Issue with Public Stockholding

Why in news?

G33 has made a proposal before the WTO to find a permanent solution to the issue of public stockholding.

What is the issue with WTO's Agreement on Agriculture?

- According to the WTO's Agreement on Agriculture (AoA), subsidies to farm producers (with reference to an international benchmark) should not exceed 10% of the value of a product.
- **Underestimated Global Benchmark -** The issue lies with the methodology used in calculating the global benchmark.
- The global benchmark is based on 1986-88 prices as the base and does not account for inflation making the international benchmark undervalued.
- As a result the subsidies provided looks high and overestimated.
- India's 'aggregate measure of support' in the case of rice is below 10% of the value of the rice.
- But due to undervalued benchmark it was assumed that India breached the benchmark about two years back.
- This is despite Article 6.2 of AoA which exempts 'low income' and 'resource-poor' farmers from the subsidy calculations (price and input support).
- Most of India's cultivators are accounted under 'low income' and 'resource-poor' farmers.
- **Export from public stockholdings -** It is agreed that there can be no commercial export from public stocks.
- But the issue is when WTO members cannot export food grains from public stockholdings even for non-commercial humanitarian purposes, including on government-to-government (G2G) basis as they are subsidised grains.

What the proposal made by G33 seeks?

- The 'G-33' group includes India, China, Indonesia and 30 other African and Central American countries.
- Most of the G-33 countries are food importers.
- Due to raging food inflation globally these countries are battling hunger and malnutrition.
- As a result they want to rule out supply glitches due to producer country subsidies being contested at the WTO.
- Also the proposal urges the developed nations to find a permanent solution to the issue of exporting from public stockholding on G2G basis for humanitarian aid.
- The G-33 grouping should push back on efforts to influence food production and trade patterns.

How India deals with the issue?

- India has secured an indefinite peace clause on food procurement in November 2014 (a year after the Bali Ministerial) pending a permanent solution to food procurement.
- China and India have pointed out that the developed world skilfully masks its own subsidies asking the rest to set their houses in order.

- In fact India has rightly decided to make a case for G2G food exports from public stocks at the upcoming WTO Ministerial in Geneva.

Reference

1. https://www.thehindubusinessline.com/opinion/g-33-should-push-for-permanent-solution-to-public-stockholding-at-upcoming-wto-ministerial/article65491133.ece

