

**Voluntary Report** – Voluntary - Public Distribution

**Date:** December 20, 2021

**Report Number:** IN2021-0147

**Report Name:** WTO Rules Against India's Sugar Export Subsidies and Domestic Price Support

**Country:** India

**Post:** New Delhi

**Report Category:** Agriculture in the News, Agriculture in the Economy, Policy and Program Announcements, Sugar, Trade Policy Monitoring, WTO Notifications

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**Report Highlights:**

On December 14, 2021, the World Trade Organization (WTO) released its findings from the dispute panel initiated in August 2019 against India's trade distorting sugar subsidies. The WTO report found that India's subsidies violated its obligations under the multilateral agreement. The Indian government has discontinued its export subsidies under the Maximum Admissible Export Quota (MAEQ) program for the current sugar season (October-September). However, the Ministry of Commerce and Industry stated that the ruling will have no impact on India's existing domestic sugar sector policies and will appeal the decision.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

## **Background:**

On August 15, 2019, World Trade Organization (WTO) members Brazil, Australia, and Guatemala initiated a trade dispute against India, alleging that its sugar support subsidies and measures were inconsistent with the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures. From the original complaint, the list of appellants expanded to include Canada, China, Colombia, Costa Rica, El Salvador, the European Union, Honduras, Indonesia, Japan, Panama, the Russian Federation, Thailand, and the United States (Source: [DS581- Measures Concerning Sugar and Sugarcane](#)).

The grievances were as follows:

- a) That India implemented central and state level market price support programs (which includes the centrally availed Fair and Remunerative Price and State Advised Price) in values greater than the amounts permitted under its WTO commitments (domestic support claims); and
- b) That India provided export subsidies through certain support schemes inconsistent with its WTO obligations (export subsidy claims).

The dispute settlement panel found the claims to be legitimate and stated that India's domestic support measures and export subsidy measures were inconsistent with both price support programs. The panel recommended India bring its domestic support measures into compliance with its WTO obligations, and that India withdraw the sugar export subsidies without delay.

Despite the anticipated decision against India, the Ministry of Commerce and Industry (MOCI) quickly countered the decision and stated that the findings of the WTO panel are "completely unacceptable" and would "initiate all measures necessary to protect its interest and file an appeal at the WTO against the report, to protect the interests of its farmers." Furthermore, MOCI stated that its domestic support measures are in fact consistent with its obligations under the WTO agreement and that the findings would not have any impact on existing and ongoing policy measures in India's domestic sugar sector (See: [Press Information Bureau, December 14, 2021](#)).

The Indian government discontinued its sugar export subsidies for market year (MY) 2021/22 (October-September) that were provided under the Maximum Admissible Export Quota (MAEQ) program, which subsidized sugar exports up to six million metric tons (MMT). India exported approximately 7.2 MMT of sugar in MY 2020/21, with 1.2 MMT shipped without the export subsidy. Even without the subsidy, industry sources remain optimistic about India's sugar export prospects that are estimated upward of six MMT for MY 2021/22. With a sufficient exportable surplus, lower Brazilian production and firm global prices, India has already contracted approximately 3.55 MMT for exports in the current season. According to the Indian Sugar Mills Association, most contracts were signed when the prevailing raw sugar prices ranged \$0.20-0.21 per pound. However, current raw sugar prices that range between \$0.18-0.19 per pound have made Indian sugar mills cautious of signing any further export contracts.

The WTO report, “India — Measures Concerning Sugar and Sugarcane” (DS579, DS580, DS581) can be accessed [here](#). For a detailed analysis on India’s domestic sugar policies, refer to USDA GAIN: [IN2021-0114](#).

**Attachments:**

[Press Information Bureau.pdf](#)