

# INDIA

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India is a leading producer of wheat, rice, coarse grains, and cotton and has been largely self-sufficient in food and fiber production, with occasional imports and exports in years of shortages or surpluses. Under a complex set of interventions, India has achieved impressive growth in food production in the last four decades.

On the domestic front, the government of India has provided input subsidies along with support prices for most agricultural commodities. In recent years, the spread between the government's support price to farmers and the government issue price for wheat and rice have widened and led to higher subsidies. Also, a significant portion of government funds have been allocated to subsidizing production inputs such as fertilizers, seed, power, and irrigation. The fertilizer subsidy alone increased from 60 billion rupees (\$1.25 billion) in 1992/93 to 140 billion rupees (\$2.88 billion) in 2001/02.

The government also buys agricultural products from farmers at announced support prices. The government has maintained these domestic policies with a series of restrictive trade policies such as import licensing, tariffs, quotas, and state trading. However, the Indian government has been removing many licensing and quota restrictions and is replacing them with high tariffs.

## CORN AND SORGHUM

- 2008/09 minimum support price (MSP) for corn is Rs. 8,400/MT (\$4.68/bu).
- The TRQ for corn imports has a quota of 500,000 MT/year (19.7 million bu), subject to an in-quota tariff of 15% and above quota tariff of 50%.
- The government provides an export subsidy in the form of a 5% duty credit scrip on the F.O.B value of exports under the Vishesh Krishi Upaj Yojana (Special Agricultural Product Scheme).
- MSP for sorghum is Rs. 5,400/MT (\$3.02/bu).

## COTTON

- A minimum support price is set for seed cotton at the beginning of every marketing season (Rs. 17,700/MT in 2006/07 or a lint equivalent of about \$0.55/lb of lint). In September 2008, the government announced an increase in the MSP of seed cotton, ranging from 26%-48% for different varieties.
- In response to declining global cotton prices, and in order to liquidate stocks from the domestic market, the government announced the Vishesh Krishi Gram Upaj Yojana (VKGUY) benefit to exports of raw cotton on February 17, 2009. This benefit extends retrospectively for cotton exports from April 1, 2008 to June 20,

2009 wherein exports are entitled to a 5% duty credit scrip on the FOB value, which can be traded and used for availing a duty relief for imports.

- Several government agencies and research institutions engage in cotton development, seed distribution, crop surveillance, integrated pest management, and extension activities for cotton. The Cotton Technology Mission supports improving cotton yields, reducing cultivation costs, and improving quality through modernization of existing facilities.
- The statutory hank yarn policy requires that 50% of a mill's output of yarn meant for the domestic market be produced for use by the handloom industry. Export oriented yarn is exempt from this obligation. The Indian government also subsidizes the sale of handloom products. There is an interest rate subsidy on loans intended to modernize the textile industry.
- In 2006, India lowered the peak tariff on cotton textile products from 15% to 12.5%. A countervailing duty of 4% was added to the existing 10% tariff on imports of cotton and cotton yarn (including sewing thread).
- The government provides various incentives to promote the export of value-added cotton textiles. Export oriented units and firms importing against an advance license get a duty drawback (zero duty for export oriented units and duty discounts for others) on imports of raw materials for the export of value-added goods.
- Imports of capital goods and machinery are allowed at reduced duty rates against export obligations (zero duty for a 100 percent export oriented unit).

## RICE

- The MSP for common paddy (unmilled) rice is Rs. 9,000/MT (\$8.18/cwt) for 2008/09.
- Since April 2000, the government of India has applied import duties of 70-80% to keep imports low.
- In April, 2008, the Government of India imposed an export duty of Rs. 8,000 per ton (\$160/MT) on basmati rice, on top of the minimum export price (MEP) of \$1,200/MT.
- However, on January 20, 2009, the export duty of Rs. 8,000 (\$163) per ton applicable to basmati rice was abolished and the MEP was lowered to \$1,100 per ton.

## SOYBEANS

- MSP is 1050 Rs/quintal (\$6.97/bu) for yellow soybeans and 920 Rs/quintal (\$6.04/bu) for black soybeans for MY 2007/08.
- India has a bound tariff rate of 100% for soybeans and an applied tariff rate of 30.6%.
- India has not imported any soybeans in recent years due to high tariffs and phytosanitary restrictions.

## SUGAR

- The MSP for sugarcane is Rs. 811.8/MT (\$18.66/MT) in 2008/09.
- The import duty on raw and refined sugar is 60% ad-valorem on the CIF value, plus a countervailing duty of \$19.50/MT (about \$0.009/lb) in lieu of the local taxes and fees imposed on domestic sugar.
- Imported sugar is subject to non-tariff barriers and other local regulations applicable to domestic sugar. Mills are allowed to import raw sugar at a zero duty against a future export commitment (mills can refine imported raw sugar and sell it in the domestic market, but must re-export 1 MT of refined sugar for every 1.05 MT of raw sugar imported within a specified period).

## WHEAT

- The MSP for wheat in 2009/10 is Rs. 10,800/MT (\$5.57/bu).
- India has eliminated wheat export subsidies that previously made it a major exporter of wheat, particularly in the South- and South East-Asian markets.
- Import tariff is 50% for wheat imports by private traders.