

CHAPTER V

Media plays an important role in the creating and destroying opinion, especially in a country like India and more specifically on sensitive matters like that of the subsidy regime. There are certain myths that are perpetuated on the subsidy regime by a section of the media. The impact of the subsidy regime in India in the context of the global subsidy regime has been demonstrated in the pervious Chapters. Despite its critical importance and the crucial role it plays in tackling the issue of food security and alleviating poverty, the post reform period has seen a section of the media undertake a shrill campaign on this issue against farm subsidy. This campaign in the absence of a concerted rebuttal by the stakeholders leads to distortion in the policy formulations in India on such sensitive matters. The primary stakeholders of the farm subsidy regime are the Indian farmers who are generally oblivious and inarticulate on this issue and hence do not rebut the views of a section of the media. Their silence is deemed to be a tacit acceptance by the media and this in turn encourages media to air its views on the matter more forcefully and thereby creating an opinion within the country without the participation of the concerned stakeholders. This Chapter attempts to capture the campaign launched by a section of the section of the media on the subsidy regime and analyse the impact on the farm policies of the country in the past decade.

ANALYSING THE IMPACT OF THE SHRILL CAMPAIGN IN THE MEDIA AND THE POLITY, CAPTURING THE IMPACT OF THE LACK OF UNDERSTANDING EVEN WITHIN THE ELITE IN INDIA AND PERPETUATING THE MYTHS ON THE SUBSIDY REGIME

It is necessary at this stage to capture the shrill campaign in the media and elsewhere on the issue of the Farm subsidy in India on the collective psyche of the nation under certain assumptions that are never put to complete test. The chief assumptions within the Media, analysts and self styled economists has been that the Free Markets is the panacea for the development of our Country and it is only through reforms and more reforms that the country can extricate itself from its economic mess. Whenever the country has faced downturns in the economic growth in the past decade, these analysts have consistently been prescribing more of liberalisation and globalisation, without explaining as to how the people in the vulnerable sections stand to gain in the process. Worse still the argument goes that the country is completely prepared for a free market regime and in this scenario the primordial concepts like subsidy on agriculture need to be exterminated.

It is to be clearly understood at this stage that no one in the right senses could be against the reform process per se. Nevertheless one sees repeated assertions in the media and within the polity that the subsidy regime is a millstone around the Fiscal neck of the Government, without understanding the basics, genesis and the implications of these issues. Another assumption has been that the West does not

subsidise its agriculture and even if it does it is intended for the benefit of its poor farmers and we can do nothing about it. So much so the argument is furthered that Indian Agriculture without the Farm subsidy being uneconomical would collapse. And anything that is unviable must go and the consequences left to the market forces. Do the proponents of these arguments realise the grave implications of their suggestions? Is it possible for India or for that matter any other country of the size of India to give up producing food for itself? Can it afford it or for that matter can the world afford such a preposterous idea? Is Indian agriculture viable in the present global order or is the present global order rendering the Indian agriculture unviable? What is the role of the agriculture sector in providing employment to the approximately 600 million of our people and if agriculture is rendered unviable in India, what is the alternative? Can the services sector and manufacturing sector provide us the necessary opportunities for employing this large number of people? Questions that beg answers and are routinely brushed aside by the media and the analysts in India.

Another myth that has been perpetuated is that the Subsidy favours only the rich farmers and the poor farmers are not benefited under this regime and hence constitutes favouring the rural rich with at the cost of the urban poor. Consequently the argument runs that the intended beneficiaries of a subsidy regime are not benefited with such a regime and hence it needs to be scrapped.

Now let us examine these issues in great detail.

THE MYTH THAT HAS BEEN PROPAGATED IS THAT SUBSIDY IN INDIA BENEFITS THE RICH FARMERS ONLY AND THAT SMALL FARMERS ARE NOT BENEFITTED

The first myth that has repeatedly propagated has been that the subsidy regime benefits the rich farmers who has significant land holding and is not reaching the intended beneficiaries of the regime viz., the small and medium farmers. The argument that is propounded is based on the hypothesis is that since this subsidy is not benefiting the small and medium farmers, the regime has to be scrapped. Nothing can be far from the truth. According to a survey by Ministry of Agriculture, the small and marginal farmers (those having land holdings of 1-2 hectares and up to 1 hectare respectively) account for about 42 per cent of the fertiliser consumption, while farmers with over 10 hectares account for only about 10 per cent.

This consumption pattern brought about by the Ministry of Agriculture falsifies this propaganda that the fertiliser is used only by the big farmers and not otherwise. It is in this connection we reproduce a table¹ buttressing the above fact.

¹ Source: Fertiliser Statistics 2001-2002 issued by The Fertiliser Association of India

PATTERN OF FERTILIZER CONSUMPTION BY SIZE OF FARMS – 1991-92						
Item	Size of farm (hectare)					
	Below 1	1-1.99	2-3.99	4-9.99	10 and above	All
Households						
1.Distribution of cultivator households (percent)	57.15	20.29	13.72	7.29	1.55	100.00
2.Area cultivated (per cent)	17.32	19.61	23.80	25.76	13.51	100.00
3.Proportion of fertilized area to gross cropped area (per cent)	63.63	62.61	60.90	58.01	46.94	59.08
4.Proportion of fertilizer consumption by size of farm to total consumption (N+P ₂ O ₅ +K ₂ O) (per cent)	20.58	21.15	24.18	23.86	10.23	100.00
5.Fertilizer consumption per hectare of fertilised area (N+P ₂ O ₅ + K ₂ O)(kg)	113.42	104.58	101.30	96.97	96.08	102.76
6.Fertilizer consumption per hectare of gross cropped area (N+P ₂ O ₅ +K ₂ O)	72.16	65.48	61.69	56.26	46.03	60.71

Though this authentic data is nearly a decade old it is to be noted that there has been no significant changes in the fertiliser consumption within India in the past decade nor there has been any change in the farm holdings within India in any significant manner. Hence in the absence of the updated statistics on the above we can safely rely on these statistics.

MYTH THAT THE INDIAN SUBSIDY BILL IS HUGE EVEN IN THE GLOBAL CONTEXT

Before we proceed further let us understand the total implicit and explicit subsidies that exists in India for the Indian Farmer. It may be noted that in India the subsidies are given to the farmers, both by the Central Government and by the State Governments. The details for the quantum of the subsidies given are available for the period 1993-94 to 2000-01 and are laid out hereunder.

Agriculture Subsidies in India During 1993-94 to 2000-01²

Year	Agriculture Subsidies (Rs. Crores)				
	Fertiliser	Electricity	Irrigation*	Others	Total
1	2	3	4	5	6
1993-94	4562	2400	5872	1235	14069
1994-95	5769	2338	6772	1246	16125
1995-96	6735	1977	7931	1034	17677
1996-97	7578	8356	9221	895	26050
1997-98	9918	4937	10318	983	26156
1998-99	11596	3819	11827	1182	28424
1999-2000	13244	4276	11487	1937	30944
2000-01	13800	6449	13681	854	34784

* Includes imputed subsidies of irrigation.

What is of immediate interest to a reader is to immediately place it in comparison with the developed countries and find out whether how the Indian subsidy bill compares with the rest of the world, more importantly the developed world. The following table³ is illuminating in this context:

Share of Agricultural subsidies (PSE) in Selected OECD Countries and India

Country	Base year (1986-88)		% AGDP	1997	
	Total Subsidies	% of GDP		Total Subsidies	% of GDP

² Source: Central Statistical Organisation, New Delhi.

³ Source: Department of agriculture and cooperation, GOI

Canada	5645	1.51	34	3113	1.1
Ec	95214	1.79	44	112260	1.6
Japan	53637	3.04	67	50534	2.3
USA	41890	1.34	25	30459	1.1
OECD	246226	1.67	40	246167	1.4
India	1058	1.7	6.2	6096	1.9

* Exact comparison of subsidies between India & OECD countries is not possible on account of differences in

* Figures Relating to India are provisional & not yet filed in WTO.

* In case of India, values in Rupees have been converted into US dollars at exchange rate prevailing in 1997

Agricultural Subsidies (PSE) per Farmer and per Hectare in Selected OECD Countries and India⁴

Country	Base year (1986-88)		1997	
	Per Farmer	Per Hectare	Per Farmer	Per Hectare
Canada	12000	75	7000	42
EC	11000	707	16000	815
Japan	15000	10048	21000	10211
USA	17000	98	12000	73
OECD	11000	187	10000	189
India	11	8	55	43

* Exact comparison of subsidies between India & OECD countries is not possible on account of differences in composition of PSE and subsidies as computed in India.

* In case of India, Values in Rupees have been converted into Us dollar at exchange rate prevailing in 1997

Further, it has to be noted that the AMS reduction of various countries has been practiced more in breach by various countries. Despite the reduction commitment given by various countries to the WTO to reduce their AMS in the lines outlined in the previous chapters to this document, it has to be noted that there have been significant deviations and many countries have indeed exceeded the AMS commitments given to the WTO under the AoA. Also it has to be noted in such of

⁴ Source: For developed countries – Agricultural policies in IECD countries monitoring and evaluation 2000 & CSO for India

those countries even where the country has maintained its actual AMS well below the commitment level, the attention of the reader is invited to the levels at which the AMS has been fixed during the UR negotiations. The following table⁵ gives the details regarding the AMS commitment of various countries.

Total aggregate measurement of support committed (AMS)

	1991	1991	1991	1991	1991	1991	1991	1991	1991	1991	1991
	Actual AMS	Actual AMS	Committed AMS	Actual AMS	Committed AMS	Actual AMS	Committed AMS	Actual AMS	Committed AMS	Actual AMS	Committed AMS
	(Million US\$)	(Million US\$)	(Million US\$)	(Million US\$)	(Million US\$)	(Million US\$)	(Million US\$)	(Million US\$)	(Million US\$)	(Million US\$)	(Million US\$)
Algeria	0	0	0	0	0	0	0	0	0	0	0
Argentina	0	0	0	0	0	0	0	0	0	0	0
Australia	0	0	0	0	0	0	0	0	0	0	0
Bahrain	0	0	0	0	0	0	0	0	0	0	0
Bangladesh	0	0	0	0	0	0	0	0	0	0	0
Belgium	0	0	0	0	0	0	0	0	0	0	0
Bolivia	0	0	0	0	0	0	0	0	0	0	0
Brazil	0	0	0	0	0	0	0	0	0	0	0
Canada	0	0	0	0	0	0	0	0	0	0	0
Chad	0	0	0	0	0	0	0	0	0	0	0
China	0	0	0	0	0	0	0	0	0	0	0
Cuba	0	0	0	0	0	0	0	0	0	0	0
Czechia	0	0	0	0	0	0	0	0	0	0	0
Denmark	0	0	0	0	0	0	0	0	0	0	0
Egypt	0	0	0	0	0	0	0	0	0	0	0
Ecuador	0	0	0	0	0	0	0	0	0	0	0
EEC	0	0	0	0	0	0	0	0	0	0	0
El Salvador	0	0	0	0	0	0	0	0	0	0	0
France	0	0	0	0	0	0	0	0	0	0	0
Germany	0	0	0	0	0	0	0	0	0	0	0
Ghana	0	0	0	0	0	0	0	0	0	0	0
Greece	0	0	0	0	0	0	0	0	0	0	0
Guatemala	0	0	0	0	0	0	0	0	0	0	0
Hong Kong	0	0	0	0	0	0	0	0	0	0	0
India	0	0	0	0	0	0	0	0	0	0	0
Indonesia	0	0	0	0	0	0	0	0	0	0	0
Israel	0	0	0	0	0	0	0	0	0	0	0
Italy	0	0	0	0	0	0	0	0	0	0	0
Jamaica	0	0	0	0	0	0	0	0	0	0	0
Japan	0	0	0	0	0	0	0	0	0	0	0
Kenya	0	0	0	0	0	0	0	0	0	0	0
Korea	0	0	0	0	0	0	0	0	0	0	0
Madagascar	0	0	0	0	0	0	0	0	0	0	0
Malaysia	0	0	0	0	0	0	0	0	0	0	0
Mexico	0	0	0	0	0	0	0	0	0	0	0
Morocco	0	0	0	0	0	0	0	0	0	0	0
Netherlands	0	0	0	0	0	0	0	0	0	0	0
Nicaragua	0	0	0	0	0	0	0	0	0	0	0
Norway	0	0	0	0	0	0	0	0	0	0	0
Oman	0	0	0	0	0	0	0	0	0	0	0
Pakistan	0	0	0	0	0	0	0	0	0	0	0
Paraguay	0	0	0	0	0	0	0	0	0	0	0
Peru	0	0	0	0	0	0	0	0	0	0	0
Philippines	0	0	0	0	0	0	0	0	0	0	0
Poland	0	0	0	0	0	0	0	0	0	0	0
Portugal	0	0	0	0	0	0	0	0	0	0	0
Romania	0	0	0	0	0	0	0	0	0	0	0
Saudi Arabia	0	0	0	0	0	0	0	0	0	0	0
Spain	0	0	0	0	0	0	0	0	0	0	0
Sri Lanka	0	0	0	0	0	0	0	0	0	0	0
Sudan	0	0	0	0	0	0	0	0	0	0	0
Switzerland	0	0	0	0	0	0	0	0	0	0	0
Taiwan	0	0	0	0	0	0	0	0	0	0	0
Tanzania	0	0	0	0	0	0	0	0	0	0	0
Togo	0	0	0	0	0	0	0	0	0	0	0
Turkey	0	0	0	0	0	0	0	0	0	0	0
Uganda	0	0	0	0	0	0	0	0	0	0	0
USA	0	0	0	0	0	0	0	0	0	0	0
Zimbabwe	0	0	0	0	0	0	0	0	0	0	0

Total aggregate measurement of support committed (AMS)

As already explained subsidies, support and commitment given to the agricultural sector are collectively termed “Total aggregate Measurement of Support”(AMS). This is the sum of all aggregate of measurement of support for basic agricultural products; all non-product-specific aggregate Measurement of support and all equivalents thereof. The initial level, which forms the basis for commitment levels during the

⁵ Source: Market Access- unfinished business; post UR inventory and issues – issues by the WTO

implementation period, is called the Base Total Aggregate Measurement of Support. The support provided during any year of the implementation period is called the Current Total AMS. The Final Bound Commitment level is the maximum total permissible total AMS in the last year of the implementation period⁶. Further members are to meet the commitments regarding the Annual Bound commitments level for that year. This would give the maximum permissible Total AMS levels in the respective years during the implementation period. The final commitment is thus on the reduction of the Total AMS.

India's notification to the WTO suggest that the support to the Indian Agriculture to be negative. This demolishes the popular perception that the Indian agriculture is heavily subsidised.

Aggregate Measure of Support for Selected Commodities with Fixed Reference Prices ⁷

Notes: (i) All figures are expressed as percentage of total value of production.

⁶ Under Article 1(f) of AoA, implementation period generally means a six-year period commencing in the year 1995 except for those exemptions as listed out in Article 13.

⁷ The Subsidy Syndrome in Indian Agriculture by Ashok Gulati and Sudha Narayanan

Years	Product Specific AMS	Non-product specific AMS	Aggregate measure of support
1987	-33.23	4.22	-29.02
1988	-24.73	5.19	-19.54
1989	-29.79	5.02	-24.77
1990	-32.83	6.19	26.64
1991	-27.60	5.87	-21.73
1992	-57.50	7.52	-49.99
1993	-46.60	6.82	-39.77
1994	-51.06	5.67	-45.39
1995	-38.58	6.81	-31.77
1996	-39.32	7.89	-31.43
1997	-40.68	7.49	-33.19
1998	-33.18	6.86	-26.32
1999	-39.75	6.00	-33.76
2000	-32.78	7.16	-25.62

PRODUCT-SPECIFIC SUPPORT⁸

(in

per cent)

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Rice	-50.02	-50.17	-46.84	-40.20	-36.48	-37.77	-39.29	-39.10	-34.66	-36.61
Wheat	-121.38	-91.67	-98.10	96.23	-84.01	90.02	106.61	-77.64	-82.24	-70.77
Bajra	-91.19	-84.49	-59.20	-84.65	-74.73	-71.13	71.19	-75.89	-73.06	-74.59
Jowar	-96.61	-97.64	-63.83	-76.54	-94.22	-72.24	73.34	-81.33	-77.38	-83.23
Maize	-113.36	-111.86	-85.00	-100.58	101.43	-87.44	92.87	-93.13	-89.95	-93.23
Barley	-170.11	-140.91	147.60	-219.19	149.31	122.65	182.75	141.15	134.71	-199.02
Gram	-28.77	-23.15	-31.38	-28.47	-16.45	-25.47	28.67	-23.74	-25.88	-28.69

⁸ WTO AGREEMENT & INDIAN AGRICULTURE, edited by Anwarul Hoda.

Moong	-25.84	-21.09	-22.13	-17.65	-19.47	18.09	-18.55	-20.45	-19.42	N.A.
Urad	-23.47	-17.97	-19.77	-22.56	-14.68	-10.52	-11.60	-15.30	-15.64	N.A.
Arhar	-38.19	-27.56	505.52	29.90	29.07	-24.39	-22.43	-29.88	-26.06	-21.49
Sugarcane	4.20	0.59	1.76	3.68	3.79	4.66	5.35	5.71	5.87	6.44
Groundnut	-54.90	-41.93	-45.87	-51.09	-50.98	-52.06	-55.79	-57.31	50.86	-49.30
Rapeseed	-37.90	-39.34	-45.34	-51.22	-47.14	-52.81	-60.27	-64.16	-60.85	-49.49
Soyabean	-1.01	-2.25	-3.18	1.24	2.57	3.49	1.29	-1.13	0.40	-0.20
Tobacco	-2.59	-3.17	-4.28	-5.06	-3.47	-3.92	-4.32	-6.23	-6.22	-4.94
Cotton	-0.41	-0.75	-1.01	-0.50	0.10	0.81	1.86	0.99	2.33	2.59

Note: Product-specific support has been calculated as a percentage of the value of production of the commodity concerned. To calculate the product-specific support the full production has been taken as eligible for minimum price support, except for sugarcane in which only the tonnage crushed by sugar mills in the organized section has been considered. Since the external reference price (ERP) is fixed at the level of 1986-8 the annual support has been deflated by the wholesale price index with 1986-8 as the base period.

MYTH THAT THE WEST SUBSIDIES ITS POOR FARMERS AND HENCE WE CAN DO NOTHING ABOUT IT

In the US as well as elsewhere there is a general belief that the corporates continue to influence the US Government through campaign contributions to pass unjust farm policies. The subsidies only go to a few crops that agribusinesses favour, leaving most people without help. In fact richest 7% of farms receive 45% of the subsidies⁹. This is billions dollars of taxpayers' money going into the hands of extremely rich individuals and corporations .Big corporations use this subsidy in turn to gobble up family farms so that they can receive even more corporate welfare.

Even with the US instead of paying giant subsidies to big corporations the US can use the money to guarantee small farmers income if they work on conservation initiatives and healthy farming methods. **It must be noted that when the subsidy program began 50% of the US population lived on family farms. Now 2% does. Thus the US could guarantee every full time farmer USD 31,000 a year for just USD 4 billion dollars.** That is enough to secure a middle class livelihood for a family of four in rural America. Instead the US spends between USD10-USD 20 billion a year mostly to millionaires, and the most farmers stay poor both in America and elsewhere.

⁹ Source: www.subsidieskill.com

THE MYTH THAT SUBSIDY IS FOR THE FERTILISER INDUSTRY AND NOT FOR THE FARMERS NEEDS TO BE EXAMINED IN LIGHT OF THE POOR UNDERSTANDING ON THIS SUBJECT

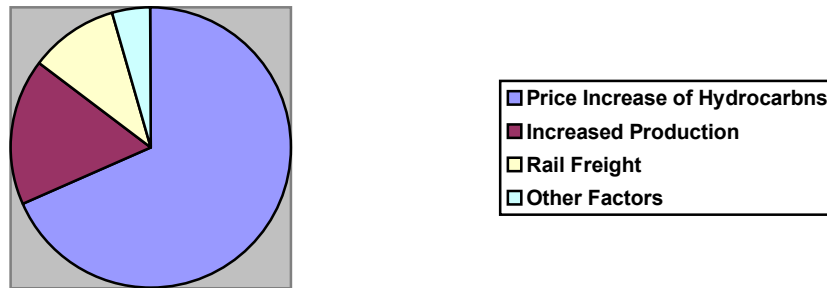
As explained elsewhere in this document the term Fertiliser subsidy is a misnomer. It is a historical wrong committed on the fertiliser industry committed by the Polity. By one such nomenclature and improper naming the minds of the Indian have been prepared continuously to accept this subsidy as a fertiliser subsidy. We need to first put the matter in the proper perspective before proceeding on to analyse the matter further. In India, there are over 100 million cultivator households, of which about 80 million are small and subsistence farmers. The Government is fully aware that any scheme of giving subsidy directly to the millions of farmers is cumbersome, cost-ineffective and prone to misuse, and has, therefore, chosen the route of subsidising the supply of agricultural inputs, including fertilisers.

With this objective in view, the Government controls the maximum retail price (MRP) of fertilisers at a level affordable to the farmers. Since, the cost of production (arrived only through a detailed working by a team of experts) and distribution as determined by the Government itself is higher, the fertiliser industry is compensated for the difference as subsidy. Clearly, the benefit of subsidy accrues to the farmers. **If the government were to leave the selling price of fertilisers in India to the market forces without any intervention by it, there would be no subsidy and with it there would be no allegation that the fertilizer companies are the beneficiaries of the government's largesse. But the government of India leave the selling prices of a commodity as crucial as the fertiliser subsidy to be subjected to the market forces? Better still are our farmers in a position to allow the fertiliser costs to be subjected to the market forces? Have they reached the threshold level of competence and competitiveness to face the global trade?**

The answer to all these questions would be an emphatic no. And precisely for this reason that the government has still continued to administer the prices of the fertiliser in India. The continued policy of subsidising the fertiliser has its social and constitutional compulsions in India. A civil society and a democratic government simply cannot abdicate their responsibility towards the poor and vulnerable sections of the people. That the market is incapable of dealing with such a situation is well understood by many modern economists. The only other option is the intervention by the state. Hence this justifies the existence of fertiliser subsidy.

In so far as it pertains to subsidy bill what has not been explained along side with this has been the Rupee devaluation during the 90's, deregulation of the Hydro Carbon industry, adjustment for inflation during the 90's and increased usage of the fertilisers in 2003-04 as compared to the eighties. According to a detailed analysis done by the

FAI¹⁰, of the total increase in subsidy on domestic urea by Rs 6,595 crores between 1990-91 and 1999-2000, the increase in the prices of hydrocarbons alone accounted for about Rs 4,500 crores (setting off the extra recovery from increase in the selling price). Of the balance, an increase of Rs 1,127 crores was accounted for by increase in production, Rs 297 crores by increase in rail freight and Rs 671 crores by increases in other costs, such as wages and salaries, repair and maintenance, working capital, marketing and selling expenses. **Clearly, the bulk of the increase in subsidy, barring increases in the wages and salaries is in the nature of an intra-economy transfer of departments under the full control of the Government, to that extent, it is not even a net burden on the exchequer. Unfortunately not once has the polity or the critiques within the media accepted these fundamental facts before commenting on the subsidy bill. The above-mentioned data is captured through a pie chart for the better understanding of the reader.**



Share of factors causing increased fertiliser subsidy bill.

This selective presentation of facts day in and out in various acclaimed journals and the media has infiltrated the psyche of an average India. Unfortunately for the fertiliser industry, an average Indian has started to believe that the entire subsidy as fertiliser industry is a gross drain on the exchequer with no reciprocal benefit to the economy. This wrong presumption has already been addressed in great detail in this Chapter. To conclude and put it mildly the Media in greater part is tutored to the free market principle to such an extent that it has lost its reasoning and objectivity for being an impartial commentator on this issue.

Further, what needs to be appreciated is that the fertiliser industry is merely a conduit for reaching subsidy to them with ease of administration and cost-effectiveness, and for preventing its misuse. It is a subsidy that is provided to the fertiliser industry for the onward transmission to the farmers and not for the benefit of the fertiliser industry.

¹⁰Fertiliser subsidy imbroglio: Decontrol the only way out by Viren Kaushik & Uttam Gupta - The Hindu Business Line: April 08, 2003

This mechanism seems to be the only accepted mechanism to take care of passing on subsidy to approximately 100 million farmers in India. Any other mechanism of transferring the subsidy directly to the farmers would be expensive and would be prone to administrative problems. Thus the western model of maintaining the subsidies is not sustainable in India.

According to Mr. Uttam Gupta and Mr Viren Kaushik¹¹ **“The situation in fertilisers is similar to that for kerosene and LPG. The oil companies are directed by the Government to sell these products at prices below the cost of production and distribution. The difference between the two is reimbursed to them as subsidy. Just as in this case the benefit of subsidy accrues to the consumers and not to the oil companies, in fertilisers also, the consumer farmers are the beneficiaries of the subsidy and not the industry”.**

That the subsidy regime should be questioned in a country like India that has over 350 million poor who are unable to have sufficient access to appropriate levels of food for subsistence, is inexplicable. Since the manufacturers of fertilisers receive the subsidy they become the natural target of the group that opposes the subsidy regime. Based on theoretical understanding of the subject the anti-subsidy lobby alleges that the subsidy goes on to subsidise the so-called inefficiency of the producers. This clarion call to check its growth gets an added impetus during the month of February when the Central Government presents its Budget and the Government is keen on reporting lower Fiscal deficit.

In this connection we quote from the editorial of the Hindu Business line dated APRIL 16, 2003. This editorial from the leading daily summarises the issues in the fertiliser subsidy regime and the manner they are dealt in by the media in India

Editorial: Sowing a new policy

DESPERATE ATTEMPTS OVER the past year and half to draw down the massive wheat and rice buffer stocks through open market sales and exports have cut the inventory to about 45 million tonnes as at the beginning of the new fiscal, from the unconscionable level of over 60 million tonnes last year. This liquidation has not been without pain; achieved as it was at an enormous cost to the exchequer. The food subsidy bill has been ballooning in recent years, from Rs 6,066 crores in 1996-97 to Rs 12,060 crores in 2000-01 and almost 50 per cent up to Rs 17,612 crores the following year. Last fiscal saw the food subsidy reach an unprecedented Rs 21,200 crores, a level the country cannot really afford. It makes little practical sense to argue that we must

¹¹ Fertiliser subsidy imbroglio: Decontrol the only way out by Viren Kaushik & Uttam Gupta - The Hindu Business Line: April 08, 2003

grant heavy subsidies merely because developed countries do. They can afford it. We cannot.

Mounting farm subsidies impact not only the agricultural sector, but also distort the process of fiscal consolidation. Explicit subsidies (such as on food and fertiliser) and implicit subsidies (including free/subsidised power, water and credit) are not only large and ill targeted, but the excessive use of such subsidised inputs can affect agricultural performance. The large amounts of scarce funds wastefully spent on inefficient management of excessively procured food grains should actually be applied for building lasting assets. Integrated rural infrastructure facilities such as access roads, marketing yards, warehouses and primary grading centres are the need of the day.

The above editorial is a case in point of the manner in which the anxious and perhaps even a hostile media views the subsidy issue and the manner it is inextricably linked to the finances of the Central Government, more specifically the fiscal deficit of the central government. **Crucially, what has been missed in the melee is the fact the editorial argues against farm subsidies and is against a competitive subsidy policy - merely because developed countries are proving them. But in a globalised world, if we are unable to subsidise our farmers in the same manner as done by the developed countries, global intercourse would fail.**

Another critical issue that seems to have been glossed over by this editorial is that this subsidy bill is the only source of social security to rural Indians. By narrowing the debate compass to the fiscal deficit perspective and reducing the fertiliser subsidy under the specious plea that maintaining such a huge subsidy affects the fiscal health of the country is simply unacceptable. Further, the editorial fails to distinguish between the food subsidy and other farm subsidies. As demonstrated in the previous chapters of this document, the food subsidy has an enormous amount of systemic inefficiencies. This seems to have been acquired by the FCI over the years and consequently inflated the food subsidy. This needs to be improved and the operating costs of the FCI brought down. This would at-once lower the food subsidy bill. One has to view these issues in an objective manner and make a thorough analysis of the facts before resorting to sweeping generalisations.

