

**A DISSERTATION
ON
ISSUES AFFECTING INDIAN
AGRICULTURE IN THE
CONTEXT OF GLOBAL
AGRICULTURE SUBSIDY IN
INDIA, HER TRYST WITH THE
AoA AND HER EXPERIENCES
POST WTO REGIME**

DEDICATED TO THE INDIAN FARMER

**A DISSERTATION SUBMITTED TO THE INSTITUTE OF
CHARTERED ACCOUNTANTS OF INDIA**

FOR THE DITL COURSE

SUBMITTED BY

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In the context of the poor understanding in India generally about Agriculture and the dimensions involved in the global subsidy regime that has distorted global agricultural trade

And in the context of the contentious issues relating to Agriculture subsidies threatening to derail further negotiations within the WTO

And in the context of ensuring food security for the country and in making food available to the common man at affordable prices

And in the context of improving the overall financial health of the Indian farmer and make him competent to face global challenges

And in the context of the dismal growth of the Agriculture recorded in the post liberalisation era and at times even recording negative growth

And in the context of the poor performance of the PDS mechanism that is overburdening the exchequer and as a direct consequence, impacting the overall subsidies

And in the context of the misunderstanding of the implications of the farm subsidy programmes of the Government whose ultimate beneficiaries are the Indian farmers

And in the context of the strategic importance of the Farm sector which approximates to the national economic interests

And in the context of the increases in the input cost for the farm sector

And in the context of removing the misgivings regarding Farm subsidy in India this documents addresses the following questions:

Whether the Indian Farmers have benefited from the WTO arrangement

Whether the Indian farmers have been negatively impacted by the WTO Regime

Whether the Indian state is in a position to neutralise the impact of the present global subsidy regime

THIS DOCUMENT IN A NUTSHELL

PRESENTS the Global Subsidy regime as prevalent in Developed countries to the Indian stakeholders, more specifically the Indian Farmers

CAUTIONS on the issues pertaining to the ongoing negotiations on the agreement on agriculture within the WTO regime which could adversely impact Indian Agriculture

EXPRESSES concern over the food insecurity in India in the context of the agricultural scenario in India

ARTICULATES the concerns of the nation on the negative fall out of the WTO regime on the farm sector and sensitises the polity on the consequence and the implications on the Agreement on Agriculture (AoA)

CAPTURES for the Indian audience the anatomy of the Indian subsidy regime

COMPARES the subsidy regime that is prevalent in the developed countries with that in India

EXPLAINS the economics of subsidies to the Indian policy framers

HIGHLIGHTS the precarious state of the farmers operating in India & the pernicious effect of the certain policies on the fertiliser industry

ANALYSES the reasons for the poor state of our farmers in India

AMPLIFIES the need for maintaining a sustained growth of the Indian Agriculture

SUGGESTS the future road ahead for the Indian Agriculture by proposing certain policy initiatives

IN EFFECT, THIS DOCUMENT CHRONICLES THE DEBILITATING IMPACT OF THE AoA ON THE INDIAN AGRICULTURE POST WTO REGIME AND HIGHLIGHTS THE IMPOSSIBILITY OF PURSUING THE AoA IN ITS PRESENT STATE AND QUESTIONS THE WISDOM OF THE INDIAN STATE IN DOING SO

EXECUTIVE SUMMARY

Subsidies are inevitable in the context of global trade in Agriculture. In fact subsidies sustain the global agriculture. World agriculture and with it global trade in agriculture would collapse if subsidies were withdrawn. Notwithstanding the disciplines of the AoA mandating a reduction disciplining of the global agricultural subsidy regime, certain countries have ensured their continuance in one form or the other. Shifting subsidies from a prohibited clause to a more acceptable clause is only a matter of legalise and does not change the ground reality. This puts India in an unenviable position. Indian cannot benefit from entering global grain exports as the international prices of grains are already depressed and distorted by these subsidies. On the other hand India cannot import grains at current international prices as it is feared that the cartel within the grains market would ensure that the prices would go up immediately should a large buyer like India enter the market. This in short, explodes the myth of the benefits of free trade in agriculture.

All these mean that India has to be self reliant on Agriculture. We also need to improve our food security by making food cheaper and available to all our people – and not merely storing it and allowing it to accumulate at the FCI godowns. Our per capita food consumption is far below the world average and there is an urgent need to improve it and link it with the concept of food security. This is possible if India brings about reforms within its subsidy regime. For more than a decade in the guise of reforms we have been placing an enormous thrust on output subsidies on the ostensible plea that input subsidies are not WTO compatible. Such a specious plea has cost India dear. We need not feel shy or defensive of subsidising our agriculture. Simultaneously we need to negotiate with the WTO to allow us to violate the WTO discipline of input subsidy, given the precarious position of our poor. We need to come out of this mindset of setting our policy in tune with the WTO and more specifically we also need to give up this mindset of blindly adopting the Western economic model as suitable for India. Under this mindset the Government has placed an enormous thrust on the food subsidy at the cost of other input subsidy. This stated improvement of the past decade have not reformed the subsidy regime, but in effect deformed it. The PDS mechanism is a classic example where the Government spends nearly Rs 4.50 per Kilo to subsidise Rs 0.25 per kilo of food grain. Such a subsidy regime is simply unsustainable.

It is to be noted that Subsidies play a vital role in facilitating development of indigenous production capabilities and in turn ensuring the required low cost food supplies on a sustained basis. This is of particular relevance in the context of food and fertilizers wherein, given the inevitable linkage with the overriding objective of maintaining food security, a country of India's size and population simply cannot afford to depend on imports at all. The lessons from the above document and the discussions this far reflects very poorly on the policy formulations of the past decade. With nearly 100 million farmers and nearly 400 million people in the country living below the poverty line, administration of output subsidies has been a colossal failure with the costs exceeding the benefits manifold. On the contrary input subsidies whether in the form of fertiliser or power or any other subsidies have been both equitable and economical to administer. These reach the intended beneficiaries without any administrative distortion. Notwithstanding this there has been a campaign against input subsidies by many commentators.

To summarise, subsidies are a worldwide phenomenon. Agricultural subsidies in particular, exist in developed countries on a large scale and in varied forms when compared to the developing countries. Whereas, in the former, these are meant to curb production, grabbing export markets and increasing production of food grains and other essential crops and making these available to the poor consumers at affordable price. This dissertation highlights the negative experiences of the past decade and post WTO regime.

CHAPTER I

WHY THIS DOCUMENT?

The "WHY" to the document is explained in brief at the outset as a key to this document and remains at the core of this Chapter. This document has been prepared in the public interest to inform the Indian Government, Indian Media, Indian Policy framers, Indian Industry, Indian farmers and the general public in India who are the largest stakeholders within the economy about the exact facts on the Indian Agriculture in the context of global agriculture subsidy regime, the impact of such subsidy regime operating on the Indian agriculture and the general state of the Indian farmers who have been subjected to the global intercourse during the past decade. This Chapter draws the reference points for this document. The author of this document understands that various stakeholders within the economy are generally unaware of the global subsidy regime and its debilitating impact on the agriculture of the developing countries. This Chapter thus enunciates the perceptions and the underlying assumptions behind such a subsidy regime in the developed countries and highlights the contrasting position in India and this difference remains at the core of this document and manifests itself explicitly and implicitly throughout the document.

Further, the precarious financial position of the farmers caused as it were by a series of policies adversely impacting the farm sector leading to suicides by farmers acts as an immediate trigger to this document. This document has thus to be viewed in the context of a threat to the food security of India.

In effect this document looks at the post WTO regime in the context of the debilitating state of affairs of the farm sector within the country.

WIDE DIFFERENCE IN THE PERCEPTIONS ON AGRICULTURE AND THE SUBSIDIES RELATING TO AGRICULTURE BETWEEN INDIA AND THE DEVELOPED WORLD

There is a wide difference between how agriculture as well as the Farm subsidy regime is perceived in the West and in India. In the West and perhaps the whole of the developed world they are treated more as an economic as well as strategic necessity to sustain agriculture through a well-defined subsidy programme. In the developed countries, food subsidy is considered essential in leading to food security, which is well understood to be co-terminus to that of national security. This is despite the fact that the agriculture sector does not contribute on an average more than 10% of the national GDP in these countries and employs proportionately lesser number of workforce in the agriculture sector.

In direct contrast, in India subsidies are inherently the farm and food security as well as social security rolled into one. In fact we treat these subsidies and evaluate them purely from monetary angle and consequently regard them as a burden on the finances of the Government without evaluating the socio economic compulsions that necessitates such a regime. In fact, certain analysts have evaluated the subsidy regime in India, more specifically since the initiation of the New Economic Policies (NEP), merely as contributing to the burgeoning deficit of the government of India without appreciating the dimensions involved in this issue. Moreover, the view within the polity of late seems to suggest that all subsidies are financially undesirable, economically unjustifiable and morally indefensible and hence they need to be discontinued. The national ignorance pertaining to the subsidy regime needs to be viewed in the context of the fact that approximately two-thirds of our population are dependent on Agriculture and contribute 23% of the GDP. Agriculture is India (with a disproportionately higher share of our population dependent on the same), is not only a matter of national security and of strategic importance, it is much more. In fact, it represents the culture of the people than an economic activity. Any policy that impacts agriculture in the negative, needs to be viewed, analysed and put to outmost scrutiny, especially in a country like India. There are many reasons for such a misunderstanding about Agriculture and prevalent Farm subsidy regime in India. Let us examine these at the outset.

First and foremost important reason for such difference between the perception about the subsidy regime that is prevalent in India and the developed countries is the general lack of knowledge on the Agriculture and the tendency of the elite in India to dismiss anything pertaining to Agriculture from the general public debate and to perpetuate ignorance on matters relating to agriculture. For instance, we as a nation are lulled into a false sense of security on the issue of food security. But the fact of the matter remains that our per capita food consumption is one of the lowest in the world and consequently we need to increase our production and simultaneously consumption. Added to this is the manner in which the Government fixes the MSP, which is higher than what the market dynamics and sensible economics permits. This makes food expensive and out of reach for a significant portion of the population. The PDS route too has been ineffective with less than 20% of the poor coming under its benefit and the balance 80% forced to buy food at market prices. Consequently a good number of our population constantly remain hungry while paradoxically the FCI godowns are overflowing. We as a nation are unaware of the impact of importing food into India as much as we are unaware to the extent we may depress global food prices if we export in substantial quantities. Strangely we seem to be carried away by the decade long sloganeering by our elite, media and polity about farm trade and consequently accept the global trade in agriculture and as an inevitable. We seem to have a flawed notion that if we fail to produce enough food within the country, we could in times of need import food or fertilisers as much as any surplus production can be exported to other countries. But practically things are not so simple and these are mere trade hypothesis developed by trade analysts and trade lawyers. The elite in India never puts these hypotheses to intense debate, as it should be in any civil society. Consequently by following such policy prescriptions we run a huge risk of being insecure on our food front. In short, the ignorance about matters pertaining to agriculture is deafening. Worse still, in our ignorance we seem to be carried away by sloganeering rather than any intense analysis on agriculture. This in short is the cause for wrong understandings on matters relating to agriculture.

Secondly, the next reason for the misunderstanding and the reasons for the poor perceptions about the global subsidy regime has been our total ignorance about the quantum, size and dimensions of the subsidy regime that has put in place by the developed countries. The affluence of the OECD countries as well as the disproportionate small share of agriculture in their national incomes makes it easier for these countries to subsidise their agriculture. The inherent state of their economy makes it possible for them to subsidise their agriculture. For instance it is estimated that in a country like Japan the annual subsidy per cow exceeds 1,372 USD for the year 2002. Similarly the subsidy per cow in the EU could exceed 600 USD per annum and as per some estimates even 800 USD. This needs to be contrasted with the fact the per capita even in a reasonably fast developing country like India is approximately 700 USD per year and this further needs to be analysed in the context of certain developing countries in Africa report a per capita income of less than 300 USD per annum or even less. In fact the size of the farm subsidies of the developed countries, its

impact on the global trade and the manner in which these subsidies have depressed the farm prices globally, is at the root of the present impasse of the Doha Development Round within the WTO.

Third, another misunderstanding is about the constituents of the Indian Farm Subsidy regime. The Farm subsidy regime in India has two major constituents – the food subsidy and the fertiliser subsidy. Commentators have remarked on this subsidy as a whole without analysing its constituents and distinguishing between farm and fertiliser subsidies. Repeated usage of these terms as if these were interchangeable has led to an enormous confusion in the minds of the polity, government and the average man. This confusion perhaps is causing tremendous confusion in the minds of the public of the need to reduce the subsidy without making any cost benefit analysis between the components of the subsidy bill.

Fourth, another issue that has not been properly appreciated is that over the past decade we are moving from a planned economy to a market economy. Various sectors like the hydrocarbon sector, which was subject to the Administered Pricing Mechanism of the Government, have been dismantled. Further, it has to be noted that the government of India since 90's has allowed the Rupee to reflect the market price vis-à-vis other currencies, which in turn has resulted in a steep depreciation of the rate of the Rupee. All these have increased the input cost as a whole for all industries. While other sectors could charge it on to the eventual customers or users, Fertiliser industry could not do as the Fertiliser prices are still administered by the Government of India. To compensate for such a pricing policy brought about by the government itself, the government has initiated the subsidy regime, which obviously would remain bloated to the extent to which the input cost remain unabsorbed.

Fifth, another popular mistaken belief has been that the India has attained self-sufficiency in food and the overflowing food stock at the FCI godowns is constantly used as a proof while furthering this argument. At the current levels of food grain production, India remains one of the lowest per capita consumers of food grains in the whole world. However, despite our levels of food consumption being on par with some least developed nations we as a nation are lead to believe in the fact that India has achieved food sufficiency and consequently food security. Officially 26 % of our population, i.e. approximately 260 –300 millions are suffering below the poverty line and remain without access to adequate food. Unofficial estimates are much higher. Such huge numbers are unfed or under fed and food remains outside their purchasing capacity. There is a significant shortfall in the off-take of even the subsidised food grains made available to the poor through the Public Distribution System (PDS). Moreover the PDS system officially targets only about a sixth of the poor below the poverty line. The present subsidy mechanism does not have the access to the rest of the people living below the poverty line. The proximate cause for this scenario happens to be the Public Distribution System (PDS) policies of the government as well

as the foodgrains procurement policies of the government of India through the minimum support price mechanisms.

Sixth, another mistaken notion is about importing foodgrains into India. The assumption is that world over there are enough number of countries with sufficient excess who can deliver food at inexpensive levels. It is argued that we can import these grains at lower than the administered prices, thus lowering the food subsidy in India. But this argument does not take into consideration of how the world markets would behave and international prices react to the entry of India as an importer of significant quantities of food grains. Further the peddlers of this argument are not in the know of the current prevailing international foodgrains prices and its impact should India declare herself to be a foodgrains deficit nation and needs to import even moderate quantities. Further assuming India imports even a small quantity of foodgrains the stress on the infrastructure of the country especially on ports (for handling imports), roads (to take them to the hinterland) and warehouses (to store them at appropriate places for distribution) needs to be examined.

Seventh, the most perplexing (and possibly the most important) issue that is confronting the Indian economy is that after nearly a decade of being a member of the World Trade Organisation (WTO) and having a first hand experience of the imperial demands of the WTO regime and the manner in which various other developing countries are refusing to adhere to the exacting demands of the Agreement on Agriculture (AoA) within the WTO. What is interesting to note is that many developing are increasingly taking positions against the WTO, our polity still swears by global trade. To be fair to our polity it is also conceded that they are by now fully conversant with the debilitating impact of the WTO regime and within the WTO we as a nation have taken the best possible position on the issues concerning further opening up of the Indian Agriculture sector. This has been done by entering into a strategic alliance with various other like-minded countries especially countries like Brazil and China, especially in the Cancun WTO ministerial. But this posturing is limited to the outside world and to the world audience. The perplexing part of the entire issue is that back home the polity has still not yet taken appropriate policy measures (and many of these are independent of the demands of the WTO and hence nothing to do with the WTO) that would mitigate the age-old problems of the farmers. In fact the farming community in India is facing a multiple policy failure and there is very little acknowledgement from the state that it has done precious little for the farmers. The net effect is that approximately 70% of our population are still under stress and are yet to benefit from any sort of development. The worrying part is that the demands of the WTO could prove to be the proverbial last straw on the camels back.

Eighth, the fact of the matter remains that today agriculture is under severe stress in India. For instance, officially the state seems to reluctantly agree that there have been more than 50,000 suicides by farmers over the past few years. Unfortunately the press

and the media have not highlighted this issue and we as a nation seem to be oblivious of this startling truth. Nevertheless the debate seems to be on the figures per se – as to whether these are high or low – without addressing any of the issues leading to such suicides. No other professional practicing his profession or vocation in India is under such severe stress. Any modern government and civil society would have owned up these large scale suicides and would have resorted to soul searching and putting appropriate policy mechanism to deal with this precarious situation. The suicides by our farmers are a national ignominy and their problems need to be addressed forthwith, whether caused by the WTO related policy initiation or otherwise.

Finally, the fact of the matter is that the Indian Agriculture is one of the most un-represented within the Indian polity. Policy changes for the Indian agriculture are usually done without adequate and appropriate consultations with the stakeholders who are also the largest stakeholders within the economy. Being inarticulate and illiterate, the farming community in India is never able to highlight its need and place its demand with the polity in any convincing manner. On the contrary, the farmers or their representatives resort to some stir, agitation or strikes without clearly articulating their position. The lack of articulation by the farmers is sadly mistaken by the media as a case of these agitations being deficit on issues. This lack of expression is used as a ruse by the polity to thrust many a policy decisions of the government down the gullible throat of the farmers in India. This document precisely aims at highlighting the precarious state of the Indian farmers and brings about the debilitating impact of some of the major policy changes initiated by the government in the past decade for the benefit of the Indian farmers.

THESE MISCONCEPTIONS IMPACT THE POLITY AND THE INDIAN POLICY FRAMERS WHO ARE THE PROPONENTS OF SUCH WRONG NOTIONS HAVE ALSO BECOME VICTIMS OF SUCH WRONG NOTIONS

Because of the inadequate awareness and popular misconceptions about the Agriculture sector and more specifically the subsidy regime give rise to uninformed debates and the polity is unable to comprehend the issue in totality and take appropriate steps. Being a victim of misplaced perceptions, the polity unfortunately is not even trained to assimilate, understand and comprehend the issues involved, leave alone prescribe appropriate solutions. The elite in the media and the general public also tend to believe these assessments mentioned in the previous paragraph about the subsidy regime based on perceptions about the subsidy regime brought through half-truths, confusion and misunderstanding on the subject. **And in the absence of a concerted rebuttal of all these misconceptions and completely articulating the position of the Agriculture sector more specifically the Fertiliser industry with appropriate facts and figures about the subsidy regime, these misconceptions remain and worse still proliferate.** This document precisely aims at sensitising the stakeholders within the economy of the issues involved and recommends appropriate alternative remedies.

In effect, we are defensive about a regime and critical on an issue that is never examined in totality, and thus we remain squeamish about a regime whose implication on the national economics and national security is not understood in totality, more specifically from the view of global trade in Agriculture mandated by the WTO regime.

And this picture is a contrast to that in the West more specifically the developed countries. Contrary to the popular belief that it does not, many developed countries maintain a subsidy regime that is significantly higher than the quantum of subsidy that is given by the Government of India to our farmers. And they are not defensive and worse still they are unrepentant about the same. In fact the recent trend in the Western countries to answer the critiques of their subsidy regime is by further increasing the quantum of subsidies. Witness the recent proposal in America to increase the subsidies to its farmers through a new farm subsidy bill, notwithstanding the already prevalent elaborate subsidy regime and simultaneously ignoring the demand of the other countries, especially the developing countries while maintaining and increasing the agricultural subsidies.

THE LACK OF AWARENESS ABOUT THE REGIME AND THE NEED TO INFORM ALL THE STAKEHOLDERS MANIFESTS IN THE IDEA FOR THIS DOCUMENT

It is in these circumstances concerned at the lack of understanding of this issue, which is prejudicial to the interests of the Indian Agriculture sector, adversely affecting the fortunes of approximately 600 million Indians directly, which in turn approximates to the collective national interests concerning food security and food self sufficiency I decided to bring out this document so as to bring out the correct fact about the subsidy regime in the context of the Indian Agriculture and attempts to globalise the same. The author of this document consider it necessary to do so in light of the fact that the main stakeholders within the Indian economy – the Indian farmers do not have correct or adequate information about the global subsidy regime and is totally unaware of its implications as much as they are about the debilitating impact of the domestic policies on the Indian farm sector.

THE PRECARIOUS FINANCIAL POSITION OF THE INDIAN FARMERS AND THEIR REPEATED SUICIDES IN INDIA ACTS AS A TRIGGER FOR THIS DOCUMENT

What has been discussed thus far has been the context for this document. But the proximate trigger for this document has been the huge farmer suicides reported all over the country in the past couple of years.

The robust growth recorded by the other sector of the economy needs to be contrasted with the precarious state of our farmers and has to be viewed in the context

of their shocking state existence. It is conceded that we as a nation have shown significant progress in the past decade, notably in the past few years, the fact of the matter remains that we as a nation have not been able to translate the impressive gains achieved in other sectors of the economy to the agriculture sector. It is to be noted that the growth recorded in the economy in the past decade has averaged 7-8%. However the rate of growth in the agriculture sector has been far less and in three years in the past decade the rate of growth has recorded even negative growth. This paltry growth rate in the agriculture has meant that the food grains production has virtually stagnated at 200 MT in the past decade.

The issue of negative growth in three of the past ten years as well as a near stagnant agricultural production in over a decade needs to be viewed in light of the fact that nearly two-thirds of our population are dependent on Agriculture. This means that a substantial section of our population have not been the beneficiary of the growth achieved by the nation in the past decade. It seems that the growth in the economy has been achieved by other sectors, with perhaps marginal numbers of our population being the final beneficiaries. The deductions from the above facts are too compelling and the fact remains that the New Economic Policies of the government of India has indeed bypassed the agriculture sector and has not significantly benefited vast chunks of our population dependent on agriculture. In short, the economic prosperity of the nation, touted as a result of the NEP has not significantly impacted the Indian farmer and the benefit has in turn reached disproportionately small chunks of our population. This unfolding scenario is of great worry to sociologists – as such lop-sided growth is pregnant with social disorders and a challenge to the economists – as this lop-sided growth needs to be corrected.

It is no wonder, given this economic background of the past decade that the state of the average farmer remained as what it was at the beginning of the decade. While other sectors within the economy have begun to successfully benchmark itself with very best in the world, the average Indian farmer has simply been unable to do so. In fact the very success of the new economic policies has been pivoting around this very point. Unfortunately this argument does not hold true for the Indian farmer. For instance, the average productivity of the Indian farmers is far less than has been attained by his counterparts in other countries, more specifically in the developed countries. This is because among other factors, the farmer in India consumes far less fertiliser as compared to his counterparts in the rest of the world. As a direct consequence the average productivity of the Indian farms is far less as compared to the farms in other parts of the world. This inevitably leads to the catch 22 situations. Lower productivity prevents the farmers from having the necessary excess to modernise his farms, increase fertiliser consumption and use scientific tools and implements. This in turn causes lower productivity in his farms. This vicious cycle of poor productivity resulting in lack of modernisation and the lack of modernisation leading to poor productivity has constantly pulled down the Indian farmers.

The net impact of all these is best enumerated by comparing the position of India to the WTO. It may be recalled that Indian position during the formation was intrinsically offensive – i.e. we had assumed that we could export our cereals due to our assumed competitiveness to the developed nations. However post UR, we understood exports was virtually impossible under the WTO regime given the gargantuan size of farm subsidies of the developed nations which virtually meant that our offensive interests turned defensive – i.e. we were conscious not to let any significant farm imports into India. This was achieved by negotiating very high tariffs for farm products with our trade partners. But the internal mess on agriculture means that we are currently forced to import wheat at say zero percent duty. Thus India has neither an offensive nor a defensive interest on agriculture with the WTO. **If we can neither export nor are we in a position to effectuate appropriate tariff barriers, the moot question remains: IF THAT WERE SO, WHY DID INDIA SIGN THE AoA?**

THE IMPLICIT NEED FOR THIS DOCUMENT MANIFESTS ITSELF THROUGH THE EXPLICIT CONTENTS OF THIS DOCUMENT

Thus, the main purpose of this document is to inform the Indian Industry, Indian Media, Indian Government, Indian Elite, Indian policy framers and the Indian farmers about:

- **The poor understanding in India about the various dimensions involved in the global subsidy regime that has distorted global agricultural trade**
- **The misunderstanding pertaining to the subsidy regime as a whole in India and lack of understating that the fertiliser subsidy is in fact nothing but an element of the farm subsidy**
- **The mistaken belief in our establishment that Doha Round of negotiations would ultimately result in the lowering of farm subsidies in the developed countries**
- **The precarious state of the Indian Farmers where in the past few years more than 50,000 farmers have committed suicides.**
- **The strategic importance of the Agriculture in India, which approximates to the national economic interests**
- **The poor performance of the PDS system that is overburdening the exchequer and as a direct consequence impacting the overall subsidy bill**
- **The documents attempts as it progresses to lay out some of the policy initiatives required to remedy the situation as well as lays out the future road map for the Indian Agriculture and the Indian fertiliser Industry**

Thus, this document is presented to various stakeholders within the Indian economy and to the general public to understand and comprehend the issues in totality as well as the related issues. All empirical evidence about the impact on the subsidy on the

different stake holders in the Indian economy, and the empirical evidence about the level of understanding and knowledge of the most affected stake holder, namely the farmers, also pointed to the need of a reliable material to create proper understanding about the subsidy regime and about the causes and consequences of the Agreement on Agriculture within the WTO regime and all other related aspects. It was therefore felt that a document on the Agriculture sector would have to be brought out in the larger national interest and in the interest of transparency.

For the clear understanding of the issues at hand this document has been bifurcated in the manner that is explained hereunder:

- The first part exclusively deals with the issues relating to Global Subsidies on Agriculture, its dimensions and the implications affecting the economies of the developing countries, the experiences of the Uruguay Round and its impact on the export potential for India and the threat of imports into India, the economics of the MSP mechanism; its cost and consequences and the working of the PDS system and the impact all of these collectively on the Indian subsidy bill. The first part has been titled: **PART I- IMPLICATION OF VARIOUS POLICY INITIATIVES IMPACTING THE INDIAN AGRICULTURE COMPRISED IN CHAPTER II-V**
- The Second part deals with the policy initiatives, suggestions and recommendations from the Agriculture sector who constitute the core of the stakeholders within the Industry as well as to the Government. This final part has been titled: **PART II - THE WAY FORWARD FOR THE INDIAN FARMERS AND POLITY COMPRISED IN CHAPTER V-IX**