



## CERTAIN MEASURES OF INDIA PROVIDING MARKET PRICE SUPPORT TO RICE AND WHEAT

### COMMUNICATION FROM THE UNITED STATES OF AMERICA PURSUANT TO ARTICLE 18.7 OF THE AGREEMENT ON AGRICULTURE

#### 1 INDIA'S PROVISION OF SUBSTANTIAL MARKET PRICE SUPPORT FOR WHEAT AND RICE

1.1. Using publicly-available sources, the United States has compiled data and information on India's market price support (MPS) for wheat and rice. Further to Article 18.7 of the WTO Agreement on Agriculture (AoA), the United States is providing this information to other Members in the interest of promoting transparency surrounding India's MPS policies. This document is for the purpose of discussion by World Trade Organization (WTO) Members. Some aspects were necessarily based on partial information.

1.2. This document addresses marketing years 2010/11 through 2013/14<sup>1</sup> – the marketing years covered by India's domestic support notification G/AG/N/IND/11 (2011/12, 2012/13, and 2013/14) and the last of the years covered by India's domestic support notification G/AG/N/IND/10. Findings and calculations are presented in Part I of the present document. Explanation of the relevant methodology and findings, as well as preliminary discussion of their significance, can be found in Part II.

1.3. This document is limited to the specific issues of India's MPS for wheat and rice. The document does not attempt to identify the full value of India's Current Total Aggregate Measurement of Support (AMS) or even the full amount of product-specific domestic support provided for wheat and rice. The limited scope of this document should in no way be taken to suggest that no additional product-specific support was provided for wheat and rice in the relevant years, that MPS or other types of product-specific domestic support was not provided for other commodities, or that India did not provide non-*de-minimis* non-product specific domestic support in the years in question.

#### 2 FINDINGS

2.1. India appears to be providing significant market price support, both in terms of absolute value and as a percentage of the value of production, for wheat and rice. The table below shows apparent MPS as an estimated percentage of the value of production for wheat and rice.

##### Apparent MPS as a percentage of the value of production for rice and wheat

Commodity	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14
Rice	74.0%	80.1%	84.2%	76.9%
Wheat	60.1%	60.9%	68.5%	65.3%

<sup>1</sup> G/AG/N/IND/10, submitted to the WTO on 10 September 2014, covered the period marketing year (MY) 2004/05 through MY 2010/11. G/AG/N/IND/11, submitted to the WTO on 13 July 2017, covered MY 2011/12 through MY 2013/14. Until a few days before U.S. submission of this communication pursuant to Article 18.7, G/AG/N/IND/10 and G/AG/N/IND/11 were the most recent domestic support notifications submitted by India to the WTO.

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### 3 CALCULATION OF ESTIMATES FOR INDIA'S MPS FOR WHEAT AND RICE (MARKETING YEARS 2010/11-2013/14)

3.1. The following tables show the calculation of estimates for India's MPS for wheat and rice for marketing years 2010/11-2013/14<sup>2</sup>, both as a value in Indian Rupees and as a percentage of the value of production of these crops in India. Notes and sources are the same for all tables, except as noted.<sup>3</sup>

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<sup>2</sup> The marketing year for rice runs from October through the following September. The marketing year for wheat runs from April through the following March.

<sup>3</sup> National-level minimum support prices for rice and wheat can be found at [https://eands.dacnet.nic.in/msp/MSP\\_09-11-2011.pdf](https://eands.dacnet.nic.in/msp/MSP_09-11-2011.pdf) (accessed 27 April 2018), and <http://eands.dacnet.nic.in/PDF/MSP01062016.pdf> (accessed 27 April 2018). In these government listings, MSPs are listed in Rs per quintal, resulting in a need to multiply values by 10 to ascertain an MSP in Rs per metric tonne. For External Reference Price data, see India Notification, G/AG/AGST/IND (undated) at 12-13. For state-level production data, see "Agricultural Statistics at a Glance", obtained from India Directorate of Economics and Statistics, Department of Agriculture and Cooperation, for years 2011, 2012, 2013, 2014, 2015, and 2016, at Tables 4.6(b) for rice, 4.7(b) for wheat, available at <http://eands.dacnet.nic.in/> (accessed 5 March 2018). For national-level production data, see "Agricultural Statistics at a Glance" 2016 Table 4.1(b). Wheat MSP and production information is for wheat harvested and marketed in MYs 2010/11-2013/14 (April-March), but which may have been planted in the prior crop year.

**Table 1 - Market Price Support for Rice and Wheat, MY 2010/11**

	Description of Basic Products	Applied Administered Price (Rs./MT)	External Reference Price (Rs./MT)	Eligible Production (Million MT)	Total Market Price Support (Million Rs.) (AAP-ERP)*EP	VoP (Million Rs.)	MPS/VOP
1a	Rice-Common <sup>1</sup> (Paddy): Total				1,121,561	1,516,140	74.0%
	MSP and Additional Bonus <sup>2</sup>						
	1. Chattisgarh	10,500.00	2,346.67	9.24	75,325		
	2. Karnataka	11,000.00	2,346.67	6.28	54,360		
	3. Kerala	14,000.00	2,346.67	0.78	9,137		
	4. Madhya Pradesh	10,500.00	2,346.67	2.66	21,673		
	5. Tamil Nadu	10,500.00	2,346.67	8.69	70,841		
	All Other States (No bonus)	10,000.00	2,346.67	116.32	890,226		
2	Wheat: Total				618,688	1,029,780	60.1%
	MSP and Additional Bonus <sup>2</sup>						
	1. Rajasthan <sup>3</sup>	12,000.00	3,540.00	7.51	63,535		
	2. Madhya Pradesh	12,000.00	3,540.00	8.41	71,149		
	All Other States (No bonus)	11,000.00	3,540.00	64.88	484,005		

Note:

- 1 a) India announces a separate minimum support price (MSP) for common paddy rice and Grade A paddy rice. The common variety of rice accounts for the major share of production and government procurement. India has not made available sufficient data to separate out eligible production (EP) for each variety, and the United States has accordingly treated all Indian rice produced in MY 2010/11-2013/14 as common paddy rice for purposes of U.S. calculations. Because India has only a single external reference price (ERP) for rice, U.S. treatment of all MY 2010/11-2013/14 as common paddy rice results in understatement of India's actual MPS for rice.
- b) India announces an MSP for unmilled paddy rice. India's notified ERP is on a milled rice basis and EP data are also on a milled rice basis. EP reported for milled rice is multiplied by 1.5 to convert to an equivalent volume of paddy rice, as one unit of milled rice is equivalent to approximately 66% of the volume of unmilled rice. ERP is converted to an equivalent price for paddy rice using the same conversion rate.
- 2 Various states give an additional bonus over and above the announced wheat and rice MSP ("bonus").<sup>4</sup>
- 3 State bonus data for Rajasthan for MY 2010/11 obtained from: "Rs. 100 per quintal wheat bonus for Rajasthan farmers", *The Hindu*, 31 March 2012, available at <http://www.thehindu.com/todays-paper/tp-national/tp-newdelhi/rs100-per-quintal-wheat-bonus-for-rajasthan-farmers/article3264479.ece> (accessed 5 March 2018).

<sup>4</sup> Unless otherwise indicated, state bonuses were obtained from: <http://cacp.dacnet.nic.in/ViewReports.aspx?Input=2&PageId=40&KeyId=477> and <http://cacp.dacnet.nic.in/ViewReports.aspx?Input=2&PageId=39&KeyId=534> (accessed 5 March 2018).

**Table 2 - Market Price Support for Rice and Wheat, MY 2011/12**

	Description of Basic Products	Applied Administered Price (Rs./MT)	External Reference Price (Rs./MT)	Eligible Production (Million MT)	Total Market Price Support (Million Rs.) (AAP-ERP)*EP	VoP (Million Rs.)	MPS/VOP
1a	Rice-Common <sup>1</sup> (Paddy): Total				1,365,406	1,705,600	80.1%
	MSP and Additional Bonus <sup>2</sup>						
	1. Chattisgarh	11,300.00	2,346.67	9.04	80,961		
	2. Karnataka	13,300.00	2,346.67	5.93	64,981		
	3. Kerala	15,000.00	2,346.67	0.85	10,800		
	4. Madhya Pradesh	11,300.00	2,346.67	3.34	29,913		
	5. Tamil Nadu	11,300.00	2,346.67	11.19	100,170		
	All Other States (No bonus)	10,800.00	2,346.67	127.59	1,078,581		
2	Wheat: Total				731,486	1,202,110	60.9%
	MSP and Additional Bonus <sup>2</sup>						
	1. Madhya Pradesh	12,700.00	3,540.00	7.63	69,864		
	2. Uttar Pradesh	12,200.00	3,540.00	30	259,800		
	All Other States (No bonus)	11,700.00	3,540.00	49.24	401,822		

**Table 3 - Market Price Support for Rice and Wheat, MY 2012/13**

	Description of Basic Products	Applied Administered Price (Rs./MT)	External Reference Price (Rs./MT)	Eligible Production (Million MT)	Total Market Price Support (Million Rs.) (AAP-ERP)*EP	VoP (Million Rs.)	MPS/VOP
1a	Rice-Common <sup>1</sup> (Paddy): Total				1,652,817	1,962,290	84.2%
	MSP and Additional Bonus <sup>2</sup>						
	1. Chattisgarh	15,200.00	2,346.67	9.91	127,418		
	2. Karnataka	15,000.00	2,346.67	5.05	63,849		
	3. Kerala	17,000.00	2,346.67	0.76	11,172		
	4. Madhya Pradesh	13,500.00	2,346.67	4.16	46,426		
	5. Tamil Nadu	13,000.00	2,346.67	6.07	64,717		
	All Other States (No bonus)	12,500.00	2,346.67	131.90	1,339,235		
2	Wheat: Total				904,191	1,320,420	68.5%
	MSP and Additional Bonus <sup>2</sup>						
	1. Madhya Pradesh	13,850.00	3,540.00	11.54	118,962		
	2. Rajasthan	13,850.00	3,540.00	9.32	96,089		
	All Other States (No bonus)	12,850.00	3,540.00	74.02	689,140		

**Table 4 - Market Price Support for Rice and Wheat, MY 2013/14**

	Description of Basic Products	Applied Administered Price (Rs./MT)	External Reference Price (Rs./MT)	Eligible Production (Million MT)	Total Market Price Support (Million Rs.) (AAP-ERP)*EP	VoP (Million Rs.)	MPS/VOP
1a	Rice-Common <sup>1</sup> (Paddy): Total				1,780,185	2,314,210	77%
	MSP and Additional Bonus <sup>2</sup>						
	1. Chattisgarh	16,100.00	2,346.67	10.08	138,634		
	2. Karnataka	16,000.00	2,346.67	5.36	73,114		
	3. Kerala	18,000.00	2,346.67	0.77	11,975		
	4. Madhya Pradesh	14,600.00	2,346.67	4.26	52,199		
	5. Tamil Nadu	13,600.00	2,346.67	8.03	90,308		
	All Other States (No bonus)	13,100.00	2,346.67	131.49	1,413,956		
2	Wheat: Total				964,973	1,477,950	65.3%
	MSP and Additional Bonus <sup>2</sup>						
	1. Madhya Pradesh	15,000.00	3,540.00	13.13	150,509		
	2. Rajasthan	15,000.00	3,540.00	9.28	106,297		
	All Other States (No bonus)	13,500.00	3,540.00	71.10	708,167		

## 4 EXPLANATION OF APPARENT FINDINGS

### 4.1 INDIAN EXPORTS AND DOMESTIC SUPPORT

4.1. In each of the years 2011 through 2014, India was the world's second or third largest agricultural producer<sup>5</sup>. Also a major agricultural exporter, India's agricultural exports increased 22% between 2011 and 2014, reaching USD37 billion<sup>6</sup> and transforming India from the world's tenth largest agricultural exporter into the world's seventh largest.<sup>7</sup> India is a particularly significant player in the international market for rice. Since 2012, in each year for which statistics are available, India exported more rice than any other country, annually accounting for over one-third of worldwide exports<sup>8</sup>. These exports amount to over 20% of India's domestic production.<sup>9</sup>

4.2. In addition to being a major agricultural producer, India is also a major provider of agricultural domestic support. While India provides a variety of domestic support to its producers, input subsidies and minimum support prices (MSPs) appear to be the primary support mechanisms. This support appears to have contributed to expanding production and government stocks, coinciding with increased exports.

### 4.2 RELATIONSHIP OF MPS TO CURRENT TOTAL AMS

4.3. Article 7, paragraph 2 of the AoA states that "[w]here no Total AMS commitment exists in Part IV of a Member's Schedule, the Member shall not provide support to agricultural producers in excess of the relevant *de minimis* level set out in paragraph 4 of Article 6". India has no Total AMS commitment in Part IV of its Schedule (XII).

4.4. Annex 3 of the AoA identifies support that "shall" be included in a Member's AMS calculation. It states that "an Aggregate Measurement of Support (AMS) shall be calculated on a product-specific basis for each basic agricultural product receiving market price support, non-exempt direct payments, or any other subsidy not exempted from the reduction commitment ("other non-exempt policies")"<sup>10</sup>. Thus, the AoA states that "market price support" in favor of basic agricultural products is a form of non-exempt domestic support and must be included in a Member's AMS calculation.

4.5. Article 6, paragraph 4 of the AoA provides an exemption from inclusion in Total AMS of product-specific domestic support of less than 5% of the total value of production of a basic agricultural product during a relevant year, or 10% for a developing country. Accordingly, if India provides product-specific domestic support, including MPS, for a specific basic agricultural product in excess of 10% of the value of production for that crop during a given year, India will be in breach of its AMS commitments under the AoA.

### 4.3 PRINCIPLES FOR CALCULATING MPS

4.6. Annex 3, paragraph 1 of the AoA provides that AMS "shall be calculated on a product-specific basis for each basic agricultural product receiving market price support, non-exempt direct

<sup>5</sup> "Production-Value of Agricultural Production," FAOSTAT, available at, <http://www.fao.org/> (accessed 20 April 2018). Values reported in current US\$.

<sup>6</sup> India Ministry of Commerce data, accessed through IHS Global Trade Atlas (GTA).

<sup>7</sup> See *WTO International Trade Statistics 2011* at page 67 to and *WTO International Trade Statistics 2014* at page 67, available at, [https://www.wto.org/english/res\\_e/statis\\_e/its2011\\_e/its2011\\_e.pdf](https://www.wto.org/english/res_e/statis_e/its2011_e/its2011_e.pdf).

<sup>8</sup> Indian and global export data obtained from IHS GTA using Harmonized Tariff Schedule (HTS) code 1006.

<sup>9</sup> The United States calculates India's exports of rice as a percentage of domestic production by dividing India's exports of rice at HTS code 1006, as reported by GTA, by the total value of production of rice, as reported at current prices in India's National Accounts Statistics 2017 and converted into U.S. Dollars (USD) using the 2017 annual exchange rate of 65.0659 Rs. to 1 USD sourced from the U.S. Federal Reserve. India's exports of rice, as a percentage of domestic production, equalled 20.12%, 22.05%, and 23.07% in 2012, 2013, and 2014, respectively.

<sup>10</sup> See AoA, Annex 3, paragraph 1 (emphasis added).

payments, or any other subsidy not exempt from the reduction commitments".<sup>11</sup> Annex 3 further provides a specific calculation methodology for determining the value of "market price support."

4.7. Pursuant to Annex 3, paragraph 8 of the AoA:

[M]arket price support shall be calculated using the gap between a fixed external reference price and the applied administered price multiplied by the quantity of production eligible to receive the applied administered price.

4.8. Thus, "market price support" requires a comparison between the "applied administered price" (AAP) and the "fixed external reference price". An AAP would be a price that is dispensed or provided by a governmental scheme.<sup>12</sup> The "fixed external reference price" is defined in Annex 3, paragraph 9, which states that this price "shall be based on the years 1986 to 1988".<sup>13</sup> The difference between the AAP and fixed external reference price is then multiplied by the "quantity of production eligible to receive the applied administered price."<sup>14</sup>

4.9. The calculation methodology provided in Annex 3, paragraph 8, for market price support is reflected in the following equation:

*(Applied Administered Price – Fixed External Reference Price) \* Quantity of Production Eligible = Value of Market Price Support*

The Appellate Body in *Korea – Beef* reached the same understanding of the meaning of "market price support" under Annex 3, paragraph 8.<sup>15</sup>

4.10. The MPS calculation methodology contained in Annex 3, paragraph 8, of the AoA directs that the established price gap be multiplied "by the quantity of production eligible to receive the applied administered price."<sup>16</sup> The ordinary meaning of the terms indicates that "eligible production" is all of the production entitled or permitted to receive the administered price. It is the amount of agricultural production that has the rightful claim to receive the AAP, whether or not that amount of production actually received the specified AAP.<sup>17</sup>

4.11. The Appellate Body in *Korea – Beef* considered the meaning of the phrase "quantity of production eligible to receive the applied administered price" and reached a similar understanding.<sup>18</sup> The Appellate Body stated that "production eligible to receive the applied administered price" has "a different meaning in ordinary usage from 'production actually purchased'."<sup>19</sup> The Appellate Body further defined "eligible" as that which is "fit or entitled to be chosen."<sup>20</sup> It noted that "[p]roduction actually purchased may often be less than eligible production."<sup>21</sup> Thus, "eligible production" within the meaning of Annex 3, paragraph 8 of the AoA is

<sup>11</sup> See AoA, Annex 3, paragraph 1.

<sup>12</sup> Of relevance, "administer" is defined as to "execute or dispense", or to "furnish, supply, give (orig. something beneficial to)". *Shorter Oxford English Dictionary*, "administer" p. 28 (ed. 1993).

<sup>13</sup> See AoA, Annex 3, paragraph 9. See also AoA, Annex 3, paragraph 7 (stating that the "AMS shall be calculated as close as practicable to the point of first sale of the basic agricultural product concerned"). India notified its External Reference Prices (ERPs) for wheat and rice to the WTO in document G/AG/AGST/IND (undated). They are 3540 rupees/MT for wheat and 3520 rupees/MT for milled rice. Because India maintains an AAP for paddy rice as opposed to milled rice, despite having notified an external reference price for milled rice, this document converts India's ERP to a paddy basis using a conversion factor of 1.5, consistent with industry practice. This results in an ERP for paddy rice of 2346.67 rupees/MT. India uses the same conversion factor of 1.5. See G/AG/N/IND/10 p. 8 and G/AG/N/IND/11 p. 6.

<sup>14</sup> AoA, Annex 3, paragraph 8.

<sup>15</sup> See e.g., Appellate Body Report, *Korea – Measures Affecting Imports of Fresh, Chilled, and Frozen Beef*, WT/DS161/AB/R, WT/DS169/AB/R, adopted 10 January 2001 (*Korea – Beef* (AB)), para. 116.

<sup>16</sup> See AoA, Annex 3, paragraph 8.

<sup>17</sup> See also *Shorter Oxford English Dictionary*, "entitled", p. 830 (ed. 1993) ("Now (chiefly of circumstances, qualities, etc.) confer on (a person or thing) a rightful claim to something or a right to do." (emphasis original)); *Shorter Oxford English Dictionary*, "fit", p. 960 (ed. 1993) ("Be suited to or appropriate for;" "Meet the requirements of").

<sup>18</sup> See *Korea – Beef* (AB), para. 120.

<sup>19</sup> See *Korea – Beef* (AB), para. 120 (emphasis in original).

<sup>20</sup> See *Korea – Beef* (AB), para. 120.

<sup>21</sup> See *Korea – Beef* (AB), para. 120.

production, which is fit or entitled to receive the applied administered price, whether or not the production was actually purchased.<sup>22</sup>

#### 4.4 India's MPS Regime for Wheat and Rice

4.12. India's Commission for Agricultural Costs and Prices (CACP) devises "price policy and relative price structure" for approximately two dozen agricultural commodities.<sup>23</sup> The Agricultural Prices Commission (APC), the predecessor to the CACP, was originally established in 1965 by the Ministry of Food and Agriculture (MOA) to "advise on the price policy of agricultural commodities...with a view to evolving a balanced and integrated price structure..."<sup>24</sup> The mandate of CACP and the products for which it sets MSP levels are determined through a "terms of reference" document established through ministerial resolution.<sup>25</sup> The resolution governing the current operation of the CACP states:

*...Terms of Reference of the Commission would be as under:*

*To advise on the price policy of paddy/rice, wheat, jowar, bajra, maize, ragi, barely {sic}, gram, turn, moong, urad, sugarcane, groundnut, soyabean, sunflower seed, rapeseed, mustard, cotton, jute, tobacco, sesamum, nigerseed, lentil (masur), safflower, copra and such other commodities as the Government may decide from time to time, with a view to evolving a balanced and integrated price structure in the perspective of the overall needs of the economy and with due regard to the interests of the producer and the consumer.*<sup>26</sup>

4.13. CACP submits price policy reports to India's Cabinet Committee on Economic Affairs (CCEA), which then announces final decisions on the levels of MSPs in periodic press releases.<sup>27</sup> These CCEA press releases are issued three times a year by crop type: Kharif (June), Rabi and Toria crops (October/November). The Food Corporation of India (FCI), the Cotton Corporation of India (CCI), the Jute Corporation of India (JCI), and the National Agricultural Cooperative Federation of India (NAFED), as well as analogous state agencies, play a role in procuring the relevant agricultural products.<sup>28</sup>

4.14. India does not cap the quantity of wheat and rice that the government may procure under its MPS programmes. Accordingly, under the terms of the AoA, all Indian production of these

<sup>22</sup> See Korea – Beef (AB), para. 120; see also Panel Report, Korea – Measures Affecting Imports of Fresh, Chilled, and Frozen Beef, WT/DS161/R, WT/DS169/R, adopted 10 January 2001, as modified by Appellate Body Report WT/DS161/AB/R, WT/DS169/AB/R, (Korea – Beef (Panel)), para. 827 (noting that "eligible production for the purposes of calculating the market price support component of current support should comprise the total marketable production of all producers which is eligible to benefit from the market price support, even though the proportion of production which is actually purchased by a governmental agency may be relatively small or even nil").

<sup>23</sup> See "Organization", Commission for Agricultural Costs and Prices, available at, <http://cacp.dacnet.nic.in/content.aspx?pid=32> (accessed 5 March 2018) and "The Terms of Reference of the Commission vide Ministry of Agriculture (Department of Agriculture and Cooperation)'s Resolution No. 49011/6/2009-EA", available at, The Terms of Reference of the Commission vide Ministry of Agriculture (Department of Agriculture and Cooperation)'s Resolution No. 49011/6/2009-EA dated 30.7.2009 (accessed March 8, 2018). CACP states that it sets prices for 23 agricultural commodities on its web site. However, the manner in which products are counted can affect the total count of products subject to the MPS regime.

<sup>24</sup> See Department of Food and Agriculture, Ministry of Food and Agriculture Resolution No. 6-2/65, 8 January 1965, available at, <http://cacp.dacnet.nic.in/ViewQuestionare.aspx?Input=2&DocId=1&PageId=34&KeyId=247> (accessed 8 March 2018).

<sup>25</sup> See Department of Agriculture and Cooperation, Ministry of Agriculture and Cooperation, Resolution F No. A 49011/6/2009-EA, 30 July 2009, available at, <http://cacp.dacnet.nic.in/ViewQuestionare.aspx?Input=2&DocId=1&PageId=34&KeyId=247> (accessed 8 March 2018).

<sup>26</sup> See "Resolution", Department of Agriculture, Ministry of Agriculture and Cooperation F No. A 49011/6/2009-EA, 30 July 2009, p. 1, available at, <http://cacp.dacnet.nic.in/ViewQuestionare.aspx?Input=2&DocId=1&PageId=34&KeyId=247> (accessed 8 March 2018).

<sup>27</sup> See "Organization", Commission for Agricultural Costs and Prices, available at, <http://cacp.dacnet.nic.in/content.aspx?pid=32> (accessed 5 March 2018).

<sup>28</sup> See "Organization", Commission for Agricultural Costs and Prices, available at, <http://cacp.dacnet.nic.in/content.aspx?pid=32> (accessed 5 March 2018).



commodities constitutes eligible production for purposes of ascertaining the level of India's MPS for wheat and rice.<sup>29</sup>

4.15. In addition to the minimum support price announced by India's central government, certain Indian states have, in certain years, instituted higher support prices within their states. These states pay the increased price on quantities tendered to state agencies as part of the MPS regime. These higher prices accordingly apply to all production of wheat and rice occurring within the state.

#### 4.5 Differences with India's calculations

4.16. India's notifications for the years at issue appear to dramatically under-report the value of India's MPS for wheat and rice. For example, India's notification for MY 2013/14 showed a value of support converted from U.S. dollars of Rs. 120,015.67 million for rice and negative Rs. 49,477.51 million for wheat.<sup>30</sup> By comparison, the United States estimates that MPS was Rs. 1,780,185 million for MY 2013/14 for rice and Rs. 964,973 million for MY 2013/14 for wheat. The differences between India's reported figures and the apparent actual figures for other years are of similar magnitude. They can be seen in the chart at the end of section E.

##### 4.5.1 Currency

4.17. India's AGST document provides India's domestic support commitments in Indian rupees. However, all of India's DS:1 notifications have been denominated in U.S. dollars. India has not explained the basis for using U.S. dollars beyond stating it has remained consistent in its notifications. To be consistent with India's scheduled commitments, the United States has calculated India's MPS using information published by the GOI in Indian rupees.

##### 4.5.2 Eligible Production

4.18. India's domestic support notifications G/AG/N/IND/10 and G/AG/N/IND/11 appear to reflect only volumes actually purchased pursuant to the MPS programme. India's AGST document and first DS:1 notification, for MY 1995/96, relied on total production as India's eligible production for similar market price support programmes.<sup>31</sup>

4.19. While India has acknowledged this change in methodology, it has not provided a specific explanation for this change, as seen in India's response in the CoA to AG-IMS ID 63058. In other responses to questions in the CoA, such as AG-IMS ID 63058 and AG-IMS ID 67028, India has stated that the reason for its use of the procured quantity as eligible production is that the only farmers to benefit from the MSP are those whose product is procured by a government agency.

4.20. The United States was unable to identify any change in India's MPS programme between 1995/96 and 1996/97 that would explain the change in notification methodology. To the contrary, records indicate that during MY 1996/97, the Indian Ministry of Agriculture's Commission for Agricultural Cost and Prices was recommending that procurement agencies continue to improve on their readiness to meet their obligation to "buy all quantities of the produce offered by the farmers at that [MSP or applied administered] price".<sup>32</sup>

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<sup>29</sup> The Indian Government appears to maintain a policy of purchasing all tendered wheat and rice despite the existence of certain guidelines that might otherwise impose certain limitations on purchases. For instance, while the GOI has published certain quality standards, it does not appear that these quality standards are adhered to. India's own Comptroller and Auditor General found that the FCI had not established any mechanism to ensure that rice conformed to the prescribed food safety standards at the procurement stage. See Ministry of Consumer Affairs, Food and Public Distribution, "Report of the Comptroller and Auditor General of India on Procurement and Milling of Paddy for the Central Pool", Report No. 31 of 2015, available at, [http://www.cag.gov.in/sites/default/files/audit\\_report\\_files/Union\\_Performance\\_Procurement\\_Milling\\_of\\_Paddy\\_Central\\_Pool\\_31\\_2015.pdf](http://www.cag.gov.in/sites/default/files/audit_report_files/Union_Performance_Procurement_Milling_of_Paddy_Central_Pool_31_2015.pdf), pages 43-44 (accessed 9 March 2018).

<sup>30</sup> India notified MY 2013/14 values of -\$817.81 million for wheat and \$1,983.73 million for rice. The United States converts India's notified MPS values for MY 2013/14 in million USD to million Rs. using India's notified exchange rate for 2013-14 of 60.50 Rs. to 1 USD.

<sup>31</sup> See India Notification, G/AG/N/IND/1 (1998).

<sup>32</sup> See CACP, "Reports of the Commission on Agricultural Costs and Prices for Crops Sown in 1995-96 Season and 1996-97 Season," 1997, page 332, available at <http://cacp.dacnet.nic.in/ViewReports.aspx?Input=2&PageId=63&KeyId=334> (accessed 5 March 2018).

4.21. More importantly, India's reporting of only procured quantities is directly contrary to the MPS calculation methodology provided in AoA Annex 3, paragraph 8, which provides for the calculation to be based on all production eligible for the price, whether or not actually procured by a Member's government at that price. Accordingly, the United States has estimated MPS here based on all eligible production, as opposed to just that portion of production actually procured by government entities in India.

#### 4.5.3 Inclusion of State Level Bonuses in Applied Administered Price

4.22. India's MPS notifications G/AG/N/IND/10 and G/AG/N/IND/11, including for wheat and rice, only reflect the national minimum support prices and do not include all state bonuses or other incentives that further increase the MSP provided to farmers. The AAPs notified by India in G/AG/N/IND/10 and G/AG/N/IND/11 appear to match only with the minimum support price announced by the central government. Accordingly, India does not appear to be reflecting state bonuses in its notification of MPS. For rice and wheat, additional state-funded "incentive bonuses" have been provided in addition to the federal-level "minimum support prices" in certain Indian states.<sup>33</sup> Wheat and rice procured by the government in specified states was purchased from producers at the announced minimum support price plus the announced state bonus, which appears to effectively increase the floor price in those states.<sup>34</sup>

#### 4.5.4 Value of Production

4.23. India has not notified total value of production (VoP) for any commodity in its domestic support notifications for the years that the United States has examined in this document. The VoP data used in the calculations and tables in this document is sourced from India's National Accounts Statistics.<sup>35</sup> India did provide unsourced Value of Production data in response to a question posed to it in the WTO Committee on Agriculture (CoA). These figures differ from those drawn from India's National Accounts Statistics. In addition to showing its notified MPS as a percentage of the Value of Production identified from India's National Accounts Statistics, the table below also shows MPS as a percentage of the Values of Production offered by India without sourcing in response to the CoA questions.<sup>36</sup>

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<sup>33</sup> See GOI Ministry of Agriculture and Farmers Welfare: [http://eands.dacnet.nic.in/msp/MSP\\_09-11-2011.pdf](http://eands.dacnet.nic.in/msp/MSP_09-11-2011.pdf) (accessed 5 March 2018).

<sup>34</sup> According to a Government of India Report ("Price Policy for Rabi Crops: The Marketing Season 2013-14"), state-level support can be quite significant and can lead to state take-over of certain commodity markets. CACP, "Price Policy for Rabi Crops: The Marketing Season 2013-14", pp. 21-22. <http://cacp.dacnet.nic.in/ViewQuestionare.aspx?Input=2&DocId=1&PageId=40&KeyId=471> (accessed 5 March 2018). One example highlighted by the report notes that, with respect to wheat, the introduction by Madhya Pradesh of a state bonus (of Indian Rupees 100/100kg) in addition to the MSP in 2007/08 resulted in a dramatic increase in state government procurement levels. State procurement increased from 0.8% of wheat produced in 2006/07 to 85% in 2011/12. On a national level, wheat procurement as a percentage of production increased from approximately 12% to 30% during the same period. The result of the state bonus, according to the report, was a crowding out of the private sector and the government becoming "virtually a monopsonist" in the wheat market, which is "not healthy for long term efficiency in procurement operations as well as for farmers."

<sup>35</sup> For MY 2010/2011, see India National Accounts Statistics 2014 "Statement 55: Value of Output from Agriculture", at 162-163, available at, [http://mospi.nic.in/sites/default/files/reports\\_and\\_publication/cso\\_national\\_accounts/national\\_account\\_statistics/2014/S55.pdf](http://mospi.nic.in/sites/default/files/reports_and_publication/cso_national_accounts/national_account_statistics/2014/S55.pdf) (accessed 5 March 2018). For MY 2011/12-13/14, see India National Accounts Statistics 2015 at Statement 8.1.2, available at, [http://www.mospi.gov.in/sites/default/files/reports\\_and\\_publication/cso\\_national\\_accounts/national\\_account\\_statistics/2015/combined%208.1.2%202011-14.pdf](http://www.mospi.gov.in/sites/default/files/reports_and_publication/cso_national_accounts/national_account_statistics/2015/combined%208.1.2%202011-14.pdf) (accessed 5 March 2018).

<sup>36</sup> AG IMS ID 75019 and AG IMS ID 85043.

#### 4.5.5 Overall Results

4.24. The chart below compares India's reported MPS for rice and wheat with what appears to be its actual MPS for rice and wheat:

#### India's Notified MPS Relative to United States' Calculations of India's MPS<sup>37</sup>

	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14
<b>Rice</b>				
<b>India's Notified MPS by Value</b> <i>(U.S. dollars, millions)</i> <i>Indian Rupees, millions)</i>	USD 2,282.17 Rs. 103,976	USD 2,647.39 Rs. 126,863	USD 2,796.70 Rs. 152,141	USD 1,983.73 Rs. 120,016
<b>India's Notified MPS as % of VoP stated by India in Answer to CoA Question<sup>38</sup></b>	<b>7.22%</b>	<b>7.44%</b>	<b>7.68%</b>	<b>5.45%</b>
<b>U.S. Calculated MPS by Value</b> <i>(Indian Rupees, millions)</i>	Rs. 1,121,561	Rs. 1,365,406	Rs. 1,652,817	Rs. 1,780,185
<b>U.S. Calculated MPS as % of VoP<sup>39</sup></b>	<b>74.0%</b>	<b>80.1%</b>	<b>84.2%</b>	<b>76.9%</b>
<b>Wheat</b>				
<b>India's Notified MPS by Value</b> <i>(U.S. dollars, millions)</i> <i>Indian Rupees, millions)</i>	USD (161.98) Rs. (7,380)	USD 117.76 Rs. 5,643	USD (604.23) RS. (32,870)	USD (817.81) Rs. (49,478)
<b>India's Notified MPS as % of VoP stated by India in Answer to CoA Question<sup>40</sup></b>	<b>(0.73%)</b>	<b>0.48%</b>	<b>(2.50%)</b>	<b>(3.53%)</b>
<b>U.S. Calculated MPS by Value</b> <i>(Indian Rupees, millions)</i>	Rs. 618,688	Rs. 731,486	Rs. 904,191	Rs. 964,973
<b>U.S. Calculated MPS as % of VoP<sup>41</sup></b>	<b>60.1%</b>	<b>60.9%</b>	<b>68.5%</b>	<b>65.3%</b>

<sup>37</sup> Monetary values indicated in million Rs. India's Notified MPS values for MY 2010/11 obtained from G/AG/N/IND/10 (10 September 2014). India's Notified MPS values for MY 2011/12-13/14 obtained from G/AG/N/IND/11 (13 July 2017). Parentheses indicate negative values. The United States converts its calculations of India's Notified MPS values in million USD to million Rs. using India's notified exchange rates for MY 2010-11 (45.56 Rs. to 1 USD), 2011-12 (47.92 Rs. to 1 USD), 2012-13 (54.4 Rs. to 1 USD), and 2013-14 (60.5 Rs. to 1 USD).

<sup>38</sup> As noted above, India has not notified VoP for any commodity in its domestic support notifications. Calculations in this row use unsourced VoP data provided in response to a question posed to it in the WTO Committee on Agriculture (CoA). Use of VoP data sourced from India's National Accounts Statistics produces similar results. For each relevant year, India's notified MPS as a percentage of the VoP figure from the National Accounts Statistics is: 6.86% (2010/11); 7.44% (2011/12); 7.75% (2012/13); 5.19% (2013/14).

<sup>39</sup> VoP from India's National Accounts Statistics. Figures for U.S. calculated MPS as a percentage of the VoP identified by India in response to a CoA question are similar: 77.9% (2010/11); 80.04% (2011/12); 83.38% (2012/13); 80.79% (2013/14).

<sup>40</sup> Calculations in this row use unsourced VoP data provided in response to a question posed to it in the WTO Committee on Agriculture (CoA). Use of VoP data sourced from India's National Accounts Statistics produces similar results. For each relevant year, India's notified MPS as a percentage of the VoP figure from the National Accounts Statistics is: -0.72% (2010/11); 0.47% (2011/12); -2.49% (2012/13); -3.35% (2013/14).

<sup>41</sup> VoP from India's National Accounts Statistics. Figures for U.S. calculated MPS as a percentage of the VoP identified by India in response to a CoA question are similar: 61.54% (2010/11); 61.96% (2011/12); 68.66% (2012/13); 68.9% (2013/14).

## **5 CONCLUSION**

5.1. It appears that India provides market price support for wheat and rice vastly in excess of what it has reported to the WTO. India's apparent MPS for wheat appears to have been over 60% of the value of production in each of the last four years for which India has notified data. Its apparent MPS for rice appears to have been over 70% of the value of production in each of the years.

5.2. The United States looks forward to future discussion of the significance of India's MPS for wheat and rice for both India's market and for world markets – both with India and with other Members.

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