IMPACT OF WTO ON INDIAN AGRICULTURE

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ABSTRACT

Formation of the World Trade Organization (WTO) in January 1, 1995 as a successor organization for the General Agreement of Tariff and Trade (GATT). The last round, the Uruguay Round, lasted over eight years from 1986-1994, and widened the ambit of discussions to cover subjects like tariffs, non-tariff measures, rules and services, intellectual property rights, dispute settlement, textiles and clothing, and agriculture. The formation of WTO has posed certain challenges such as reduction of tariff barriers and liberalization of traditional trade in goods and services, etc. Most assessments of the agreement hail it as a historic shift in the way it establishes new multilateral rules governing market access, domestic support and export subsidies for agriculture. In terms of future trade liberalization, requiring the elimination of Quantitative Trade Restrictions and their conversion to sound tariffs. There are three categories of support measures that are not subject to reduction under the agreement, are Green, Blue and Amber Box Measures. The AoA's requirement to reduce domestic support will prevent the Indian government from providing the necessary support to farmers. Agriculture contributes a sizeable share in India's exports, besides, being the largest source of employment and income to millions of people, it provides a vast market for our industrial products. The country has made significant improvements in agricultural production. The major challenges for our agriculture system would always be increasing production and productivity to ensure food security for the rising population. The compound annual growth in production and yield of all principal crops reveals a remarkable increase in production and productivity of principal crops in India during first decade of 21st century. The export of agricultural commodities has increased remarkably in last three decades. India's agricultural commodities import has been increased from ₹ 1205.86 crores in 1990-91 to ₹ 87466 crores in 2013-14. At present in India pulses, oilcakes, other cereals, onion, etc. were duty free. As per domestic consumption needs or export needs the custom duty can be increased up to bound duty. Under the existing circumstances, the liberalization of world trade in agriculture will benefit developed countries more than developing countries.

Keywords: *GATT, WTO, subsidy, export and CGAR*

INTRODUCTION

Formation of the World Trade Organization (WTO) in January 1, 1995 as a successor organization for the General Agreement of Tariff and Trade (GATT) was a watershed event in the history of global trade reforms. Under the auspices of the WTO, many trade-related agreements were signed by the member countries (WTO, 1995), and, for the first time, an Agreement on Agriculture (AOA) was reached to reform and dismantle trade barriers in the agricultural sector. In India, agriculture is not a trade but a way of life. Nearly two-thirds of the population depends on agriculture and therefore, there is no question of their freedom being restricted. Food security and food self-sufficiency are not matters that can be negotiated. But the new trade regime has encompassed the entire economic spectrum of all developed and developing nations. The results of the various negotiations are referred to as diplomatically engineered methodologies for creating frontiers of developmental thinking. This emerging developmental and integrated landscape demands creation and implementation of programmes. Inclusion of agriculture trade in the GATT-WTO order stands out as a serious issue for a developing nation like India. The new scenario is characterized by several development initiatives in the agricultural sector and the changing role of the Indian government in providing necessary support (product-specific as well as general) to Indian farmers. Developing countries are the most susceptible to climate change impacts because they have fewer resources to adapt: socially, technologically, and financially (Vinaya et al, 2017).

World Trade Organization (WTO)

Until the end of 1994, there was no multilateral or international trade organization. Between 1947 and 1994, eight rounds of negotiations took place under the aegis of the General Agreement on Tariffs and Trade (GATT). The first seven rounds concentrated on tariff reductions and commodity agreements. The last round, the Uruguay Round, lasted over eight years from 1986-1994, and widened the ambit of discussions to cover subjects like tariffs, non-tariff measures, rules and services, intellectual property rights, dispute settlement, textiles and clothing, and agriculture. The Uruguay Round of trade negotiations ended with an agreement founding the World Trade Organization. In April 1994, 104 members became signatories to the agreement with minor changes in the original draft and the final Act came into force from January 1, 1995. At this stage, the WTO membership grew to 135 countries.

The formation of WTO has posed certain challenges such as reduction of tariff barriers and liberalization of traditional trade in goods and services, *etc.* The WTO is not a simple extension of GATT. It completely replaces GATT and has quite a different character. While GATT was applied on a provisional basis, WTO commitments are full and permanent. Secondly, GATT applied to trade in merchandise goods whereas WTO covers a whole range of trade-related issues. Finally, WTO is a permanent institution with its own Secretariat and its dispute settlement system.

WTO Fact File

Location: Geneva, Switzerland

Established by: Uruguay Round Negotiations (1986-1994)

Memberships: 164 Members on 29th July, 2016.

Secretariat staff: 634

Head: Director General - Roberto Azevêdo is the sixth Director-General of the WTO

Functions

- Administering WTO trade agreements
- Forum for trade negotiations
- Handling trade disputes
- Monitoring national trade policies
- Technical assistance and training for developing countries
- Cooperation with other international organization

WTO Agreement on Agriculture

For the first time, agriculture was brought under the world trading system in the Uruguay Round of negotiations, which concluded in Marrakesh in April 1994. The Agreement on Agriculture (AoA) was one of the many agreements that were negotiated during the Uruguay Round. Most assessments of the agreement hail it as a historic shift in the way it establishes new multilateral rules governing market access, domestic support and export subsidies for agriculture. In terms of future trade liberalization, its most important provisions may be those requiring the elimination of Quantitative Trade Restrictions and their conversion to sound tariffs. These sound tariffs, even though extremely high, can provide a starting point for future negotiations of tariff reduction.

The AoA has three basic clauses

(A) Market Access commitment requires conversion of all non-tariff barriers into equivalent tariff barriers. Ordinary tariffs including those resulting from tariffication of non-tariff barriers are to be reduced by an average of 36% with minimum rate of reduction of 15% for each tariff item over a 6-year period. Developing countries are required to reduce tariffs by 24% in 10 years. Developing countries that were maintaining Quantitative Restrictions due to Balance of Payments problems were allowed to offer ceiling bindings instead of tariffication. It was also been stipulated that minimum access equal to 3% of domestic consumption in 1986-88 should be established by the year 1995 rising to 5% at the end of the implementation period.

(B) Domestic Support to agriculture was also to be reduced considerably in countries where the aggregate measure of support exceeded the level specified in the member schedule. The limit for developed and developing countries was fixed at 5% and 10% of the total value of agricultural output respectively. There are three categories of support measures that are not subject to reduction under the agreement, they are:

(i) **Green Box Measures:** Policies that have minimum impact on the patterns of production and flow of trade. Examples of such measures are Government expenditure on agricultural research, pest control, inspection and grading of particular product marketing and promotion services *etc.*, payment for natural disasters, structural adjustment programmes, payment under environment programmes, public stock holding for food security and domestic food aid programmes.

(ii) **Blue Box Measures**: These measures include direct payment to the farmers for production limiting programmes and are relevant only from the point of view of the developed countries.

(iii) Amber Box Measures: These are the most important measures from the point of view of producers in developing countries. The AoA demands commitment to reduce support to be achieved by first quantifying, and then progressively reducing domestic support, i.e. the Aggregate Measure of Support (AMS).

(C) Export Subsidies are also to be reduced. The Agreement contains provisions regarding members' commitment to reduce export subsidies. Developed countries are required to reduce their export subsidy expenditure by 36 per cent and volume by 21 per cent in six years, in equal installments from 1986-1990 levels. For developing countries the corresponding cuts are 24 per cent and 14 per cent in equal annual installments spread over ten years. **The least developed countries are not subject to any reduction commitments.**

India's Commitments

Market Access

As India was maintaining Quarantine Restrictions due to balance of payments reasons (which is a GATT consistent measure), it did not have to undertake any commitments in regard to market access. The only commitment India has undertaken is to bind its primary agricultural products at 100%; processed foods at 150% and edible oil at 300%. Of course, for some agricultural products like skimmed milk powder, maize, rice, spelt wheat, millets *etc.* which had been bound at zero or at low bound rates, negotiations under Article of GATT were successfully completed in December, 1999 and the bound rates have been raised substantially.

Domestic Support

India does not provide any product specific support other than market price support. During the reference period (1986-88), India had market price support programmes for 22 products, out of which, 19 are included in our list of commitments filed under GATT. The products are: rice, wheat, bajra, jowar, maize, barley, gram, groundnut, rapeseed, toria, cotton, soyabean, (yellow), soyabean (black), urad, moong, tur, tobacco, jute and sugarcane. The total product specific AMS was (-) Rs. 24,442 crores during the base period. The negative figure arises from the fact that during the base period, except for tobacco and sugarcane, international prices of all products were higher than domestic prices, and the product specific AMS is to be calculated by subtracting the domestic price from the international price and then multiplying the resultant figure by the quantity of production.

$$\text{Product Specific AMS} = \left[\text{Domestic price} - \text{International price}\right] \chi \text{ Quantity of production}$$

Non-product specific subsidy is calculated by taking into account subsidies given for fertilisers, water, seeds, credit and electricity. During the reference period, the total non- product specific AMS was Rs. 4581 crores. Taking both product specific and non-product specific AMS into account, the total AMS was (-) ₹ 19,869 crores i.e., about (-) 18% of the value of total agricultural output.

$$\text{Non Product Specific AMS} = (\text{Subsidies for Fertilizers} + \text{Water} + \text{Seeds} + \text{Credit} + \text{Electricity})$$

Since our total AMS is negative and that too by a huge magnitude, the question of our undertaking reduction commitment did not arise. As such, we have not undertaken any commitment in our schedule filed under GATT. The calculations for the marketing year 1995-96 showed the product specific AMS figure as (-) 38.47% and non-product specific AMS as 7.52% of the total value of production. We can further deduct from these calculations the domestic support extended to low income and resource poor farmers provided under Article 6 of the Agreement on Agriculture. This still keeps our aggregate AMS below the *de minimis* level of 10%.

Export Subsidies

In India, exporters of agricultural commodities do not get any direct subsidy. The only subsidies available to them are in the form of (a) exemption of export profit from income tax under section 80-HHC of the Income Tax Act and this is also not one of the listed subsidies as the entire income from Agriculture is exempt from Income Tax per se. (b) subsidies on cost of freight on export shipments of certain products like fruits, vegetables and floricultural products. We have, in fact, indicated in our schedule of commitments that India reserves the right to take recourse to subsidies (such as, cash compensatory support) during the implementation period.

Implications of AoA for Indian Agriculture

The repercussions of the WTO Agreement and the removal of Quantitative Restrictions on imports are quite alarming. The fall in the prices of agricultural goods and dumping of cheap agriculture commodities from other countries is causing harm to the welfare of Indian farmers. Developed countries have imposed heavy tariffs to minimize imports, whereas in India tariffs are low. Due to this, various commodities are being dumped in India. The US is dumping five primary farm commodities in global markets in clear violation of WTO Agriculture rules. It is exporting corn, soybean, wheat, rice and cotton at prices far below their production cost in an effort to wipe out global competition.

The continuation of high domestic support to agriculture in developed countries is a cause of concern as they encourage overproduction in these countries leading to low levels of international prices of agricultural products. At the same time the rich industrialized countries continue to subsidize farmers by giving them direct payments which are exempt from any reductions requirement and which essentially are cash handouts contingent on making adjustments in production. These payments are neither affordable nor helpful in a developing country. The result is that the industrialized countries continue to dominate world trade in agriculture while preventing India and other developing countries from achieving self-sufficiency in food production.

The AoA's requirement to reduce domestic support will prevent the Indian government from providing the necessary support to farmers to compensate for shortage or over abundance caused by climatic fluctuations in market prices or any other factors. In fact subsidies are essential for Indian agriculture as 56 per cent of people are directly or indirectly dependent upon agriculture. It is no longer the question of mere economics because the social and political implications of developments in agriculture cannot be ignored.

The domestic support provision also affects India's food security. The Agreement exempts governmental expenditures relating to public stockholding for food security purposes from reduction requirement if the operations of such programmes are transparent and follows officially published objective criteria. This automatically subjects these programmes to external scrutiny. A developing country may acquire and release foodstuffs at administered prices; however, the difference between the international market price and the administered price will be included in the calculation of AMS. Therefore, the public stockholding system will be subject to reduction requirements if the AMS exceeds the *de minimis* level.

The export commitment requirements, in turn, prevent India from providing subsidies to industry that are necessary for it to expand its share of world export markets. This limitation will also adversely affect the future of Indian agriculture.

The reduction in custom duties and non-tariff barriers as well as guaranteed minimum market share for imports will force Indian farmers to compete against large Transnational Corporations which have excessive financial power resulting from their oligopolistic control over world food markets. Indian farmers cannot compete on equal terms against the enormous financial and technological clout of the transnational giants of the rich countries, particularly when custom duties and other import barriers are reduced, and these companies are guaranteed a share of Indian market. Compliance with market access requirements will devastate domestic food production and India will become dependent on foreign foodgrains. To conclude, it is feared that the Agreement is not favorable to India due to the reasons: i) The country will be compelled to import at least 3% of the domestic demand for agricultural products, ii) The government will be forced to reduce subsidies to farmers and iii) The Public Distribution System and Public Procurement System will have to be abandoned.

Performance of Indian Agriculture

Agriculture forms the backbone of the Indian economy. This sector contributes to the Indian economy in a variety of ways:

- It provides direct employment to 56% of working people in the country and contributes about 15% of GDP of the country.
- Agriculture also provides the foodgrains to feed the large population of the country.
- Indian agriculture is an important source of supply of raw materials to industries in the country.
- Agriculture contributes a sizeable share in India's exports.
- Besides, it provides fodder for the large cattle population.
- Being the largest source of employment and income to millions of people, it provides a vast market for our industrial products.

The country has made significant improvements in agricultural production, but the achievements have been mainly confined to a few areas. The major challenges for our agriculture system would always be increasing production and productivity to ensure food security for the rising population. Meeting this challenge means also ensuring food security and a better standard of living for the rural people. India's performance in agriculture affects overall rural development and the extent of rural poverty. Therefore, the performance of the economy is crucially dependent upon that of agriculture.

The decadal increase in production of important crops viz., rice, wheat, cotton, sugarcane, food grains and oilseeds is provided in Table-1. The production of rice increased from 53.63 million tonnes in 1980-81 to 104.80 million tonnes in 2014-15. Likewise production of wheat, total food grain and total oilseeds were increase from 36.31, 129.59 and 9.37 million tonnes in 1980-81 to 88.90, 252.70 and 26.68 million tonnes in 2014-15, respectively. The production of cotton increased historically from 7.01 million bales in 1980-81 to 35.48 million bales in 2014-15.

Table 1: Annual Production of important crops during selected periods (Million Tonnes)

TE Ending	Foodgrains	Rice	Wheat	Coarse Cereals	Total Pulses	Oilseeds	Cotton*	Sugarcane
1980-81	129.59	53.63	36.31	29.02	10.63	9.37	7.01	154.25
1990-91	176.39	74.29	55.14	32.70	14.26	18.61	9.84	241.05
2000-01	196.81	84.98	69.68	31.08	11.08	18.44	9.52	295.96
2010-11	244.78	95.98	86.87	43.40	18.24	32.48	33.00	342.38
2014-15	252.70	104.80	88.90	41.80	17.20	26.68	35.48	359.33
* Million Bales (of 170 kg. each)								
Source: Directorate of Economics and Statistics, Ministry of Agriculture and Farmers Welfare								

The compound annual growth in production and yield of all principal crops in India has been given in Table-2. It reveals that the compound annual growth in bajra production was increased at remarkable rate of 7.63 and 13.20 percent per annum during 1994-95 to 2000-01 and 2001-02 to 2011-12, respectively. The productivity of bajra was also increased considerably at the rate of 5.87 and 9.51 percent in both periods, respectively. The production and yield of total food grains, total oil seeds and all principal crops were increased considerably at the rate of 3.47 and 2.89 percent, 5.63 and 3.91 percent, 4.95 and 2.46 percent per annum, respectively. Thus, it shows a remarkable increase in production and productivity of principal crops in India during first decade of 21st century.

Table 2 : Growth rates of production and yield of principal crops in India from 1994-95 to 2011-12

(Base: T.E.1993-94 = 100) (Percent)

Crop	Production		Yield	
	Average Growth(%) 1994-95 to 2000-01	Average Growth(%) 2001-02 to 2011-12	Average Growth(%) 1994-95 to 2000-01	Average Growth(%) 2001-02 to 2011-12
Rice	0.91	2.59	0.17	2.40
Wheat	2.50	2.92	2.02	1.42
Jowar	-4.42	-1.70	-0.87	2.43
Bajra	7.63	13.20	5.87	9.51
Maize	3.45	6.64	1.86	3.76
Ragi	1.69	1.62	2.09	2.67
Small millets	-6.03	5.38	-2.17	9.90
Barley	2.17	2.22	1.83	3.12
Coarse Cereals	0.40	4.49	1.56	5.09
Total Cereals	**1.29**	**2.90**	**1.23**	**2.66**
Gram	-1.42	7.93	-0.16	2.33
Tur	0.19	2.73	-0.63	1.31
Other Pulses	0.07	12.80	0.52	11.72
Total Pulses	**-1.41**	**7.94**	**-0.73**	**5.60**
Total Foodgrains	**0.90**	**3.47**	**1.01**	**2.89**
Groundnut	-0.21	9.74	2.72	9.56
Sesamum	-0.62	8.69	2.77	6.21
Rapeseed & Mustard	-1.88	7.22	3.03	2.66
Sunflower	-8.98	-0.06	3.33	2.44
Soyabean	3.19	10.31	-2.93	5.87
Nine Oilseeds	**-1.73**	**7.22**	**0.41**	**5.10**
Total Oilseeds	**-1.37**	**5.63**	**-0.44**	**3.91**
Cotton (lint)	-0.65	14.40	-3.19	7.77
Jute	4.09	1.78	0.96	2.33

Mesta	2.48	-4.64	2.40	-0.36
Jute & Mesta	3.88	1.25	1.34	5.71
Total Fibres	**-0.33**	**7.50**	**-2.78**	**3.58**
Sugarcane	3.89	4.37	0.39	0.23
Potato	5.59	6.20	2.46	1.34
Tobacco	-4.43	1.55	-1.13	-2.58
Non-Foodgrains	**1.13**	**5.76**	**0.66**	**1.96**
All Principal Crops	**0.98**	**4.95**	**0.91**	**2.46**

Source: Directorate of Economics and Statistics, Department of Agriculture and Cooperation.

India's Agricultural Trade: Some Recent Trends

The export of agricultural commodities has increased remarkably in last three decades (Table-3). The export value of all agricultural commodities was Rs. 6013 crores in 1990-91 increased to a record level of Rs. 262779 crores in 2013-14. However, the share of agricultural export to total national export decreased from 18.49 percent in 1990-91 to 13.79 percent in 2013-14, which might be due to the more expansion of industries and increase in domestic consumption requirement of agricultural commodities.

Table-3: India's exports of agricultural commodities vis-à-vis total national exports **(**Value in ₹ Crores)

Year	Agriculture Exports	Total National Exports	Percentage of Agriculture Exports to Total National Exports
1990-91	6012.76	32527.28	18.49
1991-92	7838.04	44041.81	17.80
1992-93	9040.30	53688.26	16.84
1993-94	12586.55	69748.85	18.05
1994-95	13222.76	82673.40	15.99
1995-96	20397.74	106353.35	19.18
1996-97	24161.29	118817.32	20.33
1997-98	24832.45	130100.64	19.09
1998-99	25510.64	139751.77	18.25
1999-00	25313.66	159095.20	15.91
2000-01	28657.37	201356.45	14.23
2001-02	29728.61	209017.97	14.22
2002-03	34653.94	255137.28	13.58
2003-04	36415.48	293366.75	12.41
2004-05	41602.65	375339.53	11.08
2005-06	45710.97	456417.86	10.02
2006-07	57767.87	571779.28	10.10
2007-08	74673.48	655863.52	11.39
2008-09	81064.52	840755.06	9.64
2009-10	84443.95	845533.64	9.99
2010-11	111018.99	1142921.92	9.71
2011-12	180528.60	1465959.39	12.31
2012-13	223618.24	1634318.84	13.68
2013-14	262778.96	1905011.09	13.79
2014-15 (P)	239453.23	1891644.67	12.66
P-Provisional			

Source:- Director General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata.

India's agricultural commodities import has been increased from Rs. 1205.86 crores in 1990-91 to Rs. 87466 crores in 2013-14. However the percent share of import of agricultural commodities to total national import remained almost same with slight increase-decrease throughout the last three decades. The share of agricultural import was the highest 8.17 percent in 1998-99 and the lowest 2.09 percent in 2008-09. After 2003-04 the share of agricultural import to total national import has been decreased considerably is a good sign of prosperity towards self sufficiency in agriculture.

Table 4: India's imports of agricultural commodities vis-à-vis total national imports (Value in ₹ Crores)

Year	Agriculture Imports	Total National Imports	%age of Agriculture Imports to Total National Imports
1990-91	1205.86	43170.82	2.79
1991-92	1478.27	47850.84	3.09
1992-93	2876.25	63374.52	4.54
1993-94	2327.33	73101.01	3.18
1994-95	5937.21	89970.70	6.60
1995-96	5890.10	122678.14	4.80
1996-97	6612.60	138919.88	4.76
1997-98	8784.19	154176.29	5.70
1998-99	14566.48	178331.69	8.17
1999-00	16066.73	215528.53	7.45
2000-01	12086.23	228306.64	5.29
2001-02	16256.61	245199.72	6.63
2002-03	17608.83	297205.87	5.92
2003-04	21972.68	359107.66	6.12
2004-05	22811.84	501064.54	4.55
2005-06	15977.75	660408.90	2.42
2006-07	23000.28	840506.31	2.74
2007-08	22549.81	1012311.70	2.23
2008-09	28719.24	1374435.55	2.09
2009-10	54365.29	1363735.55	3.99
2010-11	52652.88	1683466.96	3.13
2011-12	74284.58	2345463.24	3.17
2013-13	99338.66	2669161.96	3.72
2013-14	87465.66	2715433.91	3.22
2014-15 (P)	115434.49	2733935.41	4.22
P-Provisional			

Source:- Director General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata.

The comparative share of major agri-products in total agri-expots is given Table-5. The share of food grains export remained same about 15.8 percent in TE 2001-02 to TE 2011-12, whereas, the percent share of cotton has been increased record break from 0.41 in TE 2001-02 to 11.4 percent in TE 2011-12. The share of marine products has been decreased from 20.8 percent in TE 2001-02 to 9.9 percent in TE 2011-12. Similar was the case for traditional export commodities viz., tea, coffee and cashew.

Table 5: Comparative share of major agri-products in total agri-exports

Item	Share	
	TE 2001-02	TE 2011-12
Foodgrains	15.8	15.9
Rice	11.0	12.0
Cotton	0.41	11.4
Marine Products	20.8	9.9
Oil Meals	7.1	7.9
Meat & Prep	4.1	7.6
Spices	5.8	7.1
Guargum Meal	2.3	5.3
Sugar	2.4	5.2
Fresh Fruits & Vegetables	2.9	4.0
Traditional Exports-Tea, Coffee & Cashew	18.2	7.9
Others	9.19	5.8

Source: Agricultural Statistics at a Glance, various issues & DDC

In WTO agreement, any country can impose tarrif on import-export of agricultural commodities as shown in Table-6 for India's rate. At present in India pulses, oilcakes, other cereals, onion, etc. were duty free. However paddy has 80 percent and sorghum has 50 per cent custom duty, while chicken leg and garlic has 100 percent. In many commodities India has less custom duty then its bound duty rates. As per domestic consumption needs or export needs the custom duty can be increased up to bound duty.

Table 6 : India's tariffs and bound rates on major agricultural commodities

Item		Basic Customs duty (%) (As on 25.08.2015)	Bound duty (%) (As on 25.08.2015)
Cereals	Wheat	10	100
	Paddy	80	80
	Rice(milled/semi milled)	70	70
	Corn	50	70
	Millet, Jowar	50	70
	Sorghum	50	80
	Other Cereals(rye,barley)	Free	100
Pulses		Nil	100
Oilcakes		Nil	100
Crude vegetable oils	Palm/Groundnut/Sunflower/Safflower/Coconut/Other Oil	7.5	300
	Rapeseed Oil	7.5	75
	Soybean Oil	7.5	45
	Castor Oil	7.5	100
Refined Edible oils	Soybean Oil	15	45
	RBD Palmolean/Palm/Groundnut/Sunflower/Coconut/Safflower/Other Oils	15	300
	Rapeseed Oil	15	75
	Castor Oil	15	100
Sugar		10	150
Dairy Products	Milk	30	100
	Butter/Cheese	30	40
	Milk Powder	60	60
Poultry and Fish	Chicken leg	100	150
	Meat of poultry	30	100
	Fish	30	Unbound

Item		Basic Customs duty (%) (As on 25.08.2015)	Bound duty (%) (As on 25.08.2015)
Fruits and Vegetables	Apples	50	50
	Strawberries	30	100
	Banana, Pears	30	35
	Pomegranates/Lichi/Tamarind/Custard Apple	15	100
	Onions	Nil	100
	Garlic	100	100
	Potato/Sweet Potato	30	150
	Frozen Vegetables	30	55
	Mushrooms	30	100
Source: WTO tariff analysis database & Agricultural Statistics at a Glance, 2015			

Evolution of India's Tariffs on Agricultural Products

For most of the products, there was a decline in or total elimination of basic import duties. These include the following:

- On basic food items including cereals like rice, wheat and maize (corn), no import duty was levied in 1991-92. However, duties on them were raised to very high levels in 2000-01 so as to make them practically prohibitive. However, whenever there was shortfall in domestic production, duty-free imports were enabled through temporary exemption notifications.
- In case of food products, edible oils and pulses there was total elimination of import duty in 2010-11 from a very high rate of 100 per cent in 1991-92 on edible oils. Import duty on pulses has also been exempted from 2007-08 onwards.
- For agricultural products which are industrial raw material as well (eg. silk, cotton and wool), the duties have been progressively brought down either to zero or to a very nominal amount of 5-15 per cent ad valorem. The tariff on oilseeds is still at a comparatively high rate of 30 per cent ad valorem.
- Import duty on sugar is also higher now than its 1991-92 level.
- Duty on black pepper has also decreased from the 1991-92 level but it is still high.
- Duties on alcoholic beverages, fruits and nuts have been brought down as well. The duty on meat and edible meat is at a considerably lower rate than its 1991-92 level.
- Tea and coffee face very high import duties although the duty on them was lowered temporarily.

There has been considerable change in import tariff on the main agricultural products from 1991-92 level. However, when we consider the last ten years, it becomes clear that import duties for most of the agricultural products considered have remained same for almost a decade although some products have enjoyed exemption in import duty because domestic production (for example, pulses) has fallen short of demand while some of them (eg. rice, wheat and maize) experienced an increase in tariff "to allay the fears of large-scale dumping of such products in Indian market in view of liberalization of import policy".

SPS Agreement under the WTO

The Agreement on the application of Sanitary and Phytosanitary Measures, also known as the SPS Agreement, is an international treaty of the World Trade Organization. It was negotiated during the Uruguay Round of the General Agreement on Tariffs and Trade, and entered into force with the establishment of the GTO at the beginning of 1995. Under the SPS agreement, the WTO sets constraints on member-states' policies relating to food safety (bacterial contaminants, pesticides, inspection and labelling) as well as animal and plant health (phytosanitation) with respect to imported pests and diseases. There are 3 standards organizations who set standards that WTO members should base their SPS methodologies on. They are the Codex Alimentarius Commission (Codex), World Organization for Animal Health (OIE) and the Secreatariat of the International Plant Protection Convention (IPPC). The SPS agreement is closely linked to the Agreement on Technical Barriers to Trade, which was signed in the same year and has similar goals.

Unlike most manufactured products, agricultural output requires additional care. In the case of agricultural output, apart from the productivity and quality considerations at the production level, there are some necessary precautions that need to be taken when the product is stored and transported. Absence of such cautious measures would have adverse effects on the quality of the product, resulting in increased wastages and decreasing the market value. Further, this holds true for both raw and processed food products. Thus it is in the self interest of the producers as well as the exporters to ensure that certain hygienic and other safety conditions are met. With an increase in the levels of health-safety awareness among the citizens of both developing and developed countries, this practice becomes imperative for the suppliers of these products.

Specification of certain minimum standard in the agreement implies that the countries have the freedom to set a higher standard if they can justify it. The only requirement is that the set standard should not be trade distortionary and should be scientifically achievable. The agreement also defines the process of imposition and the factors that must be taken into account before imposing any standard.

Developing countries have for long maintained that these standards can be and are being used as trade barriers against them. This practice has an adverse impact on their exports. The most common complaint is that the standards are set very high, and often unreasonably so. It is in fact contended that the standards are strategically kept at high levels so that exports from the developing countries can be banned. For example many countries have very strict restrictions for presence of Alfatoxins.

SWOT Analysis for Indian Agriculture

STRENGTHS

- Rich Bio-diversity: One of the 12 Bio-diversity centers in the world with over 46,000 species of plants and 86,000 species of animals recorded
- Arable land: 159 Million Hectares
- Climate: The climate of India is dominated by the Asiatic monsoon, most importantly by rains from the south-west between June and October, and drier winds from the north between December and February. From March to May the climate is dry and hot.
- Strong and well dispersed research and extension system

WEAKNESSES

- Fragmentation of land
- Low Technology Inputs
- Unsustainable Water Management
- Poor Infrastructure
- Low value addition

OPPORTUNITIES

- Bridgeable yield crops
- Exports
- Agro-based Industry
- Horticulture
- Untapped potential in the N.E.

THREATS

- Unsustainable Resource Use
- Unsustainable Regional Development
- Imports

Challenges to Indian Agriculture

The challenges before Indian agriculture are immense. India is not where it should have been in the world market for agricultural products despite being one of the top producers. The country needs to put greater emphasis on cultivation of international varieties. Until India takes some steps in this direction, it will continue to produce more only to earn less. The major challenges for Indian agriculture system would always be increasing production and productivity to ensure food security for the raising population.

Rigid quality control is a major challenge for Indian agriculture. The global agricultural market is influenced to a great extent by the quality of products, especially when exporting to developed nations. Indian agricultural exports have to face tough competition, which is a matter of serious concern. The right type of technology for growing and processing must be adopted so that there is good quality production at lower costs, which in turn will reduce the prices and place India in a better position to compete globally. Indian producers produce agricultural goods at competitive prices. Yet low global prices resulting from subsidies by the developed nations mainly the European Union and United States, deprives India of any advantage on the price front.

Global forces are now playing an important role in determination of cropping patterns, investment levels, price structures, quality of production and level of international trade. Indian farmers are facing multiple challenges. Firstly, they are being asked to provide a greater variety of better quality products at lower cost, and in a safer manner than ever demanded before. Secondly, they are being asked to produce this abundance on a shrinking natural resources base that is often subject to government regulations.

CONCLUSION

Under the existing circumstances, the liberalization of world trade in agriculture will benefit developed countries more than developing countries. Given the conditions of high tariffs in the developed world and low or nil tariffs in developing countries, the removal of Quantitative Restrictions on agricultural commodities will tilt the balance of global trade in favour of the developed nations with detrimental effects on the producers in Third World countries. India must be alert to the implications of the WTO and its policies, and decide its own national priorities while taking policy decisions in the future. It is our duty not only to protect our national interest but also to promote it so as to take advantage of the situation. The situation is inescapable but there is scope to manipulate it in the national interest.

Policy Implications

- ✓ Role of government as a facilitator for export promotion.
- ✓ Need to integrate the various regulatory mechanism such as PFA, FAO, AGMARK, BIS.
- ✓ Bio- piracy should be checked with heavy hand.
- ✓ Protecting our food and livelihood security by having sufficient flexibility for domestic policy measures.
- ✓ Protecting domestic producers from the surge in imports or significant decline in import prices.

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