



# India-US Agricultural Trade Negotiations

[Source: IE](#)

## Why in News?

The trade negotiations between **India and the US** have highlighted agricultural market access. The US wants India to **open its farm sector to American produce**, citing reciprocity.

- However, a major issue is the disparity in **government support for farmers in both countries**. The substantial support for American farmers makes their produce cheaper in India, impacting Indian farmers.

## How Does India Support Its Farmers Compared to the US?

- **Nature of Support Mechanisms:** India's support primarily includes [subsidies](#) on inputs such as **fertilizers, irrigation, and electricity**, along with [Minimum Support Price \(MSP\)](#) procurement and credit-linked schemes to aid small farmers.
  - In contrast, US support mainly comes through **direct payments** under federal programs such as:
    - **Price Loss Coverage:** Compensates farmers when market prices fall below a set threshold.
    - **Agriculture Risk Coverage:** Provides payments when actual revenue from a crop is lower than a benchmark level.
    - **Dairy Margin Coverage:** Protects dairy farmers from fluctuations in milk prices and feed costs.
    - **Federal Crop Insurance:** Provides insurance against yield and price losses.
    - **Disaster Assistance:** Help farmers to recover from natural disasters.
- **Comparison of Financial Support:** India's government spends an estimated **Rs 5 lakh crore (USD 57.5 billion) annually** on agricultural support, higher than the **USD 32.2 billion** average annual US financial assistance.
  - However, Indian support is **spread across over 111 million farmers**, while US aid benefits **fewer than 2 million farms**.
  - The US provides **direct payments of USD 30,782 (Rs 26.8 lakh) per farmer**, while India gives **Rs 6,000 (USD 69) per beneficiary** under the [Pradhan Mantri Kisan Samman Nidhi \(PM-Kisan\)](#) scheme.

## How Will Differing Government Policies Impact India?

- **Unfair Competition for Indian Farmers:** Unequal government support makes Indian **farmers vulnerable to lower-cost American produce** in the Indian market.
  - This puts Indian farmers at a disadvantage due to **high capital input costs**, making Indian agricultural products **less competitive in both global and domestic markets**.
- **Tariff Reduction vs. Domestic Policy Goals:** India maintains high tariffs on agricultural imports to **safeguard its farmers**, while the **US seeks tariff cuts for easier market access**.
  - Any drastic reduction in tariffs could undermine **India's food security policies** and threaten the livelihoods of millions of Indian farmers.

- **WTO Rules:** The [World Trade Organization \(WTO\)](#) allows developing countries like India to protect their agricultural sector through **higher tariffs and subsidies**.
  - The **principle of “non-reciprocity”** states that developed countries should not expect equal market access in return for concessions granted to developing economies.
  - India resists **farm market liberalization**, citing weaker financial resilience among its farmers. It is likely to push back against **US demands, emphasizing WTO rules** and farmer security concerns.

Read more: [India - US COMPACT Initiative](#)

**Drishti Mains Question:**

How do farm support mechanisms in the US differ from those in India? Analyze their implications for trade negotiations.

## UPSC Civil Services Examination Previous Year Question (PYQ)

**Mains:**

**Q1.** How do subsidies affect the cropping pattern, crop diversity and the economy of farmers? What is the significance of crop insurance, minimum support price and food processing for small and marginal farmers? (2017)

**Q2.** In what way could replacement of price subsidy with direct benefit Transfer (DBT) change the scenario of subsidies in India? Discuss. (2015)

**Q3.** What are the different types of agriculture subsidies given to farmers at the national and at state levels? Critically, analyse the agricultural subsidy regime with reference to the distortions created by it. (2013)

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