Food Security in India Under WTO Regime

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ABSTRACT: Food security, trade liberalization and the World Trade Organization (WTO) have all been at the centre of various public and expert debates, amongst academicians, policy makers, in the media and in the civil society at large, both at national and international levels. Food (in)security is primarily a phenomenon relating to individuals, and is determined by three sets of factors concerned with supply, access and guarantees to food. In the multilateral world, by contrast, the issue is much narrower. Food security is considered as a state affair, and discussion tends to focus on adequate supplies of imported food. This paper aims to help identify how a future multilateral agreement on agricultural trade can provide a secure framework within which developing countries, especially India, can pursue effective policies to ensure their food security. The paper also analyses the current state of food security in India under the WTO regime and India’s stand on the WTO policies on agriculture and food security and evaluates India’s position on the WTO policy on agriculture and food security. This research is descriptive and analytical in nature. Secondary and electronic resources have been largely used to gather information and data about the topic.

KEYWORDS: Developing countries, Food security, multilateral agreement, WTO policies on agriculture

I. INTRODUCTION

Food Security as defined by FAO is the physical and economic access for all people at all times to enough food for an active, healthy life with no risk of losing such access and as such is directly connected with livelihood in the developing countries. The World Food Summit of 1996 defined food security as existing “when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life”. Commonly, the concept of food security is defined as including both physical and economic access to food that meets people’s dietary needs as well as their food preferences. Food security is, therefore, primarily a phenomenon relating to individuals, and is determined by three sets of factors concerned with supply, access and guarantees to food.1

Quite often, the various views expressed in these debates start from widely differing premise, even different notions of what constitutes food security, its links to international trade, the role of WTO in influencing food security, and so on.

II. FOOD SECURITY and W.T.O.

The 2007-2008 global food crisis threw the relationship between food security and international trade into sharp relief. Most notably, trade measures were the principal form of national response to skyrocketing food prices. Today, international trade and high food prices continue to command international headlines. The overall trend line for food prices over the past decade remains one of sharply increasing and volatile prices.2

The global food crisis and the likelihood of higher food prices in the future are particularly salient to international trade in agriculture and food.3 In the post-crisis context, there has been a renewed interest in using international trade rules to support a more enabling environment for food security.4 The World Trade Organization (WTO) matters considerably in this regard as it sets the basic parameters of trade rules available to governments in pursuit of food security objectives, ranging from border measures to domestic food assistance programs.

1 Stevens, Christopher, Romilly Greenhill, Jane Kennan and Stephen Devereux, The WTO Agreement on Agriculture and Food Security, 2000
2 FAO, Food Price Index monthly release data, 8 November 2011, 5 May 2011, and 3 March 2011
3 OECD-FAO (2010), Agricultural Outlook 2010-19, Paris: OECD
Yet the present food security challenge is taking place during a period of profound structural transformation of the global food economy. The intertwining of food, energy and finance, changing global supply and demand dynamics, and greater consolidation in the agri-food sector, are key drivers of today’s high food prices. These conditions differ considerably from the conditions in the 1980s and 1990s when the current international trade regime for agriculture was created. Overproduction and declining prices dominated the agenda when States embarked on establishing a new international trade regime for agriculture during the Uruguay round of negotiations of the General Agreement on Tariffs and Trade (GATT). As a result, much of the existing WTO agricultural trade architecture, ranging from border protection, anti-dumping, and support for producers, are anchored within a framework primarily concerned with managing States’ policy response to declining agricultural prices.

Today, the challenge facing the international community is to foster resilient national food systems in food insecure developing countries. There is a global consensus that achieving these goals will require significantly increasing the levels of national and international support for small-scale farmers and sustainable and equitable rural development. This may well include creating new types of food security trade-related measures and revising existing trade rules.

In this context, it is critical to have a clear picture of whether current WTO rules on agriculture provide States with sufficient flexibility to allow them to meet their obligation under international human rights law to respect, protect and fulfill the right to food. This picture remains unclear. Indeed, many provisions in the Agreement on Agriculture (AoA) are ambiguous, highly complex and open to considerable interpretation.

Achieving WTO consistency is that much more difficult in practice than is commonly acknowledged. Uncertainty and complexity are particularly acute for developing countries, many of which tend to lack sufficient technical and legal capacity to fully assess the implications of WTO rules for their domestic policies. Such uncertainty is highly undesirable given the potential chilling effect of WTO rules on food security policy. Although the likelihood of a trade dispute resulting from food insecure WTO members adopting new food security policies may be low, policy-makers are risk averse.

2.1 Food Security

Food (in)security is primarily a phenomenon relating to individuals, and is determined by three sets of factors concerned with supply, access and guarantees to food. In the multilateral world, by contrast, the issue is much narrower. Food security is considered as a state affair, and discussion tends to focus on adequate supplies of imported food. To widen the discussion, the entitlements approach has been used to identify the various ways in which international trade might impinge upon individual food security and, by analogy, to identify the characteristics that would tend to make some countries more food insecure than others.

Food security may be said to be determined by:

- **Production-based entitlements**, which will be influenced by policies that affect the demand and supply of factors affecting production, some of which will relate to international trade;
- **Trade-based entitlements**, which will be influenced by policies that affect the level and variability of food prices in relation to the price of what individuals are able to exchange for food; in cases where there are substantial agricultural exports, trade-based entitlements are likely to be affected by policy on both sides of the trade balance;
- **Labour-based entitlements**, which are influenced by the level and location of employment opportunities which may, in turn, be influenced by trade policy;
- **Transfer-based entitlements**, which include formal transfers from governments and aid donors that may be influenced by multilateral trade agreements.

2.2 W.T.O. Policies and Food Security

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6 Supra note 1, at pg. 5
Existing WTO rules do include certain flexibilities for States to pursue food security-related measures. From a right to food perspective, certain elements of the draft modalities in agriculture are an improvement on the Agreement on Agriculture (AoA), most notably proposed changes to the green box criteria on public stockpiling for food security. However, many of these modifications to the AoA are relatively modest and even these are by no means assured with the outcome of the Doha Round highly uncertain. Many elements of the AoA and the draft modalities continue to fall short of offering a favorable policy framework for the realization of the right to food, such as the narrow range of policy measures that could be used to potentially establish national and regional food reserves and domestic institutions to manage price and income volatility for poor rural households.7 Many WTO rules are highly ambiguous and inject a high degree of uncertainty into food security policymaking, thereby discouraging States to develop and implement comprehensive and innovative national right to food strategies. Steps to establish a more certain and transparent policy environment would enhance international cooperation on the right to food. What is at stake is to encourage and strengthen the reinvestment in agriculture, which has been an acknowledged priority of the international community since 2007. The WTO negotiations should clearly reflect the renewed consensus for developing countries to increase public investment in agriculture and develop food security policies. In other words, the outcome of the Doha Round must not discourage policy innovation in food security, it has to nurture it.

The Special Rapporteur on the right to food set out a number of requirements, aimed at ensuring the compatibility of the WTO framework with the pursuit of food security and the realization of the human right to adequate food. These include: (a) ensuring that the future criteria of the green box do not impede the development of policies and programs to support food security and that they are tailored to the specific national circumstances of developing countries; (b) avoiding to define the establishment and management of food reserves as trade-distorting support; (c) adapting the provisions of the AoA and other WTO agreements (in particular, in the area of public procurement) to ensure compatibility with the establishment of food reserves at national, regional and international level; and (d) allowing marketing boards and supply management schemes to be established.

It has been consistently underscored that developing States should be allowed to insulate domestic markets from the volatility of prices on international markets: indeed, they should be encouraged to do so. This requires strengthening and materializing the proposed safeguard measures – Special Safeguard Mechanism (SSM) and Special Products (SPs). But it also requires ensuring that States maintain flexibilities to regulate the volume of imports in order for policies such as marketing boards and supply management schemes to be fully functional, as measures such as the SSM can only be implemented on a temporary basis.8

It is concluded that, in order to achieve greater compatibility in the long term between the international trade regime and global efforts to reverse food insecurity and realize the right to adequate food, WTO Members should, with the assistance of the WTO Secretariat, convene a panel of experts to systematically analyze the compatibility of existing WTO rules, and those under consideration in the Doha Round, with national and international food security strategies and policies; assess the impact of trade liberalization on world food prices; and initiate a substantive discussion at the WTO of the medium and longer-term implications of the lessons learned since the 2007 global food prices crisis for the international trade regime, including the new consensus on the role of States in reinvesting in food security at national level.9 In no circumstances should trade commitments be allowed to restrict a country’s ability to adopt measures guaranteeing national food security and the right to adequate food: a waiver to allow the adoption of such measures should be envisaged.

III. FOOD SECURITY IN INDIA

This chapter examines the state of food security in India, based on an analysis of a selection of indicators of food security and nutritional wellbeing during the period 1995-2011 within the context of the WTO Agreements. Ensuring food security that is the access of the population to sufficient food to meet its nutritional requirements is a basic objective of governmental policies in agrarian developing countries like India. Hence, food security issues cover not only issues related to the availability and stability of food supplies but also to issues of access to this supply i.e., related to the resources that may be needed to procure the required quantity of food.

8 Ibid
9 Ibid
This study aims to help identify how a future multilateral agreement on agricultural trade can provide a secure framework within which India can pursue effective policies to ensure their food security. Rising incomes, urbanization, and shifting consumption patterns have increased food consumption in many areas of the world. According to the Millennium Ecosystem Assessment, the prospect of providing sufficient food to sustain another 2 billion people by 2020 has rightly focused attention on the very real threats to food security if the productivity of agricultural systems cannot keep pace with this demand.

Agriculture remains the largest employment sector in most developing countries and international agriculture agreements are crucial to a country's food security. Some critics argue that trade liberalization may reduce a country's food security by reducing agricultural employment levels. Concern about this has led a group of World Trade Organization (WTO) member states to recommend that current negotiations on agricultural agreements allow developing countries to re-evaluate and raise tariffs on key products to protect national food security and employment. They argue that WTO agreements, by pushing for the liberalization of crucial markets, are threatening the food security of whole communities.

The aggregate impact of changes in trade policy on the food security of a particular country would depend on the relevant strategy pursued: food self-reliance or food self sufficiency. Self-reliance in food is when a country pursues an externally oriented trade regime with a view to earning enough from its exports of goods and services to finance its food requirements. On the other hand, the food self-sufficiency approach entails the country meeting its food requirements—or a substantial part of it—from domestic production.

But economists argue that trade liberalization should enhance food security, enabling imports to offset production shortages. The purpose of this research is to determine how the Indian governments address long-run chronic and short-run acute food insecurity, and whether that has changed as a result of the considerable trade liberalization already undertaken by developing country food importers, largely due to conditionality of structural adjustment programs. Ever since India became a signatory to the WTO Agreement on Agriculture (AOA) in 1995, a concern that has been raised repeatedly is whether agricultural trade liberalization would destroy India’s food security.

Many developing countries including India fear that with trade liberalization they have given up tools to address both chronic and acute food insecurity. Hence, food security is prominent in their WTO negotiating positions on agriculture. In India, this is a critical issue since a large section of the population is dependent on agriculture for their livelihood, and the poor consumers already spend an overwhelming share of their income on food.

In India, till the 1980s, food grains production increased much faster than the growth of population. In the decade of the 1980s, the population grew at a compounded annual growth rate (CAGR) of 2.1%, while foodgrain production rose by 3.1% CAGR. Thereafter, the growth rate of foodgrain production slowed down considerably, so much so that during the current decade (till financial year 2009-2010), the growth rate of foodgrain production was way below that of population increase. With India’s population estimated to reach 1.3 billion by 2017, the Government of India estimates that the country may fall short of 14 million metric tons of food grains. This has created the need to meet rising food needs by improving India’s crop productivity through the use of technology and innovations in agriculture.

Physical access to food in developing countries can be ensured only through a certain minimum level of self-sufficiency. Further, the subsistence and livelihood of farmers in large agrarian economies can also be seriously jeopardized due to cheap/subsidised imports. Despite production volumes, food shortages and price inflation can destabilize the political environment and hence, food security and price stability are important policy objectives. Since agriculture is the major source of income to a large share of the Indian population, any structural adjustment arising from external sources is of serious concern to Indian policymakers.

The food security in India is facing the problems of both controlled and uncontrolled marketing deficiencies. Unless that sector is sustainable one cannot really look for options for people to achieve food security in the immediate short or even mid-term. Unfortunately, in the past, the food security issue was delinked from

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10 Ronald, Bindu Samuel, Market Access for Agricultural Products, 2006
agricultural production. Around 35 per cent world’s food insecure population lives in India and 10-15 per cent of the total households in India are food insecure, and do not get an assurance of getting at least two meals a day. Though PDS is a major step in bringing the food security clause into the mainstream, many of the states does not get the proper support from the State itself. There are problems of health and education access because of the increasing expenses incurred on costly food.

3.1 FOOD INSECURITY IN INDIA DUE TO W.T.O.

Trade liberalization and globalization of agriculture is robbing the peasants and landless workers of already low incomes and livelihood security. There are three mechanisms by which the rural producers are either being super-exploited or they are being rendered dispensable.

1. Destruction of the market support at domestic level both in terms of procurement and in terms of guarantee of Minimum Support Price (MSP). The MSP is to agriculture what minimum wages are in the individual and service sectors, the minimum prices a farmer should receive to cover costs of production and her/his labour. However, as a result of globalization, the government has started to withdraw from its role in procurement and price regulation. Riots have occurred in different parts of the country with farmers protesting against lack of markets and fall in prices of agricultural commodities.

2. Diversion from food crops to perishable cash crops and promotion of monocultures thus creating market dependency on corporate monopolies. Globalization policies have promoted the idea that farmers should shift from food grains and stapes to vegetables and fruits. Export promotion zones for fruits and vegetables are a major thrust area in the new agriculture policy. On the one hand this erodes food security for households and the nation. On the other hand it pushes farmers into distress sales, since fruits and vegetables cannot be consumed or stored at the household level.

3. Removal of Quantitative Restrictions (QRs) on imports and dumping of subsidised, artificially cheap imports. A dispute initiated by the U.S. against India in the WTO forced the removal of QRs. This has translated into destruction of domestic markets and prices in India being perturbed by the artificially low international prices of commodities. While forcing India to remove import restrictions and reduce domestic support to farmers and the poor, the US has further increased its farm subsidies to USD 180 billion over the next six years amounting to USD 20 billion annually. Most of these subsidies go to agribusiness and to capture export markets. In addition, $10 million funding was made available for export promotions by 65 U.S. trade organizations under the 2002 Market Access Program (MAP) and another $90 million for Market Access under the fiscal year 2002. The Farm Bill 2002 also provides that MAP funding be increased to $200 million by 2006.

Transnational agribusiness giants like Cargill, ADM and Conagra are, in fact, the only beneficiaries from the liberalization of imports and removal of import restrictions. They benefit both from using their immense financial clout to depress world prices during procurement and hike it during sales, as well as from the various subsidies that are given to them for both exporting as well as importing, from both exporting and importing countries.

The Uruguay Round Agreement on Agriculture mentions food security as a legitimate “nontrade” concern of agricultural policy, but the agreement focused exclusively on liberalizing trade in agricultural products. But the results from WTO to Indian food security have a negative impact. There are three dimensions- ecological security; livelihood security and food security are essential elements of an agriculture policy which is sustainable and equitable. Sustainable agriculture is based on sustainable use of natural resources-land, water and agricultural biodiversity (including plants and animals). The current globalization processes of agriculture through WTO threaten to undermine all three dimensions of agriculture policy. They are undermining ecological security by removing all limits on concentration of ownership of natural resources-land, water and biodiversity, and encouraging non-sustainable resource exploitation for short-term profits. The WTO agreement on agriculture combined with TRIPS agreement implies total monopoly over agriculture by a handful on global corporations, and total vulnerability of farmers to crop failure and indebtedness.

IV. ROLE OF TRIPS ON FOOD SECURITY IN INDIA

Another WTO agreement – TRIPS – also affects human rights in agriculture, because it makes it mandatory for countries to provide patent protection for micro-organisms, non-biological and micro-biological processes as well as providing protection for plant varieties either by patents, or by an “effective sui generis
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system.” The fear of such a system of patent protection on genetic resources for food and agriculture is that it could raise the cost of seed and agricultural inputs making them unaffordable for small-scale farmers in developing countries. Another problem is that TRIPS allows patenting of the shared knowledge of indigenous communities. The patenting of seeds coupled with technologies such as “terminator” technology could have drastic effects on the human rights of farmers in India. Farmers are committing suicides, reports of starvation deaths have become common, foreboding a return of famines last experienced under British rule.

The rich nations are adopting any and every type of means – fair or foul, to protect their farmers. Farmers in the LDCs, whose very economic survival depends on being able to save seeds from one year to the next, are ruined by added input costs. Ironically, the community which helped MNCs develop the new varieties of crops are not only denied ownership rights but are also made to pay royalties for use of their own resources. Apart from the need to purchase seeds every year, they performe have to use chemical herbicides and fertilisers. Uniformity in plant varieties and mono-cropping world over may also affect the gene pool, perhaps, irreversibly, besides rendering food security totally dependent upon the stability of the international seed supply industry.13

V. ROLE OF AOA ON FOOD SECURITY IN INDIA

AoA addresses food security issues. The trading system also plays a fundamentally important role in global food security. For example, it ensures that temporary or protracted food deficits arising from adverse climatic and other conditions can be met from world markets.

Concerns had been expressed about the possible impact of the WTO-AoA on poverty and food security in LDCs and net food-importing countries before the conclusion of the Uruguay Round and after the Agreement became effective. However, it has been noted that the predicted price increases and volatility would depend on the pace of agricultural liberalization in the OECD countries and the specific response to the Agreement of the (developing) countries with comparative advantage in agriculture. Furthermore, changes in world food prices reflect the on-going liberalization of agriculture in developed countries rather than the WTO-AoA per se.

Agricultural trade liberalization, promoted under the AoA, threatens the strong base of farmer-oriented agriculture in favour of industrialized and mechanized agriculture largely carried out and controlled by transnational commodity producers and traders from developed countries. The consequence is often a de facto discrimination against the poorest and most vulnerable sectors of society, contrary to human rights. All agricultural products are subject to liberalization under the AoA. This is a concern especially with regard to staple foods that are vital for food security and which can guarantee the right to food.

An examination of India’s implementation experience since 1995 reveals that the AoA has, in fact, had little role to play in shaping agricultural policies. More importantly, there is little concrete evidence that agricultural trade liberalization has been detrimental to India’s food security. In the AoA, trade and commerce come first — in other words, corporate profits take priority over the health of the planet or people.14

There are no measures for food security and rural development purposes that are prohibited by the AoA. For instance, public stockholding and domestic food aid, etc. are all exempt as Green Box measures. Similarly, investment and input subsidies to low-income and resource-poor farmers have also been exempted from any reductions for developing countries. Thus, so far, there has been no constraint imposed by the AoA on India to meet its food security concerns. Under the circumstance, demanding a “food security box” as India has done or a “development box”, as some other developing countries have, is quite unnecessary. In fact, they could be losing propositions, since it would only reinforce demands from highly protected developed countries (in Europe and East Asia) to include their multifunctionality concerns as exempt support.15

The WTO-AoA is expected to have a positive impact on net food-exporting countries because higher world food prices increase export revenues, even if export volumes were to remain fairly stable, or do not fall more than the proportionate increase in price. Thus, depending on the transmission effect of world prices, producer income and their food security could be boosted. For the group of net food-importing countries, the level and variability of prices induced by the WTO-AoA raise two interrelated issues: first, how would these influence household

15 Supra note 12
VI. PREVENTING FOOD INSECURITY IN INDIA

Indian government has taken number of steps to sustain food security in India. The government favors direct investment in household food security rather than rural infrastructure. It proposes fundamental reform of the long established Public Distribution System (PDS) which offers 180 million poor families the opportunity to purchase food and cooking essentials at discounted prices. Subsidies for farmers appear likely to remain in place. This was a response to the mounting tragedy of 90,000 suicides of since 2001, most of them believed to be related to crippling debts for farm inputs. Development and government agencies are piloting schemes for more sustainable farming practices. Micro-irrigation sprinkler technologies are attracting widespread interest as the alternative to wasteful flooding methods. As a step towards food security, which has assumed special relevance in view of recent international developments, the National Food Security Mission aims at increasing cereal and pulses production.

The National Food Security Act, 2013 (also Right to Food Act) is an Act of the Parliament of India which aims to provide subsidized food grains to approximately two thirds of India's 1.2 billion people. The National Food Security Act, 2013 (NFSA 2013) includes the Midday Meal Scheme, Integrated Child Development Services scheme and the Public Distribution System. Further, the NFSA 2013 recognizes maternity entitlements. The Midday Meal Scheme and the Integrated Child Development Services Scheme are universal in nature whereas the PDS will reach about two-thirds of the population (75% in rural areas and 50% in urban areas). As per the provisions of the Act, 75% of rural population and 50% of the urban population are entitled for three years from enactment to 5 kilograms food grains per month at Rs. 3, Rs. 2 and Rs. 1 per kg for rice, wheat and coarse grains (millet), respectively. The states are responsible for determining eligibility criteria. The central government will provide funds to states in case of short supplies of food grains. The current food grain allocation of the states will be protected by the central government for at least six months. The state government will provide a food security allowance to the beneficiaries in case of non-supply of food grains; The Public Distribution System is to be reformed. The eldest woman in the household, 18 years or above, is the head of the household for the issuance of the ration card. There will be state- and district-level redress mechanisms.

VII. CONCLUSION

Food security is primarily a phenomenon relating to individuals, and is determined by three sets of factors concerned with supply, access and guarantees to food. The World Food Summit of 1996 defined food security as existing “when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life”. Food Security as defined by FAO is the physical and economic access for all people at all times to enough food for an active, healthy life with no risk of losing such access and as such is directly connected with livelihood in the developing countries. Commonly, the concept of food security is defined as including both physical and economic access to food that meets people's dietary needs as well as their food preferences.

Trade liberalization and globalization of agriculture is robbing the peasants and landless workers of already low incomes and livelihood security. The aggregate impact of changes in trade policy on the food security of a particular country would depend on the relevant strategy pursued: food self-reliance or food self sufficiency. The current globalization processes of agriculture through WTO threaten to undermine ecological security by removing all limits on concentration of ownership of natural resources- land, water and biodiversity, and encouraging non-sustainable resource exploitation for short-term profits. The WTO agreement on agriculture combined with TRIPs agreement implies total monopoly over agriculture by a handful on global corporations, and total vulnerability of farmers to crop failure and indebtedness. The WTO-AoA is expected to have a positive impact on net food-exporting countries while a negative impact on the net-food importing countries.

The pressures on India are higher given that it is among the very few countries in which the bound tariffs (i.e. maximum tariffs allowed under the WTO regime) are at levels that are significantly higher than most developing countries. Several steps have been taken by the Government of India to sustain food security, the Right to Food Act, 2013 being the most prominent amongst them. It is, however, important for India to maintain tariffs on products that are critical from the point of view of maintaining food security and livelihoods given that the international prices of many of these commodities have remained sticky at low levels in recent years, a point that was made earlier.
VIII. REFERENCES


[9] Stevens, Christopher, Romilly Greenhill, Jane Kennan and Stephen Devereux, The WTO Agreement on Agriculture and Food Security, 2002