



## Mains Practice Question

**Q.** What are the direct and indirect subsidies provided to farm sector in India? Discuss the issues raised by the World Trade Organization (WTO) in relation to agricultural subsidies. (Answer in 250 words, UPSC Mains 2023)

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### Approach

- Begin by briefly discussing the concept of Subsidy
- Mention direct and indirect subsidies provided to the farm sector in India and discuss the issues raised by WTO in relation to agricultural subsidies.
- Conclude by highlighting the need for a balanced approach that supports the farm sector while addressing international trade concerns.

### Introduction

A subsidy is a form of financial assistance or support provided by the government to individual or specific sectors of the economy. The primary purpose of subsidies is to reduce the cost of goods and services and stimulate economic activity.

### Body

#### Direct and indirect subsidies provided to the farm sector in India

- To make the fertilizers affordable for farmers, the government provides subsidies for NPK fertilizers.
- Subsidies are offered on certified seeds to encourage the use of HYV and genetically improved varieties of seeds.
- Direct Cash Transfer of Rs. 6,000 per farmer per year by the central government under PM-Kisan yojana.
- Subsidies for the purchase of agriculture machinery and equipment's are provided. For example, Sub-mission on Agricultural Mechanization (SMAM) Scheme.
- Government provides Minimum Support Price (MSP) for some major crops in India, ensuring a guaranteed price to farmers.

#### Issues raised by WTO in relation to agricultural subsidies

- WTO assesses the MSP mechanism as trade distorting particularly on rice where subsidies have breached prescribed limits.
- WTO also considers India's agriculture practices as environment degrading as over exploitation of ground water and overuse of fertilizers are a cause of concern.
- Government support for domestic agriculture exporters to increase the export quantity of agriculture goods has also been a cause of concern.

### Conclusion

Agriculture in India employs half of its population and subsidies here plays a major role in mitigating the food insecurity and unemployment. Global trade practices should be carved out in a way that provides ample room for the developing countries to lift the major chunk of their population out of poverty.

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