

GOVERNMENT OF INDIA  
MINISTRY OF AGRICULTURE AND FARMERS WELFARE  
DEPARTMENT OF AGRICULTURE AND FARMERS WELFARE

**LOK SABHA**  
**UNSTARRED QUESTION NO. 4345**  
TO BE ANSWERED ON THE 29<sup>TH</sup> MARCH, 2022

**CHALLENGE TO PROCUREMENT OF CROPS AT MSP**

4345. SHRI T.R. BAALU :

Will the Minister of AGRICULTURE AND FARMERS WELFARE कृषि एवं किसान कल्याण मंत्री be pleased to state:

- (a) whether it is a fact that procuring all the 23 crops at Minimum Support Price (MSP), as against the current practice of procuring largely rice and wheat, will result in India breaching the de minimis limit making it vulnerable to a legal challenge at the World Trade Organization (WTO);
- (b) if so, the steps proposed to be taken by the Government keeping in mind that India will not be able to employ the peace clause to defend procuring those crops that are not part of the food security programme (such as cotton, groundnut, sunflower seed); and
- (c) if not, the reasons therefor?

**ANSWER**

MINISTER OF AGRICULTURE AND FARMERS WELFARE

कृषि एवं किसान कल्याण मंत्री (SHRI NARENDRA SINGH TOMAR)

(a) to (c) : As per the WTO agreement on Agriculture (AoA), market price support provided through procurement of crops by the Government at administered prices, that is, Minimum Support Price (MSP) (in case of India) is subject to product-specific *de minimis* limit. According to AoA, market price support is calculated as the difference between the Applied Administered Price (i.e., MSP in India's case) and fixed External Reference Price (ERP) multiplied by Eligible Production [i.e.,  $MSP = (MSP - ERP) \times \text{Eligible Production}$ ]. The ERP is the average of the 1986-88 import/export price of the product and eligible production is the actual procurement of the concerned product. As such, procurement of crops at MSP may not result in breaching the de minimis limit.

Further, India being a developing country, an interim mechanism, commonly referred as the peace clause is available in accordance with various decisions taken at Ministerial Conferences of the WTO held in Bali (December 2013), Nairobi (December 2015) and in the WTO General Council in November 2014. According to the Peace

clause, WTO members would exercise due restraint in raising disputes under the relevant provisions of the AoA in respect of public stockholding programmes for food security purposes even if countries exceed their permissible limits on the subsidies involved in food purchases under such programmes.

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