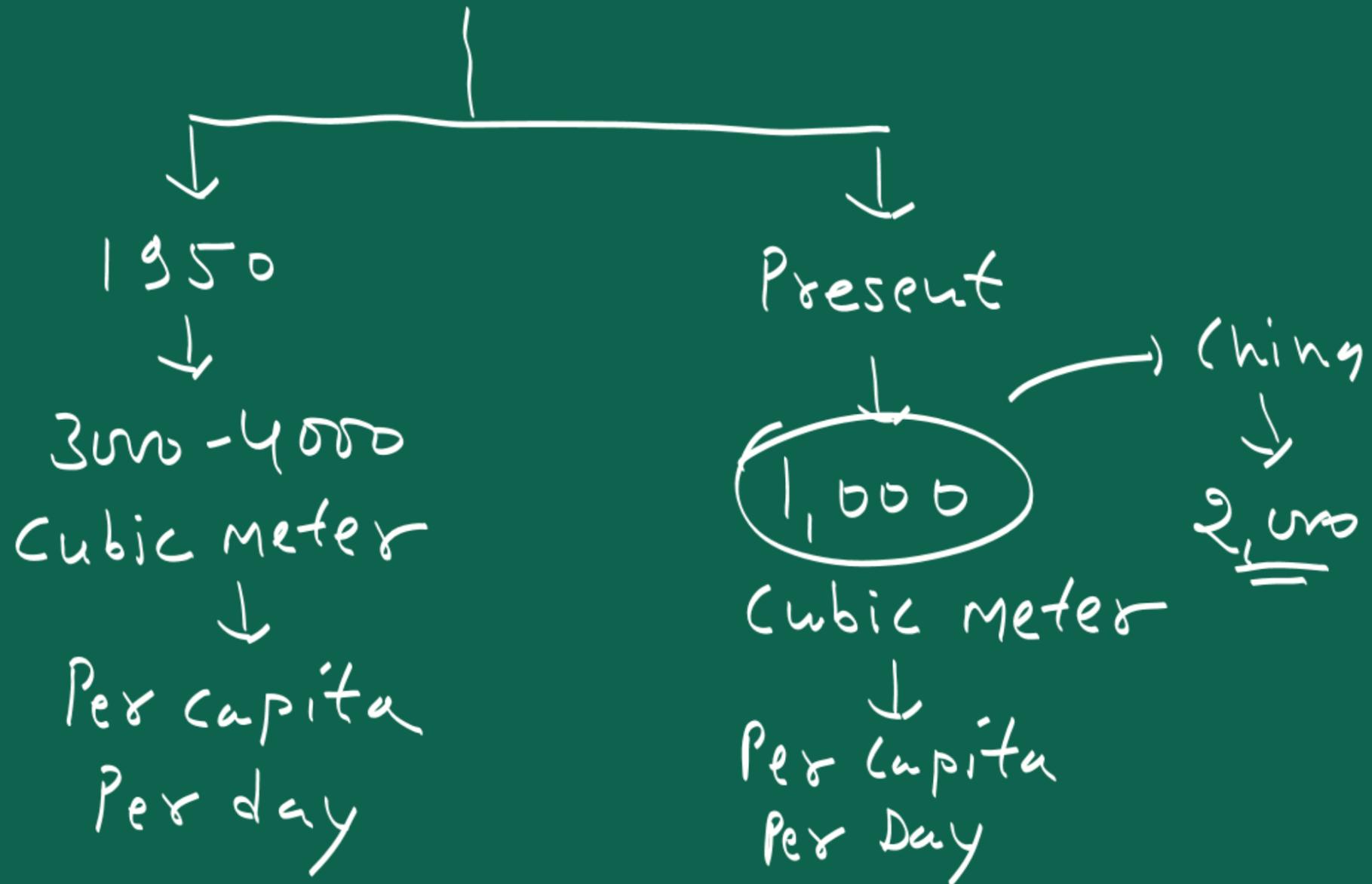
Systematic Country Diagnostic (World Bank, 2018)



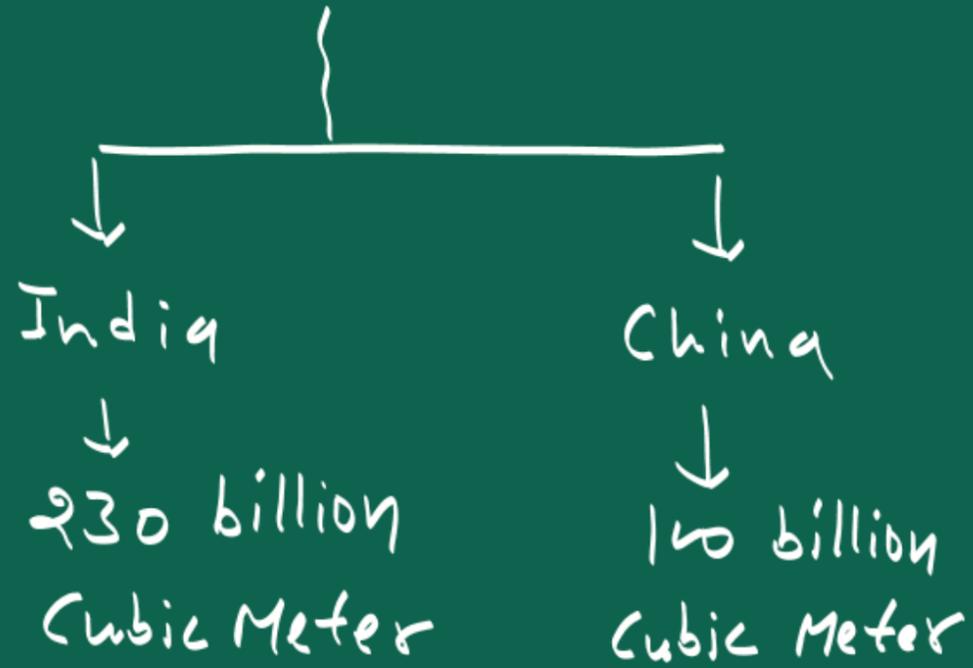
(i) Indian Agriculture → Most water-consuming agri.

(ii) Around 90% of extracted ground water → is used in agri.

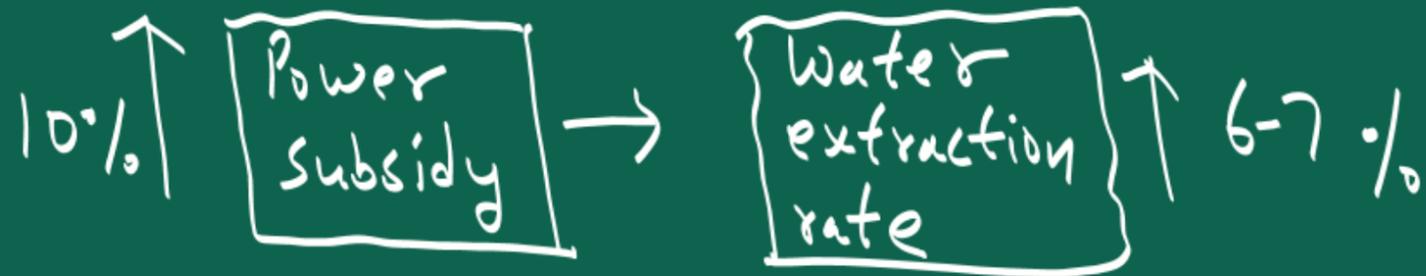
(iii) Ground water in India
(Availability)



(iv) Per Year use of Ground water



(v) Research -



(✓)

Distorting



Cropping Pattern



Against



Coarse
cereals

Pulses
etc.

Apart from the above, the
WTO related provisions & agreements
are also making them controversial.

What should be done ?

They can not be removed.

- Rural Dev.
- Rural Livelihood
- Social Justice
- Adoption of tech.
- Food-Security

↓
India being against the trade-view of food-security given by the developed countries.

We should rationalise them or they are to be given in a better way →

(i) Time-boundness



Incorporation of such things
as 'Sun-set clause' etc.

(ii) They can be targetted -



↳ Farm Size

↳ Cultivation of particular crop etc

↳ Specified geographical areas etc.

(iii) The process of rationing can
be used.

(iv) Fertiliser Subsidies

↓
to be given

↓
in a balanced way

↓
NPK Ratio will remain
near to the optimum level.

↓
4:2:1

Punjab → 62:19:1

(Ref. :
Syst. Country
Dia.)

(v)

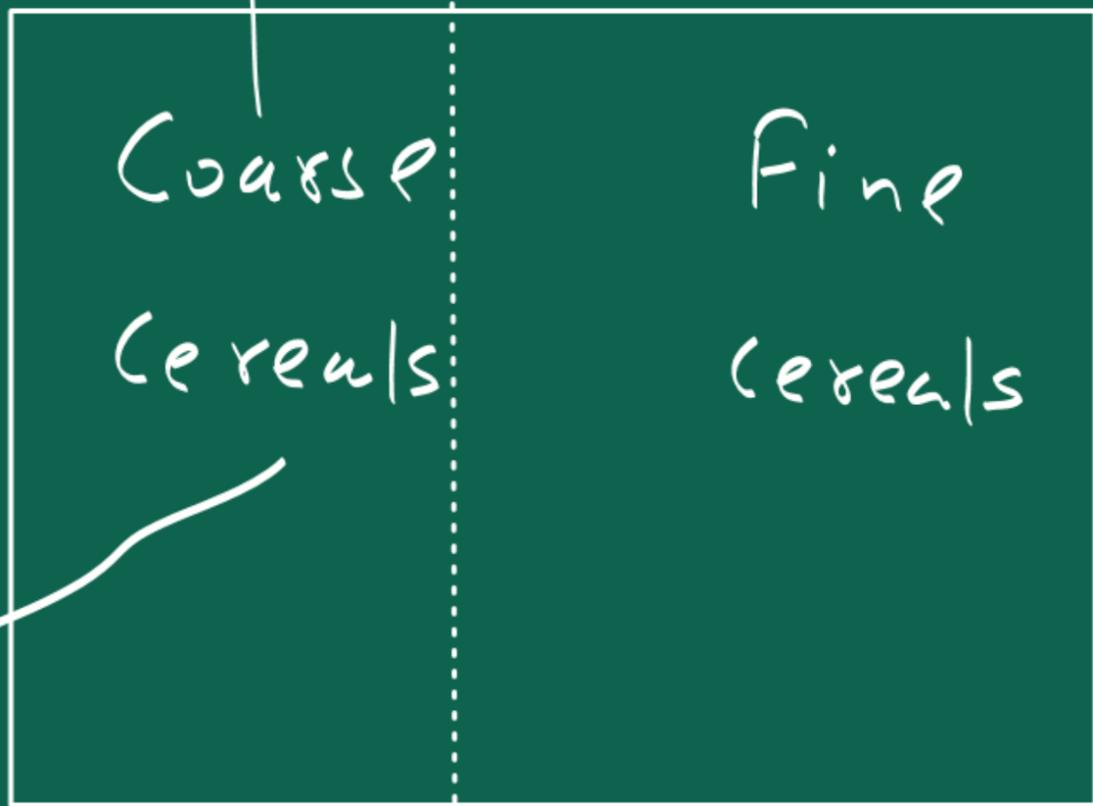
They should not be politically motivated.

(vi)

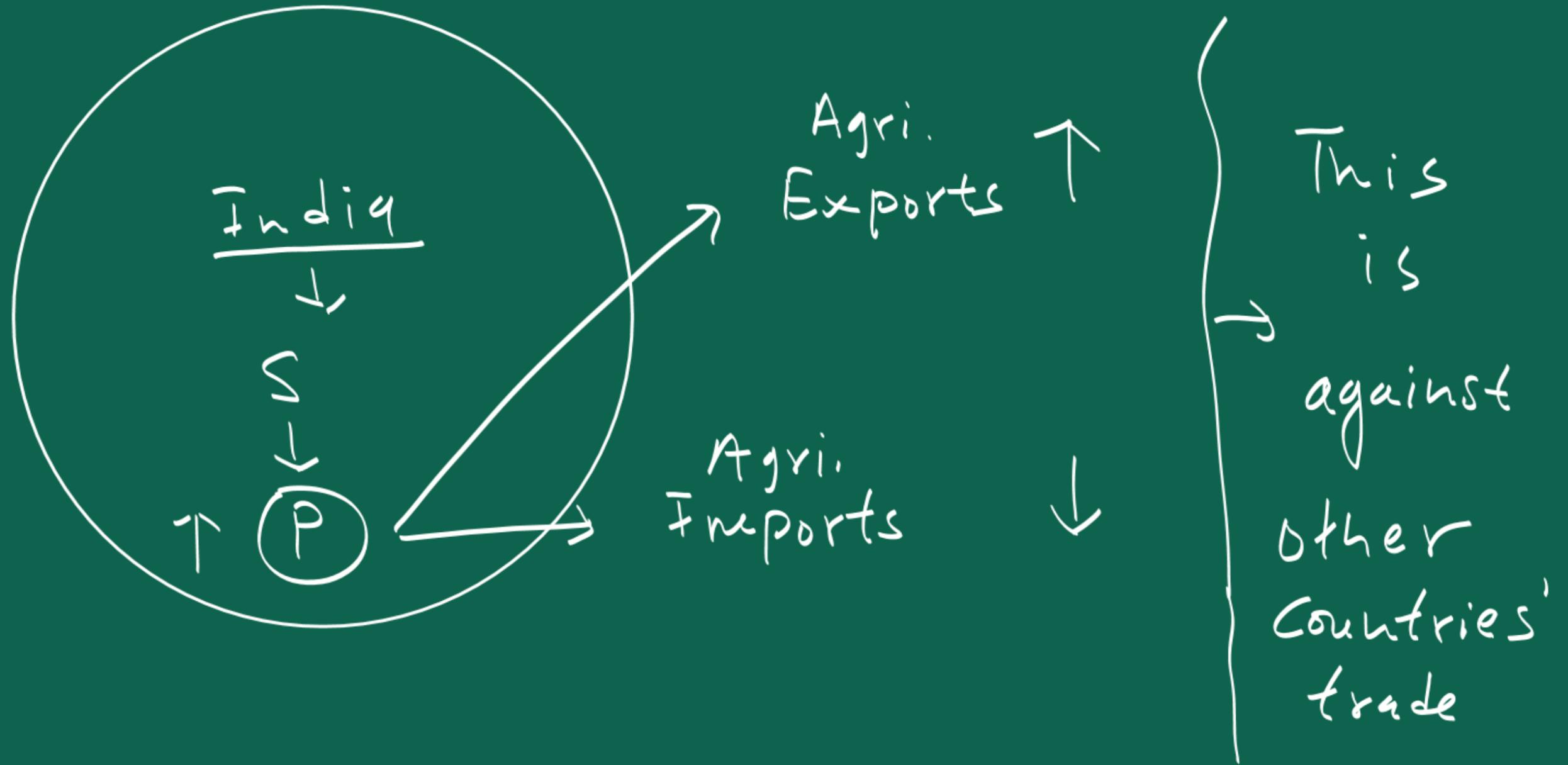
Awareness among farmers → ↑

↓
Environ. Impacts

40 million
hectare (1966)



15 million
hectare (Presently)



are given in the form of the cash transfer or not.

If they are given in the form of cash transfer, then, they are called direct farm subsidies.

If they are given indirectly through cheaper goods, then such farm subsidies are called indirect farm subsidies like cheaper fertilisers etc.