International Research Journal of Human Resources and Social Sciences
Vol. 4, Issue 3, March 2017 Impact Factor- 5.414
ISSN(O): (2349-4085) ISSN(P): (2394-4218)

Website: www.aarf.asia Email : editor@aarf.asia , editoraarf@gmail.com

EXISTING CHALLENGES AND FUTURE PROSPECTS FOR INDIAN AGRICULTURE

Jitender Kumar Bhardwaj
Government College Bahu, Jhajjar

Abstracts

India is one of the prominent members of WTO and is largely seen as leader of developing and under developed world. At WTO, decisions are taken by consensus so it is difficult to impose something severely unfavorable on any member. WTO provides a forum for such developing countries to unite and pressurize developed countries to make trade sweeter for poor countries. Accordingly, India remains committed to various developmental issues such as Doha Development Agenda, Special Safeguard Mechanism, Permanent solution of issue of public stock holding etc. India stands to gain from different issues being negotiated in the forum provided it engages with different interest groups constructively, while safeguarding its developmental concerns.

Keywords: Challenges, Future, Prospects, Indian Agriculture

Agreement on Agriculture which was hatched in Uruguay round negotiations is heavily tilted in favor of developed world. For balancing this India as part of Group of developing and least developed nations (G-33) proposed amendment to AOA in 2008. Current quest of G-33, toward achieving permanent solution is follow up story of this proposal only. As of now, Peace Clause agreed to in 2013, allows us perpetually to continue our food stocking program at administered prices, without being dragged into WTO for violation of AOA. The International prices of agricultural commodities has been declining day by day due to DCs has been providing huge domestic support to his farmers. The result of declining international prices of agricultural commodities is that The total agro export in 1995 was 6120.10 US$ millions which account 19.2% share of total exports and growth of agro export was 44.77 in 1995-96.But agro export has reached to 8001.7US$ million in 2004-05 which accounts only 10.2% share of total exports (83536 US $ millions) and growth rate of agro export has reduced to 29.5% in 2004-05. On the other hand, the agro import was 1103.46US$million in 1995-96 which account 3% share of total imports (36729.98US $ Millions) has increased to 3811.1US$million which accounts 3.5 % of total imports (111518US$millions) in 2004-05:The growth rate agro-import was -12.68% in 1995-96 has increased to 64.30% in 1998-99.But it drastically reduced to -36.86 in 2001-01 again it shows increasing sign because agro import was 1676.35US$million in 2001-01 has increased drastically to 3811.11US $ Millions in 2004-05.

Due to imbalances in Agreement on Agriculture the developed countries were benefiting more than the developing nations. But it is important to quantify the amount of shift in the equilibrium in the favour of the developed nations and what are the problems faced by the developing nations, especially India. The WTO agreement on agriculture has permitted the developed countries to increase their domestic subsidies, instead of reducing them, substantially continue with their export subsidies and provide special protection to their farmers in times of increased imports and diminished domestic prices. The developing countries on the other hand, cannot use domestic subsidies beyond a de minimis level, except for very limited purposes, export subsidies and special protection measures for their farmers. In essence, the developed countries are allowed to continue with distortion of agricultural trade to a substantial extent and even to enhance the distortion; whereas the developing countries that had not been engaging in such distortion are not allowed the use of subsidies. The main form of unfairness of the AoA is in the area of domestic prices and failure of developed countries to effectively redude their support.

Domestic Prices.

Developed countries with high levels of domestic subsidies are allowed to continue these up to 80 per cent after the six year period. In contrast, most developing countries (with a very few exceptions) have had little or no subsidies due to their lack of resources. They are now prohibited from having subsidies beyond the de minimis level (10 per cent of total agriculture value), except in a limited way. In addition, many types of domestic subsidy have been exempted from reduction, most of which are used by the developed countries. While these countries reduced their reducible subsidies to 80 per cent, they at the same time raised the exempted subsidies substantially. The result is that total domestic subsidies in developed countries are now much higher compared to the base level. The agreement obliged developed countries to reduce the Aggregate Measurement of Support. However, only some types of subsidies fall under the AMS, and two categories of subsidies are exempted. While developed countries reduced their AMS, they also increased their exempted subsidies significantly, thereby offsetting the AMS reduction and resulting in an increase in total domestic support.

Market Access: in terms of market access to many developing countries, as they have acomparative advantage in agricultural products. In reality, however, the developed countries have made little progress in reducing agriculture protection and subsidies.

Export Subsidies are still high: Regarding export subsidies, the agreement alsocommitted developed countries to reduce the budget outlay by 36 per cent and the total quantity of exports covered by the subsidies by 21 per cent. The base level was the average annual level for 1986-90 and the reduction is to be done over the period 1995-2000. Thus, even in the year 2000 the level of export subsidies is allowed to be as high as 64 per cent of the base level. Due to this peculiar categorization, there has been a shift in the developed countries in their domestic agriculture subsidies from directly price-related subsidies (which are subjected to reduction commitments to direct payments and other "indirect" subsidies (which are exempted). This has enabled these countries to increase their overall level of domestic support.

The challenge to policy makers is how to protect Indian agriculture from the impending WTO threat, enhance the competitiveness of Indian farming and make farming a viable and self sustaining enterprise to improve and ensure livelihood security of the farmers. A strategy to address this challenge shall necessarily involve re-orientation and injection of market linked dynamism in Indian agricultural R&D, strengthening of supportive institutions to serve the resource poor farmers, and steering fast the change with appropriate policies and trained human ware. India needs to devise appropriate domestic policies (extensive domestic market reforms, heavy investment in building and maintaining infrastructure, etc.) to improve efficiency and competitiveness of domestic produce. It should continue to play leadership role in negotiating agreements with sound analytical basis and support of other developing countries with similar interest. A dedicated group of about 100 experts, on full time basis, should work on the WTO issues to provide analytical basis for negotiations and to help in planning appropriate strategies to strengthen Indian agriculture to face increasing trade liberalization and globalization. [3] While it is highly desirable to eliminate export subsidies, phase out domestic support and have separate set of commitments for developed and developing countries, it is also important to recognise that the deadlock is not helping anyone to achieve these goals. India and other developing countries need to put pressure on the developed countries to have some interim agreement to at least reduce domestic support and export subsidies as per their initial offers.[4]

Although India started economic reform and gradually dismantling it very high tariff and other non - tariff barriers. AOA give a big push to trade liberalization in agriculture byreducing obstacle to market access, reduce domestic support and streamline the export subsidies. Overall India is not getting true benefit of trade liberalization in agriculture. There are many factors responsible for it-

1) Developed countries are not implementing agreements on agriculture in effective manner.

2) Developed countries have been providing huge subsidies and domestic support to his farmers through Green box, Blue box and Amber box etc. These supports are responsible for decline international prices of agricultural commodities.

3) DCs are not providing minimum market access for agricultural exports of developing countries.

4) DCs had imposed many types of tariff and non-tariff barriers on the agri export of the developing countries.

5) DCs is not fulfilling many commitment related to AOA.

6) DC has raised the issue of child labour and environmental issues to counter the demands of developing countries.[5]

Due to imbalances in Agreement on Agriculture the developed countries were benefiting more than the developing nations. But it is important to quantify the amount of shift in the equilibrium in the favour of the developed nations and what are the problems faced by the developing nations, especially India. The WTO agreement on agriculture has permitted the developed countries to increase their domestic subsidies, instead of reducing them, substantially continue with their export subsidies and provide special protection to their farmers in times of increased imports and diminished domestic prices. The developing countries on the other hand, cannot use domestic subsidies beyond a de minimis level, except for very limited purposes, export subsidies and special protection measures for their farmers. In essence, the developed countries are allowed to continue with distortion of agricultural trade to a substantial extent and even to enhance the distortion; whereas the developing countries that had not been engaging in such distortion are not allowed the use of subsidies. The main form of unfairness of the AoA is in the area of domestic prices and failure of developed countries to effectively reduce their support.

Dairy Sector is severely affected as during the negotiations in 1985, we failed to bargainand agreed to allow import of milk and milk products under zero percent bound duty. Subsequently, our new Exim Policy which brought some essential milk products under Open General Licence, further facilitated import. Initially, there was no threat from import, as the international price for milk and milk products was high compared to the prevailing price in India. Subsequently, many developed countries were able to exert pressure on their governments to provide subsidy to dairy farmers which helped them to lower their price of dairy products. Furthermore, new technological interventions and improved management practices helped the farmers in the Western Countries as well as in New Zealand to bring down the cost of milk production. Thus the price for dairy products in the international market fell far below the price paid by consumers in India. This provided good opportunities for the traders to import cheaper milk products and thereby earn high profits, at the cost of Indian Dairy Farmers.

In 1999, Indian traders imported 10,000 metric tons of milk powder and in 2000, we were threatened by the arrival of fresh milk from New Zealand at the landed cost of Rs.9 in Mumbai. Fortunately, the Government of India in its budget of 2001 has imposed heavy duty on milk and the problem has been halted temporarily. This duty will have to be abolished before the year 2006, as per the WTO agreement. Hence we have 5 years to gear ourselves for international competition. This is probably the last chance for our farmers to organise themselves and convert this challenge into an opportunity.

India is threatened by the international dairy market? The main problems are high cost of milk production, high cost of milk processing and marketing and poor quality milk due to unhygienic milk handling. Hence we need to address these problems on priority. The cost of milk production in India is high because the average milk yield of Indian cows is only 987 kg as compared to

6273 kg in Denmark, 5289 kg in France, 5462 kg in United Kingdom, 5938 kg in Canada, 7038 kg in USA and 11000 kg in Israel. Naturally, the European farmers do not have to spend five times more on their cattle just because they produce five times more milk over the cows in India. India is still trailing behind in this area. We are still thinking of milk with 5% or 6% butter fat. We need to come up with a policy of encouraging low fat milk for general consumption and use buffalo milk only for a selected category of customers who insist on high butter fat. Then the cattle production can be specialised for healthy, high protein, low fat milk, at low cost through cross breeding of non-descript cattle owned by small farmers.

Presently milk is handled at several levels by co-operatives or private agencies till it reaches the mother dairy located in a large city for pasteurization. The milk is then sent to consumers through various outlets. In this process, the consumers have to pay almost twice the farmgateprice . The present system is not only unhygienic but also expensive. There is good scope for reducing the number of agencies handling the milk to reduce the cost of handling**.** Unhygienic conditions at the dairy farms are the reasons for poor quality milk in India. Such products cannot be exported even if there is good demand and surplus production in the country. Indian milk products have often been rejected in the export market due to unhygienic milking resulting in high microbial count. The quality of milk in India is affected by poor animal health, polluted food and water and unclean surroundings in the farm. It is therefore necessary to emphasize on all these aspects in the near future. [6]

A major concern growing with the increasing impact of WTO is, as to how the small and marginal farmers' who dominate the Indian agriculture, depend heavily on agriculture for their livelihood, have small marketable surplus and operate under heavy constraints to be competitive in a subsidized agriculture production and trade regime, could benefit from WTO. The concern more often swings to the other side that the spreading tentacle of WTO with reduced tariff regime and increased access to Indian market for the products from subsidized agriculture could severally damage the agriculture based livelihood of majority of Indian farmers.[7]

Slow down of public investment in agriculture is also one of the reasons behind deceleration in agriculture growth so there is an urgent need for pumping large public sector investment in agriculture. Farmers should be brought under an umbrella of an economic organization which takes care of their production and post harvesting related activities in an intergraded manner and their other social and economic needs. India has played the role as a leader of the developing countries in the various WTO talks, should improve their bargaining position, it should also try to improve its competitiveness in many agricultural commodities through increase in their productivity. India could have to raise their voice against the discriminatory provisions and practices in favours of the developed countries.[8] There is urgent requirement to settle the important issues and establish institutional mechanism to safeguard agriculture under WTO Regime.

Intellectual Property Rights (IPR) Issues: The technology must focus on the poormarginal and small farmers, who own nearly 80% of the farm holdings being less than 2 ha. Several national Acts have been passed and amended, and international treaties concluded over the years regarding IPR related issues. The scope of IPR covers seed, agri-chemicals, tools, input delivery, controlled systems, post-harvest agriculture, food products, non-food products etc. Now, prior approval of National Biodiversity Authority has been made mandatory for seeking IPR on innovations using national bio-resources and associated traditional Knowledge. Patenting is highly pervasive and all embracing, including plants and animals, gene sequence, single nucleotide sequences, etc. in the developed countries. The impact of such patenting is likely to cripple research on the patented biodiversity in the developing countries. Patenting has to go along with the socio-economic development as well as standard of science and technology development of a country. The patents have to benefit the public, and the patented products should be available to the public. While planning and protecting innovation, lot of protection, maintenance of IPR, evaluation of IPR assets, handling IPR infringements, full package vs. unitary package of technology, etc. become critical issues to the institutions.

Technical Barriers to Trade (TBT) and Sanitary and Phyto-sanitary (SPS) Issues:

The guiding principles should be transparency and avoidance of arbitrary SPS standards. In the negotiations, implementation issues are not adequately addressed. These mainly include reasonable interval / longer time frame for the developing countries to comply with other countries, new SPS measures, review of agreement at frequent intervals, participation of developing countries in setting SPS standards, technical and financial assistance to establish mechanisms, follow-up procedures, etc. The time framework for compliance for the developing countries should be raised from the present 6 months to 12 months. Similarly, 60 days period to react to revisions is a quite short for the developing countries. Equivalence is an important step for smooth implementation, but it is arbitrary at the moment. Equivalence issue should be a regular agenda in the SPS Committee, and agreement should be reached on the recognition of equivalence in accordance with the agreed procedure. There is lack of experts/specialists and lawyers knowledgeable about international law and science, and also non-availability of technology. Major steps should be to review SPS agreement at regular intervals, monitor the use of international standards, provide technical assistance to needy member countries and address the concerns of member countries in respect of special and differential treatment, regionalisation, specific trade concerns, use of adhoc consultations.

The technical barriers to trade (TBT) like labeling, packaging, and specific nutritional attribute claims, are the other measures to protect consumer interests, and these are not restricted to food alone. In the US, there are about 26 TBTs, but no significant progress has been made in the recent negotiation, though at Doha it was decided to reduce and even eliminate TBTs. The major constraints in meeting food safety standards compliance include: poor raw material quality, costly laboratory tests, lack of hygiene awareness, lack of product and process standards, delay in cargo handling at the ports, etc. India may have to learn from success stories of other developing countries like Thailand and Malaysia, and soon gear up to address such issues.

State Level WTO issues The states are important stakeholders in trade and therefore,should be regularly consulted in trade policy matters. The experience and views on trade were discussed with special reference to Karnataka state, which has made a mark in the export of silk products, Bangalore rose, onion, and Gherkins. The State, however, faces the usual constraints of quality raw material shortage, infrastructure bottlenecks, high interest rates for agricultural investments, in addition to inadequate availability of export finance, small and fragmented holdings, poor power supply, inefficient Agricultural Produce Market Committees (APMCs), lack of market intelligence, lack of international airports and good seaports, and poor coordination with the Centre. The State has developed clear-cut short-term, medium-term and long-term strategies to enhance the export performance. Keeping these strategies in view, the State has also outlined the specific initiatives required for exporting its different agricultural products. Active participation of the states in policy discussions at the Centre is required. There is a need to establish a mandatory Nodal Agency (WTO Cell) with a two tier structure, one at the apex level with the Ministry of Agriculture, Government of India and another at each of the State Headquarters linking the export houses of the State with the Agriculture Ministry.

SWOT analysis and prioritization of targeted export commodities EstablishingCommodity Boards for the targeted export commodities State canalization in niche commodities

Establishing export processing zones Bringing the agriculture sector under Concurrentlist Strengthening the required homework and other detailed preparations both at Central and State level, before joining the negotiations at WTO

Response and Re-orientation of the R&D System Response of R&D system to thechanging trade scenario over the years was slow and less comprehensive. Recent experiences unequivocally suggest targeted approach to derive. benefit from WTO. For the re-orientation of R&D systems, following features of our R&D system should be kept in view: Size and spread of National Agricultural Research System (NARS) Inability to fully and effectively mainstream the demonstrated benefits through externally aided projects like National Agricultural Research Project (NARP), National Agricultural Technology Project (NATP), Agricultural Human Resource Development Project (AHRDP), etc.[9]

A declaration was adopted at the Tenth Ministerial Conference of the World Trade Organization (WTO), held in Nairobi, Kenya, from 15 to 19 December 2015. It comprises six Ministerial Decisions on agriculture, cotton and issues related to least-developed countries (LDCs). These cover an agricultural Special Safeguard Mechanism (SSM) for developing countries, public stockholding for food security purposes, a commitment to abolish export subsidies for farm exports and measures related to cotton. Decisions were also taken regarding preferential treatment to LDCs in the area of services and the criteria for determining whether exports from LDCs may benefit from trade preferences.

The Ministerial Decision relating to Cotton does not prohibit subsidies to the cotton sector and India can continue to provide domestic support to cotton, as per the existing WTO rules and commitments. The Ministerial Decision relating to export competition stipulates that export subsidies to the cotton sector will be eliminated by developed countries immediately and by developing countries with effect from 1 January 2017. Presently export subsidies can be provided by only a few members, mainly developed countries, who had been giving such subsidies and had scheduled the same following the Uruguay Round of trade negotiations. India was not giving such subsidies and had not

scheduled them and therefore, does not have such an entitlement. The elimination of export subsidies by developed countries will help the cotton industry in developing countries, including India, to become more competitive.

A Ministerial Decision on Public Stockholding for Food Security Purposes was taken at the WTO Ministerial Conference in Nairobi in December 2015. WTO Members decided to engage constructively to negotiate and make all concerted efforts to agree and adopt a permanent solution on the issue of public stockholding for food security purposes. As per the Bali Ministerial Decision of December 2013, Members had agreed to negotiate an agreement for a permanent solution on the issue of public stockholding for food security purposes for adoption by the 11thMinisterial Conference of the WTO. In order to achieve such a permanent solution, the negotiations on this subject are to be held in the WTOs Committee on Agriculture in Special Session, in dedicated sessions and in an accelerated time-frame, distinct from the agriculture negotiations under the Doha Development Agenda. India negotiated and secured a re-affirmative Ministerial Decision on Public Stockholding for Food Security Purposes honoring both the Bali Ministerial Decision of December 2013 and a WTO General Council Decision of November 2014. The decision commits Members to engage constructively in finding a permanent solution to this issue. India negotiated a Ministerial Decision which recognizes that developing countries will have the right to have recourse to an agricultural Special Safeguard Mechanism (SSM) as envisaged in the mandate of the Doha round of trade negotiations. Negotiations on the SSM will be held in dedicated sessions and the WTO General Council has to regularly review the progress. The SSM is intended to help developing countries protect their agriculture sector from the effects of import surges.[10]

WTO does not set standard but it allow countries to set their own standard. The developed countries have been using this as an instrument for denying market access to exports from developing countries. Therefore, in a highly protective world characterized by high tariff walls, large domestic and export subsidization and strict control on factor mobility. The developed countries have been denied effective access to their agricultural markets. Their subsidies also result in depressing the international prices of many agricultural commodities. Further, many non – tariff barriers like stringent sanitary and phyto – sanitary standard have further tended to discriminate against imports from the developing countries. Because of declining in international prices of agriculturalcommodities in post WTO period due to huge subsidies and support by developed countries resulting developing countries exports are badly hits and several countries like India were taken aback by import influx of commodities in which they thought, they had strong competitive edge. India has to continue its effort to prevent issues of developmental importance to be sidelined. India has already marked red line in sectors such as agriculture by making it clear that there is no scope of compromise on its positions. But, in recent Nairobi meet, it was seen that while developed countries spoke in unison, there was no such unity in developing countries. Brazil, a prominent member of WTO, has already broken away from G-20/33 group and has aligned itself close to position held by developed countries; thanks to its globally competitive agricultural sector. India made a serious effort last year at India- Africa summit to arrive at common agenda for WTO and was largely successful. However, there needs to be larger combined effort in bringing on the common platform of developing nations.

REFERENCES

1. India and WTO – Detailed Analysis of All Related Issues and Concepts. http://www.insightsonindia.com/2016/01/20/india-and-wto-detailed-analysis-of-all-related-issues-and-concepts/

2. *WTO and Indian Agriculture: Implications for Policy and R&D.* (December 2006).Policy Paper 38, National Academy of Agricultural Sciences, New Delhi, 9-12.

3. Ibid.

4. Niranjan, Sunil Kumar. (January-March 2016). Impact of WTO's AOA on India's Trade in Agriculture, *Global Journal of Enterprise Information System*, 8(1), 51-52. www.informaticsjournals.com/index.php/gjeis.

5. Ibid.

6. Hegde, N.G. (n.d.). *WTO Challenges for Indian Dairy Farmers.* BAIF Development Research Foundation, Pune.

7. Ibid., no 2.

8. Ibid., no 4.

9. Ibid., no 4, 7-9.

10. Issues Raised by India in WTO. (8 August 2016). *Business Standard.* http://www.business-standard.com/article/government-press-release/issues-raised-by-india-in-wto-116080801570_1.html.

11. Ibid., no 4.