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# India's sugarcane subsidy breaches WTO norms, allege US & Australia

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Joint paper says during 2018-22 period, subsidies were over 90 per cent of the production value

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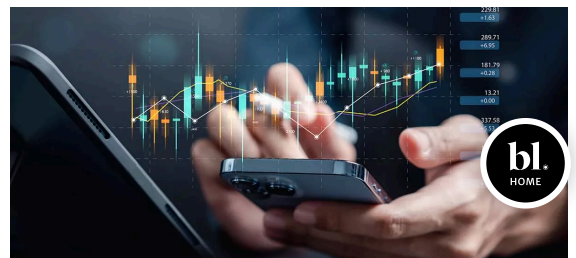
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For AMS levels, the report referred to the methodology recommended by a WTO panel that had ruled against Indian sugar subsidies in 2021, which was subsequently rejected by New Delhi in its appeal against the ruling | Photo Credit: RAJU SANADI

The US and Australia have contended that India has provided

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sugarcane subsidy<sup>1</sup> [Open in App](#)  
 limits set out in the WTO's  
 Agreement on Agriculture (AoA),  
 which may have distorted global  
 trade.

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In a recent paper submitted to the  
 WTO's Committee on Agriculture,  
 based on compilation of data on  
 India's market price support for  
 sugarcane over a four-year period  
 (2018-19 to 2021-22), both the  
 countries argued that during all  
 the four years India's sugar  
 subsidies crossed 90 per cent of the  
 value of production against the  
 permissible level of 10 per cent.

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"We continue to be ready to engage  
 in discussions with India and  
 other members regarding the  
 significance of India's market price  
 support and resulting AMS  
 (Aggregate Measurement of  
 Support) for sugarcane...and their  
 impact on global sugar markets,"  
 the countries said.

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## FRP, SAPs

However, for calculating subsidy (AMS) levels, the report referred to the methodology recommended by a WTO panel that had ruled against Indian sugar subsidies in 2021 (for the period 2014-15 to 2018-19), which was subsequently rejected by New Delhi in its appeal against the ruling.

“Each sugar season...India sets the Fair and Remunerative Price (FRP) for sugarcane. The FRP is an administered price that effectively acts as a floor price for sugar mills to pay farmers for sugarcane. In addition, farmers are paid premiums for increased production efficiency, and farmers in some States are eligible for additional payments by sugar mills under specific State-level support, known as State-Advised Prices (SAPs). This paper implements the approach to calculating India's market price support and AMS for sugarcane as discussed by the WTO panel in its report on the India – Sugar and Sugarcane dispute,” the US-Australia paper pointed out.

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## India points to error

Significantly, in its appeal against the WTO panel report in January 2022, India argued that the panel had erred in finding that the country's FRP and SAP constituted market price support under the AoA.

The US-Australia report said India's appeal, prevented the panel report from being adopted by the WTO Dispute Settlement Body. As the Appellate Body of the WTO is not functional because of non-

appointment of members, no decisions on appeals can be taken till it starts functioning again.

Quoting publicly available information, the paper said India's Market Price Support in 2018-19, 2019-20, 2020-21 and 2021-22 was \$15.9 billion, \$14.6 billion, \$16.5 billion and \$17.6 billion, respectively. This constituted over 90 per cent of the value of production of sugar every year against the permitted level of 10 per cent.

The US-Australia analysis uses the entire sugarcane production in India in a given year for calculating the subsidies, regardless of whether or not the sugarcane was actually delivered to sugar mills for crushing under the Sugarcane (Control) Order.



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