

5. Protecting Agriculture, Streamlining Subsidies

5.1 Panelists

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5.2 Background

Agricultural Subsidies remain a contentious issue within national and international trade diaspora, such as the WTO. Agricultural output can be broadly divided into two categories: food commodities, essential for human consumption, and non-food commodities, encompassing industrial products like fibres for fabrics, biofuels, and even alcoholic beverages.

Subsidies for both categories have sparked debate regarding their impact on international trade and global food security. India's fertilizer subsidies, meant to offset farmer losses, are criticized for

inefficiencies. Price controls distort the market, and benefits often miss targeted farmers. A shift towards direct benefit transfers (DBT) is needed. This would create a fairer market for domestic fertilizer companies, driving innovation.

Additionally, with resources reaching farmers directly, their well-being would be the central focus. The challenges with subsidies on farmer incomes are not only a domestic matter. Subsidies offered by foreign governments have also had a significant impact on the livelihood of Indian farmers. The jute growing farmers have suffered for many years as a result of subsidies offered by the Bangladesh Government on jute exports to India and to the rest of the world. This has also had major repercussions for Indian jute farmers.

The carry forward for jute produce is expected to be the largest this year due to low demand for Indian jute as a result of heavily subsidised imports. Similarly, other farmers are also getting impacted because of unilateral actions in agriculture which can have detrimental impact on our food security as well as downstream industries.

5.3 Thematic areas of discussion

1. How can we safeguard Indian farmers from foreign subsidies on agricultural products?
2. Considering the potential benefits of a market-driven approach to agricultural inputs, how can a shift towards direct benefit transfers for fertilizers be implemented while ensuring a smooth transition for farmers currently reliant on input-based subsidies?
3. Could RBI, CBDC be used for providing output-based subsidy for fertilizer so that the same can be used only for fertilizers?
4. Given the WTO's stance on trade-distorting subsidies, how can India's agricultural subsidy programs be reformed to achieve their intended goals while remaining compliant with international trade regulations?

5.4 Key Actionable Insights

The panel discussed the issues related to fertilizer subsidies and their impact on the agricultural sector. The meeting also touched upon the topics of efficient management of subsidies and potential use of digital payments and e-vouchers in the agricultural sector.

Background:

The Indian government gives two lakh crore rupees as a fertiliser subsidy out of its total farm subsidy of 6 lakh crore rupees and has increased from 500 crore rupees in 1977 to 2 lakh crore

rupees in recent years. India is heavily dependent on fertilizer imports, with 90% of the consumption being sourced from other countries. The experts stressed the need to rationalize the subsidy and ensure that farmers receive the required amount of fertilizer at affordable prices. This is important to address the financial burden on the government and to ensure that subsidies are reaching the target beneficiaries.

- 5.4.1 **Efficient Fertilizer Management:** It was noted that excessive use of fertilizers, particularly in crops like rice and sugarcane, leads to low nutrient use efficiency and environmental pollution. The efficiency of fertilizer usage in India needs to be improved through regulation of subsidy disbursement and the adoption of new technologies and products. There's also a lack of data on fertilizer utilisation, profit margins of fertilizer companies. Scattered and disaggregated data.
- 5.4.2. **Digital Payments and Transparency:** The use of digital payment systems and e-vouchers was suggested to enhance transparency in fertilizer subsidy disbursement. It can ensure that farmers receive the subsidized rates directly and will also improve accountability in the system.
- 5.4.3 **Cooperative Banks and Agricultural Financing:** The Cooperative sector in India plays a significant role in providing credit to the agricultural sector. Currently, it accounts for about 15% of the total outstanding credit in the country. There are approximately 350 District Central Cooperative Banks and 30 State Cooperative Banks that indirectly support primary agricultural societies in lending to farmers. It is encouraging to note that more than 300 banks operating in 500 districts are profitable and delivering services, indicating the vibrancy of the sector.
- 5.4.4 **Efforts are underway to computerize and connect primary agricultural societies to the district Central Cooperative Bank.** Some states, such as Telangana and Uttarakhand, are leading the way in these initiatives, and other states are expected to follow suit. The Ministry of Cooperation and the Reserve Bank of India are providing support and promoting technological advancements in the cooperative sector.
- 5.4.5 **It was mentioned that technological upgradation is necessary for cooperative banks to effectively disburse loans and subsidies to farmers.** Overall, there is a positive outlook for cooperatives in India, with the potential for further growth and development.
- 5.4.6 **Becoming Self-Sufficient in Fertilizer Production:** The panel discussed the need for India to become self-sufficient in fertilizer production. It was suggested that promoting organic farming practices and developing indigenous technologies for fertilizer production could help reduce dependence on imports and improve agricultural self-sufficiency. For instance,

Andhra Pradesh has implemented a natural farming policy to reduce dependence on chemical fertiliser.

- 5.4.7 The panel discussed the need to provide fertiliser subsidies directly to the farmers by using new tools such as NPCI e-vouchers or through CBDC which can only be used for making payments for fertilisers. Such a move will increase the efficiency of subsidy delivery and reduce interference by the intermediaries.

Watch the session on YouTube: <https://www.youtube.com/watch?v=DuLtQx8NrEE>



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