

## Chapter No.6

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### Export Subsidies to Agriculture in Maharashtra

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### **6.1) Introduction:**

Under of General Agreement Trade and Tariff (GATT) 1947, export subsidies were prohibited. However an exemption for primary products provided they did not give the concerned General Agreement Trade and Tariff (GATT) contracting party more than an equitable share of world export trade. This provision lack of clarity allowed some contracting parties to use export subsidies to increase or maintain their share of world agriculture trade. The negative effects of export subsidies have had been balanced for amplifying world market price variation because the level of subsidy tends to increase in times of low world prices and decrease when prices rise. This exaggerates the swings in world prices by reducing supply in times of low prices. Because of the extent to which export subsidies distort competition members agreed to introduce special rules for controlling their use. Export subsidy reduction commitment are based on use during the years 1986 to 1990 but members were given the flexibility of using 1992 levels if these were higher than in the base period members using export subsidies agreed to reduce them while those not using them agreed not to start doing so 25 members have export subsidies commitment covering 428 product groups. Some members have used none of their commitment and others are well below their commitment levels for most product.

### **6.2) Present position of Agriculture export:**

The new economic reform in India coinciding with the WTO agreement opens up immense opportunities for Indian agriculture products to enter the global market. Even today 60 to 65 percent of the total labour force is dependent on agriculture. This brings out that the general standard of living of people can be raised only ensuring accelerated and diversified agricultural development. To facilitate this process due importance should be given to globalization the Indian agriculture in terms of policy measures.

Agricultural export help modernize production post harvest processing and marketing system and advantages of most recent technological advancement in the network planning process. Needless to mention that agricultural export planning has not been developed in a systematic manner. It is necessary to understand that exports are possible if we are able to produce the items in a sustained manner of the desired quality along with well co-ordinate promotional efforts. Above all the government

will have to involve initiate and implement export promotion policy in effective manner.

Indian agricultural export and economic development as the need for increasing export for augmenting foreign exchange earnings is very critical for India. Foreign exchange is vital for promoting overall economic development without sacrificing country self reliance. Export growth and economic development are thus interred related.

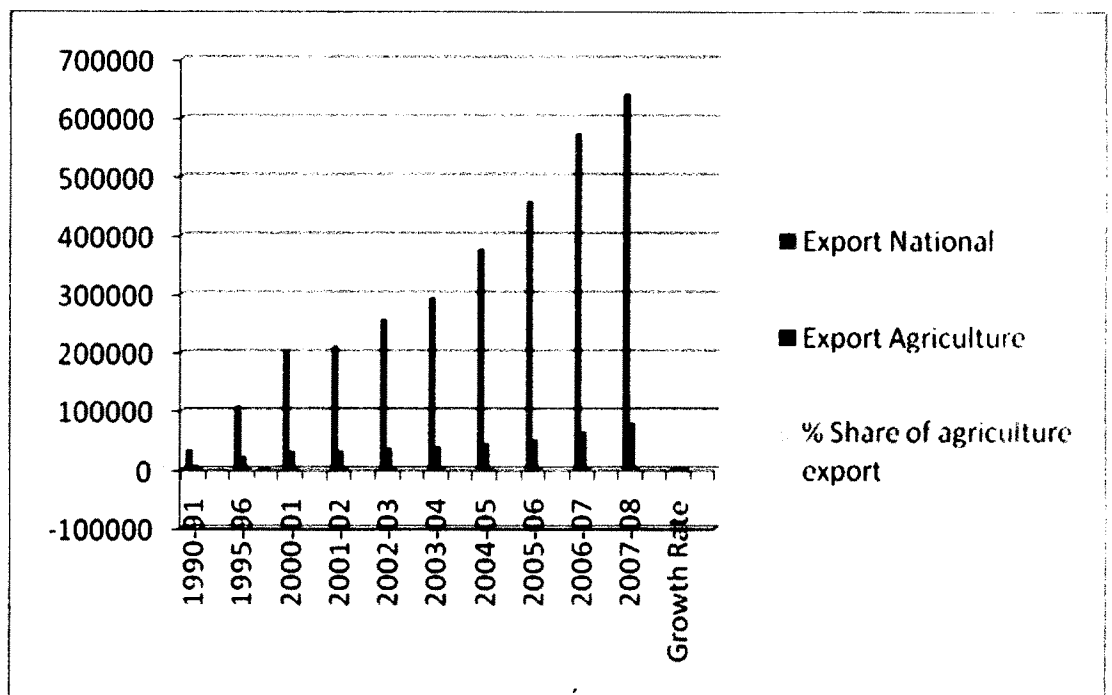
**Table No.6.1**  
**Share of Agricultural Export in total National Export**  
**(Rs.in crores)**

Year	Export		% Share of agriculture export
	National	Agriculture	
1	2	3	4
1990-91	32527 (1.0)	6013 (1.5)	18.49
1995-96	106353 (3.3)	20398 (5.2)	19.18
2000-01	201356 (6.4)	28657 (7.3)	14.23
2001-02	209018 (6.6)	29729 (7.6)	14.22
2002-03	255137 (8.1)	34654 (8.9)	13.58
2003-04	291582 (9.2)	36894 (9.5)	12.65
2004-05	375339 (11.9)	41602 (10.7)	11.08
2005-06	456417 (14.5)	49216 (12.7)	10.78
2006-07	571779 (18.2)	62411 (16.1)	10.92
2007-08	640172 (20.3)	77769 (20.0)	12.15
Total	3139680 (100)	387343 (100)	137.28
Growth Rate	186.8	119.3	-0.3

**Source:** Agriculture Statistics at a Glance 2008, Directorate of Economics and Statistics, Government of India, New Delhi.

**Note:** Figures in the parenthesis indicate percentages to total.

**Graph No.6.1**  
**Share of Agricultural Export in total National Export**



In 1990-91 there was 18.49 percent share of agriculture sector in total national export whereas in 2007-2008 it decreased to 12.15 percent of agriculture export is comparatively growing over the period under study. Due to the growing share of other exports the exports in relative terms have declined.

### 6.3) Share of Agricultural subsidies in selected OECD countries:

Now is the time for Europe, Canada, USA and Japan to acknowledge the truth that only substantial limitation of their trade distorting agricultural subsidies will prevent the on developing country producers. If they fail to do so the consequence will be impasse in the WTO trade negotiation with the prospect of repeated dispute settlement challenges before the WTO in the years ahead.

Every year’s rich countries provide billions of dollars in subsidies to their farmers and producer’s subsidy which has said pit farmers in Canada, USA, Japan and EU which result in the high subsidies in developed countries. The share of agricultural subsidies in selected countries shows this table.

**Table No.6.2****Share of Agricultural subsidies (PSE) in selected OECD countries**

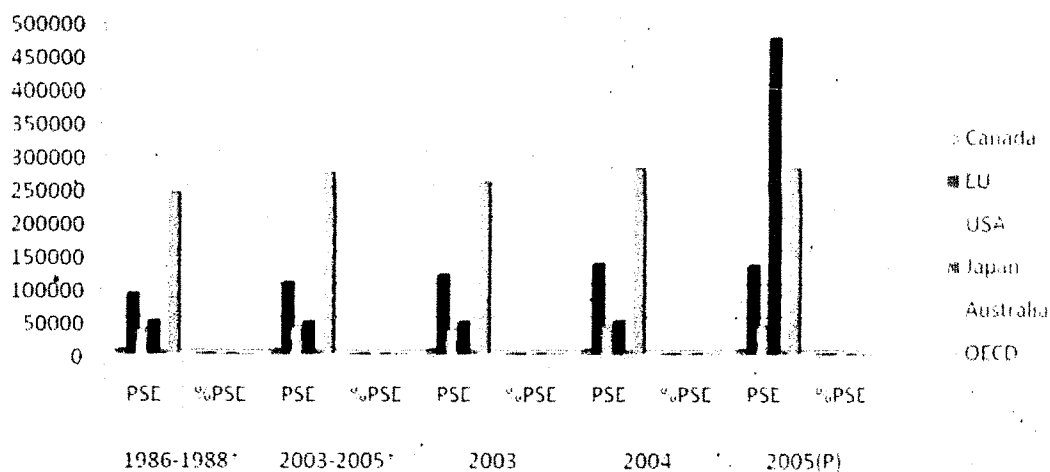
(US \$ million)

Country	1986-1988*		2003-2005*		2003		2004		2005(P)	
	PSE	%PSE	PSE	%PSE	PSE	%PSE	PSE	%PSE	PSE	%PSE
1	2	3	4	5	6	7	8	9	10	11
Canada	6066	36	5884	18	5941	25	5695	21	6015	21
EU	90924	41	107563	34	119149	36	136144	33	133785	32
USA	36958	22	40479	16	35929	15	42869	16	42669	16
Japan	49579	64	48324	58	48171	59	49368	58	474335	56
Australia	1320	8	1404	5	1339	5	1421	5	1453	5
OECD	242474	37	272738	30	258798	30	279572	29	279845	29

**Note:-** P = provisional, \* average of three years, PSE (Producer Support Estimates):an indicator of the annual money value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on farm production or income. %PSE: is support expressed as a percentage of gross farm receipts, which shows the amount of support to farmers, irrespective of the sectoral structure of a given country.

**Source: -** OECD 2006 PSE/CSE data base 2006

**Graph No.6.2**  
**Share of Agricultural subsidies (PSE) in selected OECD countries**



This table shows the agriculture subsidies in selected countries EU, USA, Canada, Australia and Japan. These subsidies cover a slew of products from butter to orange juice, tobacco, rice, wheat and cotton. The total subsidies highlighted in this table alone amount to US \$ million. The share of agriculture subsidies 18 percentage of (PSE) producer support estimates to 2003-05 Canada, 34 percent European community, 16 percent US country, 58 percent Japan country, 5 percent Australia country and OECD 30 percent the share of agricultural subsidies.

#### 6.4) Growth in Agriculture pre and post Globalization:-

Agriculture producers are of two kind's foods grain and non food grains. The food grains contribute 75 percent of the total agricultural production. According to the agriculture growth analysis, the annual growth rate has been declined from 39 percent to 2.6 percent in the pre and post reform periods respectively. The growth rate of food grains during 1980-1990 was 2.9 percent where as it declined to 1.4 percent during 1996-2006. Similarly there was a decline in the growth rate of non food grains from 4.3 percent to 1.8 percent during the same period. The growth is agriculture sector during the pre and post globalizations shown in the table.

**Table No.6.3**

**Growth in Agriculture sector during pre and post globalisation**

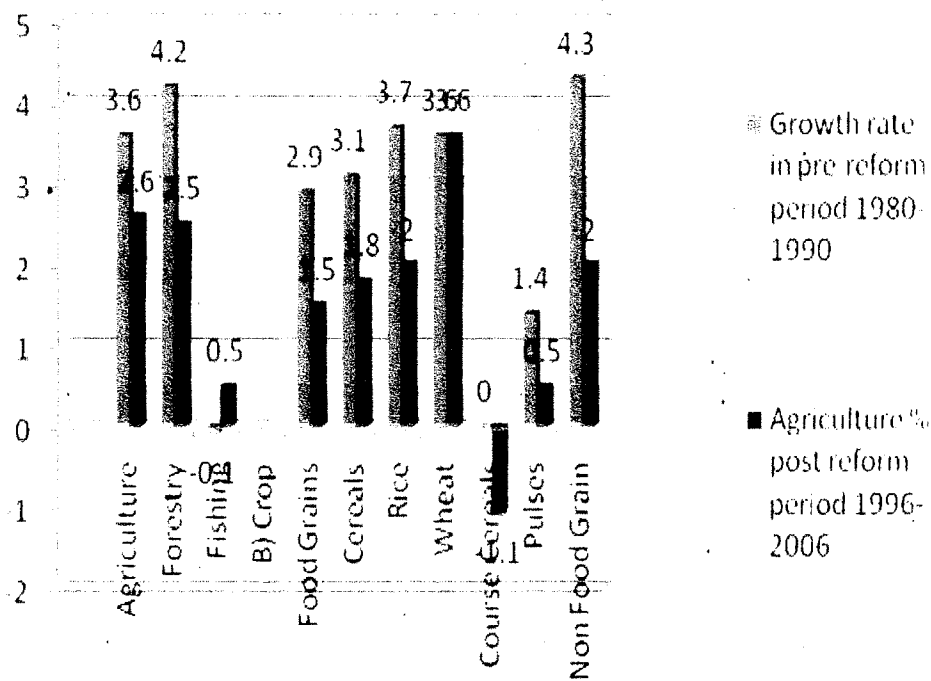
**(In Percentage)**

Crop	Growth rate in pre reform period 1980-1990	Agriculture % post reform period 1996-2006
1	2	3
A) Agriculture and ailed activities		
Agriculture	3.6	2.6
Forestry	4.2	2.5
Fishing	- 0.1	0.5
B) Crop		
Food Grains	2.9	1.5
Cereals	3.1	1.8
Rice	3.7	2
Wheat	3.6	3.6
Course Cereals	0	- 1.1
Pulses	1.4	0.5
Non Food Grain	4.3	2

Source: - Economics Survey 2006-07, Govt. of India.



**Graph No.6.3**  
**Growth in Agriculture sector during pre and post globalization**



### 6.5) Plan outlay in agriculture and allied sectors:-

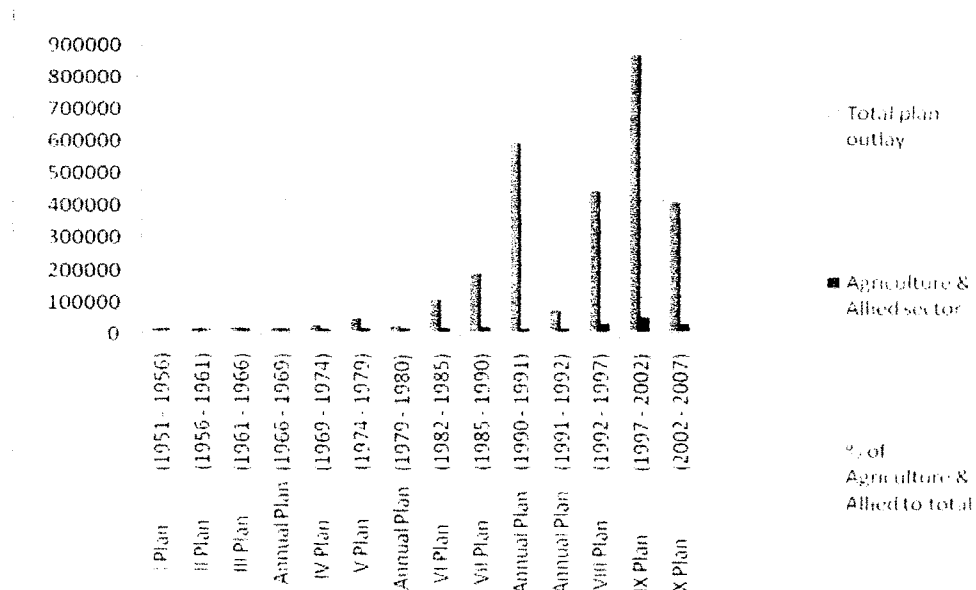
There has been a sharp decline in the plan outlay also towards agricultural sector which depicts gross negligence on part of the government show this table

**Table No.6.4**  
**Plan outlay in agriculture and allied sectors**

Plan	Total plan outlay	Agriculture & Allied sector	% of Agriculture & Allied to total
I Plan (1951 - 1956)	2378	354	14.9
II Plan (1956 - 1961)	4500	501	11.3
III Plan (1961 - 1966)	8577	1089	12.7
Annual Plan (1966 - 1969)	6625	1107	16.7
IV Plan (1969 - 1974)	15779	2320	14.7
V Plan (1974 - 1979)	39426	4865	12.3
Annual Plan (1979 - 1980)	12177	1997	16.3
VI Plan (1982 - 1985)	97500	5695	5.8
VII Plan (1985 - 1990)	180000	10525	5.9
Annual Plan (1990 - 1991)	583669	3405	5.8
Annual Plan (1991 - 1992)	64751	3851	6.0
VIII Plan (1992 - 1997)	434100	22467	5.2
IX Plan (1997 - 2002)	859200	42462	4.9
X Plan (2002 - 2007)	398890	20668	5.2

Source: - CMIE public finance, March 2005

**Graph No.6.4**  
**Plan outlay in agriculture and allied sectors**



The plan outlay in agriculture and it allied activities have been graduate declined during the plan period from 14.9 percent in the first plan, 12.7 percent thread plan, 12.3 percent in the fifth plan, 5.8 percent in the seventh plan and 5.2 percent by the tenth plan. This clarifies that the government has withdrawn its support from the agriculture sector development.

#### 6.6) Agriculture subsidies in India:-

The product market factor market of agriculture is also highly distorted. Price of major inputs like fertilizer, electricity, irrigation and food grain are heavily subsidized at varying degrees by the government. This was required during the perform period to minimize the impact of disposition meted out to agriculture while it is quite certain that not all eligible learn 1crs are actually benefited and also not all beneficiaries are the needy ones it is but only due to non economic factors that the government is incurring such a huge subsidy amount shown this table.

**Table No.6.5**  
**Fertilizer subsidies in India 1993-94 to 2005-06**

**(Rs. in crores)**

Years	Indigenous fertilizer	Imported fertilizer	Sale of decontrolled fertilizer with to farmers	Total fertilizer
1	2	3	4	5
1993-1994	3800 (81.0)	891 (18.9)	- -	4691 (100)
1994-1995	4075 (70.6)	1166 (20.2)	528 (9.1)	5769 (100)
1995-1996	4300 (63.8)	1935 (28.7)	500 (7.4)	6735 (100)
1996-1997	4743 (62.5)	1163 (15.3)	1672 (22.0)	7578 (100)
1997-1998	6600 (66.5)	722 (7.2)	2596 (26.1)	9918 (100)
1998-1999	7473 (64.4)	333 (2.8)	3790 (32.6)	11596 (100)
1999-2000	8670 (65.4)	74 (0.5)	4500 (33.9)	13244 (100)
2000-2001	9480 (68.6)	1 (- 7.2)	4319 (31.2)	13800 (100)
2001-2002	8044 (63.8)	47 (0.3)	4504 (35.7)	12595 (100)
2002-2003	7790 (70.7)	- -	3225 (29.2)	11015 (100)
2003-2004	8521 (71.9)	- -	3326 (28.0)	11847 (100)
2004-2005	10243 (64.5)	494 (3.11)	5142 (32.3)	15879 (100)
2005-2006	10653 (57.7)	1211 (6.5)	6596 (35.7)	18460 (100)
2006-2007	11063 (55.8)	717 (3.6)	8046 (40.5)	19826 (100)
2007-2008	11473 (53.7)	762 (3.5)	9095 (42.6)	21330 (100)
Increase(+)/ Decrease(-)	201.9	-14.4	162.2	367.5
Growth Rate	13.4	-0.9	10.8	24.5

Source: Fertilizers expenditure budget 2007-08, vol.1 of central government.

Note: The estimates based on revised series base 1999 are provisional.

Subsidy on fertilizer provides a good example to know the nature of input price distortion the present system is one in which Indigenous and imported fertilizers are significantly under priced with substantial subsidy on both domestic production and imports while price on phosphoric and potassic fertilizer are largely market determined. This was done since urea (nitrogenous) is the most preferred fertilizer among farmers. Hence on an average a subsidy amounting to more than Rs forty one per tone is presently borne by the government. To reduce the fertilizer subsidy bill the government decontrolled the pricing of both phosphatic and potassic fertilizer in 1992 cut out anticipating the farmers' response. Since this increased the prices of both P & K shapely till pattern of fertilizer use was greatly tilted in far out of nitrogenous fertilizer. The ratio of N & K is around 9:2:1 whereas on grounds of agronomic efficiency it should be 4:2:1 excessive use of nitrogenous fertilizer besides involving a heavy cost in terms of subsidies also causes environmental problem. The Indigenous fertilizer subsidy compeer to 1993-94 is 81.0 percent is increase and 2007-08 is 53.7 percent is decrease. The Indigenous fertilizer subsidy totally growth rate is 13.4 percent. . The imported fertilizer subsidy compeer to 1993-94 is 18.9 percent is increase and 2007-08 is 3.5 percent is decrease. The imported fertilizer subsidy totally growth rate is -0.9 percent. The sale of decontrolled fertilizer subsidy with to farmer's compeer to 1994-95 is 9.1 percent is decrease and 2007-08 is 42.6 percent is increase. The sale of decontrolled fertilizer subsidy with to farmer's fertilizer subsidy totally growth rate is 10.8 percent.

Table No.6.6

## Agriculture subsidies in India 1993-1994 to 2005-2006

(Rs. in crores)

Years	Food Subsidy	Fertilizer Subsidy	Electricity Subsidy**	Irrigation Subsidy ###	Total Subsidy
1993-94	-	4562 (32.4)	2400 (17.0)	5872 (41.7)	14069 (100)
1994-95	-	5769 (35.7)	2338 (14.4)	6772 (41.9)	16125 (100)
1995-96	-	6735 (38.1)	1977 (11.1)	7931 (44.8)	17677 (100)
1996-97	-	7578 (29.0)	8356 (32.0)	9221 (35.3)	26050 (100)
1997-98	-	9918 (37.9)	4937 (18.8)	10318 (39.4)	26156 (100)
1998-99	-	11596 (40.7)	3819 (13.4)	11827 (41.6)	28424 (100)
1999-2000	9434 (21.9)	13244 (30.7)	6033 (14.0)	11196 (26.0)	43025 (100)
2000-01	12060 (23.7)	13800 (27.1)	8919 (17.5)	13259 (26.1)	50771 (100)
2001-02	17499 (30.8)	12595 (22.1)	10410 (18.3)	13009 (22.9)	56747 (100)
2002-03	24176 (40.5)	11015 (18.4)	8521 (14.2)	12794 (21.4)	59679 (100)
2003-04	25181 (37.7)	11847 (17.7)	14544 (21.8)	10921 (16.3)	66625 (100)
2004-05	25798 (34.1)	15879 (20.9)	17852 (23.6)	12508 (16.5)	75635 (100)
2005-06	23077 (27.8)	18460 (22.2)	20301 (24.4)	14625 (17.6)	82967 (100)
2006-2007	24388 (23.7)	21041 (24.7)	22750 (26.7)	16742 (19.7)	84921 (100)
2007-2008	25699 (27.8)	23622 (25.5)	25180 (27.2)	17859 (19.3)	92360 (100)
Increase(+)/ Decrease(-)	172.4	417.7	9.4	204.1	556.4
Growth Rate	19.1	27.8	0.6	13.6	37.0

1. Fertilizers and other subsidies given to marginal farmer's expenditure budget 2007-08, central government.

2. Electricity & irrigation: central statistical organization.

3. The estimates based on revised series base 1999-00 are provisional.

\* Provisional

\*\* Includes all subsidies to Electricity Boards and Corporation. Separate estimates of Electricity subsidy accountable exclusively to agricultural sector.

## The rates for supply of water to farmers are kept low as a matter of policy, resulting in losses to the government irrigation system. The excess of operating costs over the gross revenue is treated as imputed irrigation subsidy.

**Source:** Central Statistical Organization, New Delhi.

**Note:** The estimates based on revised series base 1999 are provisional.

Though one might accept the necessity to subsidize inputs during the reform period one is not sure why this distortion is still not undone. To understand the nature of input subsidies the CISCs of fertilizer and irrigation discussed briefly.

#### **I) Fertilizer:-**

Subsidy on fertilizer provides a good example to know the nature of input price distortion. The present system is one in which nitrogenous fertilizers are significantly under priced with substantial subsidy on both domestic production and imports while price on phosphoric and potassic fertilizer are largely market determined. This was done since urea (nitrogenous) is the most preferred fertilizer among farmers. Hence on an average a subsidy amounting to more than Rs forty one per tonne is presently borne by the government. To reduce the fertilizer subsidy bill the government decontrolled the pricing of both phosphatic and potassic fertilizer in 1992 cut out anticipating the farmers' response. Since this increased the prices of both P & K sharply till pattern of fertilizer use was greatly tilted in favour of nitrogenous fertilizer. The ratio of N & K is around 9:2:1 whereas on grounds of agronomic efficiency it should be 4:2:1 excessive use of nitrogenous fertilizer besides involving a heavy cost in terms of subsidies also causes environmental problem. The fertilizer subsidy compared to 1993-94 is 32.4 percent increase and 2007-08 is 25.5 percent decrease. The fertilizer subsidy total growth rate is 27.8 percent.

## **II) Electricity:-**

In the case of electricity the method used for working out per unit subsidy to agriculture is the difference between the average cost of electricity generation and distribution and the tariff charged from agriculture. But this method suffers from some serious limitations. The average operating costs and per unit cost of supplying electricity tends to get inflated due to inefficiency in operation overstaffing and outright leakages. Keeping in view the fact that a major chunk of the electricity supplied to this sector is during the late night hours when its opportunity cost is relatively low due to no or minimal demand from other potential buyers mainly the industrial sectors the measurement of opportunity cost or shadow price of electricity used by agriculture is certainly much lower than the average cost of supplying electricity. It is well known that the quantity of power consumed by the agricultural sector is calculated as a residual after deduction from the total generation the amounts consumed by other important categories. This method puts all leakages arising in other sectors as consumption by agriculture thereby exaggerating the consumption for irrigation purposes. According to some studies the government calculations overestimate from 20 percent to 80 percent of their total consumption depending upon the state. The Electricity subsidy compared to 1993-94 is 17.0 percent decrease and 2007-08 is 27.2 percent increase. The Electricity subsidy total growth rate is 0.6 percent.

## **III) Irrigation:-**

One of the serious use subsidy on canal water (along with electricity subsidy) has led to excessive irrigation causing salinity and water logging in some areas and over draft and depletion of ground water in others. The Vaidyanathan Committee on Irrigation estimated that water rates per hectare need to be raised by about six times only to cover maintenance cost. Such massive under pricing of water leads to wasteful use of water at the upper end of distribution system encouraging a shift to water intensive crops. The committee also recommended an upward adjustment in water rates to reflect water costs more accurately is highly desirable to encourage more economical use of water. The irrigation subsidy compared to 1993-94 is 41.7 percent increase and 2007-08 is 19.3 percent decrease. The irrigation subsidy total growth rate is 13.6 percent.



#### **IV) Food subsidy:-**

Developing countries have been several options under the SDT in the matter of food security. These are higher exemptions in the matter of both product and non product support (for production) the provision to allow the developing to provide food stuffs on a regular basis at subsidized prices for meeting food requirements of urban and rural poor (under consumption and price stabilization) the permission to developing countries to maintain food security stocks and the provisions allowing the levy of additional tariffs under special safeguard clause to mitigate the effects of flood of cheap imports.

The most serious aspect of food management during the recent period is a deliberate attempt to erode the credibility of the food management system. This applies to PDS as much as to the policy for minimum support which is sought to be replaced by insurance etc. Putting is the Indian farmer once again at the mercy of the insurance agents and the traders. The Food subsidy compare to 1999-2000 is 21.9 percent is decrease and 2007-08 is 27.8 percent is increase. The Food subsidy totally growth rate is 19.1 percent.

#### **6.7) Horticultural export:**

Horticultural crops are high value crops. They respond a very well to the inputs resulting in high productivity. They are highly perishable in nature hence need to be stored well handled carefully and transported quickly.

The globalization process has motivated our farmers to think of the global demands. Based on it the farm management techniques Vis-a Vies cropping pattern are changing so as to spin the foreign exchanges. Horticultural products are being demanded by the foreign consumers consequently the farming is tending towards its growth and expansion in various states.

In terms of global trade India's share in the agricultural export is significant while India contributes to the world's 8 percent and 11.5 percent fruits and vegetables is less than one percent.

#### **6.8) WTO and Agricultural export:**

The WTO agreement is a milestone in the development of the international trade in agricultural commodities. Agriculture has been brought under international discipline which is of great significance on the part of the LDCs in general and India

in particular. It is very difficult to foresee the exact outcome of the world trade organization (WTO). There are complexities involved in various provisions. The challenge is left to the agriculturists to prove them an opportunity for making some heroic efforts to capture the world market. Traditionally plantation and the fiber crops occupied prime position in the agriculture export of our country. Oilseed occupied a dominant position in the import.

Some horticulture commodities are becoming India is exporting onion to more than 45 countries and major countries like UAE, Malaysia, Singapore, Sri-Lanka, Saudi Arabian, Bangladesh, Kuwait, and Mauritius. Floricultural export is emerging industry in India. Export of grapes from India has increased many folds ever since it started in 1991 but still faces the quality countries. It is estimated that the market could go up to Rs.23000 crores within the next six to seven years. Government is looking for potential rise in floriculture exports from India. IDBI is examining a case by case basis the floriculture unit's rehabilitation package.

The WTO agreement and agriculture had entered the significant phase of negotiations in 2000-2001 as required by article 20 of the agreement. In the plantation commodities have been faced with non tariff wall imposed by the WTO agreement on sanitary and phytosanitary measures.

The principal problems faced by the different sections of the floriculture industry arise from various situations. The WTO agreement binds 100 percent of agricultural products tariff lines and requires developing and developed countries to bring down both bound and applied tariffs the pattern of tariff cuts has not been specified. This has significant implication on the horticulture industry.

Cut flower exports from India face higher import duties in Europe (13 %) during non peak market (May-September). When flowers are required (i.e. during November - April) the tariff rates are lowered to 5 to 6 percent. But the real tariff work out on fob plus freight to 17 percent. Due to higher tariff walls the Indian flowers have to search out the domestic market. India should be very particular in negotiating the scientific criteria for reduction in imports tariffs.

India has submitted to the WTO a negative AMS. Plantation commodities are left out of AMS calculation. But these commodities are the subject to AMS in future. India has to situate bulk of domestic support extended to plantation commodities in the permissible green box category. Domestic support extended to Indian coffee and spices in Western Ghats and to India tea large cardamom and endemic chilies in the

North East and Eastern Himalayas eminently qualify under regions development and environment causes to be landed and lacked up in the green box. The regional assistance schemes and environmental support schemes are exempted from the regimentation of the WTO agreement on subsidies and countervailing measures.

The evicting scope of sample analysis methods is narrow and do not suit to Indian spice exporters. Notifications of new regulations are required to be made known to the exporters. Even the codex standards will not look into sample analysis which is a strong inducement to utilize standards as NTBs.

In the changing export marketing scenario, every industry is facing a high degree of economic pressure in export business which today no longer depends on domestic market alone. Export business activities and at times offering the only solution to its survival.

On the other hand since 1993 the EU through its various technical directives has made use of a recognized quality standard which is an increasingly essential requirement for doing business with EU countries.

A well documented and efficiently implemented ISO 9000 quality management system provides an exhibitive opportunity to fulfill this requirement for exporting in Europe. In other words an exporter with ISO 9000 certification has better chances of placing our products in the European market without such a certification some people view this as unilateral to free trade.

The quality system as documented and implemented must satisfy the requirement of the appropriate ISO 9000 standard. Involvement of the approved third party for certification is important.

#### **6.9) Export Subsidy in India:**

Export subsidies of the kind tested in the agreement on agriculture, which attract reduction commitment, are not extended in India. Further India is making use of these subsidies in certain schemes of agricultural and processed food product export development authority especially for facility export of horticulture products.

Whereas today despite reduction commitment export subsidies, several developed countries continue to make extensive use of export subsidies which is not markedly different from what they have been doing in the past. For example of the total export subsidies on wheat in the world, the share of the 5 top countries (the United State, the European Union, Canada, Turkey and Hungary) was 95 percent for

rice the figure was 100 percent and the countries subsidizing their rice export the most were Indonesia, the European Union, Uruguay, the United States and Colombia. For most of product, the European Union is the largest user of export subsidies, particularly for sugar and dairy. This is India countries no subsidy and agriculture product.

#### **6.10) Reduction in Export Subsidy:**

The Uruguay round agreement on agriculture rules of improves disciplines on export subsidies in the current World Trade Organization (WTO) trade negotiations on agriculture. A total of 25 World Trade Organization (WTO) members can subsidies exports but only for products on which they have commitment in their schedules to reduce the subsidies. Those without commitment cannot subsidies agricultural export at all. Some among the 25 have decided to greatly reduce their subsidies or drop them completely since the Uruguay Round Agreement on Agriculture (URAA) was signed. The agreement includes certain temporary exemptions for developing countries, allowing them to subsidies marketing and transport.

Limits on and reductions in the volume and value of export subsidies are the key policy commitment on export competition in the Uruguay Round Agreement on Agriculture (URAA). Each country agreed to reduce the volume of subsidies export by 21 percent over six years from a 1986 -1990 base period level (14 percent over a 10 years period for developing countries) and reduce the value of export subsidies by 36 percent (24 percent over 10 years for developing Countries). The Uruguay Round Agreement on Agriculture (URAA) provides flexibility by allowing countries to redistribute the value of subsidies of the volume of subsidies export over years but the cumulative totals through the years 2000-2001 are not to exceed those that would have resulted from full compliance countries. Were also permitted to aggregate products to a limited degree within a commodity group in their commitments. The reductions apply to each of 23 product categories. The least developed countries are not subject to reduction commitment.

### **6.12) Export Subsidy commitments:**

The following export subsidies are subject to reduction commitment under this agreement.

i) The provision by government or their agencies of direct subsidies, including payments in kind to a firm to an industry to producer of an agricultural product to a co-operative or to a marketing board contingent on export performance.

ii) The sale or disposal for export by government or their agencies of non commercial stocks of agricultural product at a price lower than the comparable price charged for the like product to buyers in domestic market.

iii) Payments on the export of an agricultural that are financed by virtue of governmental action, whether or not a charge on the public account is involved including payment that are financed from the proceeds of a levy imposed on the agricultural product concerned or an agricultural product from which the exported product is derived.

iv) The provision of subsidies to reduce the cost of marketing export of agricultural product including handling, upgrading and other processing costs and the cost of international transport and freight.

v) Internal transport and freight charges on export shipment provided or mandated by government on terms more favourable than for domestic shipment.

vi) Subsidies on agricultural product contingent on their incorporation in exported product

### **6.13) Conclusion:**

Though exact comparisons of agricultural subsidies across countries may not be possible or precise due to differences by OECD countries and subsidies as computed in India. Developed countries is largest subsidy per hectare in the world to its farmers as a result of this policy that directly influences production, enormous surpluses have emerged in major agricultural commodities in these countries resulting in downward pressure on international prices for agricultural commodities with adverse impact on the livelihood of resource poor farmers in developing countries. The agriculture is not adequately supported by required infrastructure facilities. In this present situation rethinking about the reform policies are very much in urgent for the future development of Maharashtra agriculture. Protective technology, proper infrastructure, credit facilities, proper diffusion of the development

strategies, scientific knowledge and motivation etc. are needed to enter in to the world market on equal footing with the farmers. And in all these endeavors the central consideration should be given to the small and marginal farmers.

Progressive nation is a lot of type's rules on other states crops and it given to support to agriculture production and producers. Its effect means the farmer is not throwing his crops on the other nation for the sales. The rich farmer and a lot of farms people is benefit of open market system and world nation, it's totally bad effect on small farmers and short areas farm.