

**Pakistan is shooting itself in the foot when it follows suit
the developed countries' fight against the G-33 proposal**

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According to Oryza news of 31 October 2013, "*The Pakistan government is seeking support of other rice exporters, Thailand and Vietnam, to prevent India from getting a legal subsidy on rice exports in the next WTO meeting to be held in December 2013*"¹.

According to Inside US trade of 2 December, "*Pakistan is standing firm in its objection to the Nov. 19 text. Its objection is driven in part by a fear that a public stockholding program under which the Indian government buys rice at above-market rates could lead Indian producers to sell the remainder of their crop at lower prices in third markets, where it could undercut sales of Pakistani rice. India and Pakistan are the world's only producers of basmati rice. In addition, Pakistan is worried that a large-scale Indian stockholding program could prompt Pakistani farmers to demand a similar arrangement, which would undercut years of reforms aimed at removing government intervention in the agriculture market*".

Pakistan's allegation against Indian basmati rice is totally unfounded as it is not publicly procured nor has a minimum support price (MSP) as this high quality rice gets a too high price to be in the food distribution system and is mainly exported. India controls 65 percent of the overseas basmati market and Pakistan the rest. In 2011 global basmati production was of 6.5 million tonnes (Mt), of which 4.1 Mt in India and 2.4 Mt in Pakistan. In 2012-13 Indian basmati production reached 4.7 Mt, of which 3.2 Mt were exported (against 2 Mt in 2010), the domestic market consuming 1.5 Mt, of which all the broken basmati (1.2 Mt). This represents only 1.5% of the 96Mt of the total Indian domestic consumption of rice in 2012-13² but 27% of its 11 Mt exports.

The Oriza report just quoted adds that "*Local traders in India say that almost all the rice exported by India is handled completely by private traders without any involvement of the Food Corporation of India*". However, for the financial year 2012-13, about 4.24 Mt of wheat were exported from the Government stocks subject to a minimum export price (MEP) of \$300/t and the average realised price stood at \$311.38 per tonne³, much higher than the MSP of \$248.4. Nevertheless part of the private traders' exports of wheat may come from the stocks that the FCI (Food Corporation of India) releases on the domestic open market. Thus "*on July 2, 2013, the government announced an allocation of 8.5 million tons of wheat to bulk consumers (industrial users) and 1.0 million tons for private traders*"⁴.

The ICSTD report of September 2013 written by two prominent Indian experts, Anwarul Hoda (who negotiated the Uruguay Round for India) and Ashok Gulati (Chairman of the Commission for Agricultural Costs and Prices), confirms that "*Domestic prices were held down below international prices in most years despite purchase operations to defend minimum support prices... The MSP and domestic prices in India have not got divorced from international prices*"⁵. Furthermore Ashok Gulati "*told IRIN [Integrated Regional Information*

¹ <http://oryza.com/reports/monthly-review/oryza-september-2013-rice-market-review>

² <http://www.indexmundi.com/agriculture/?country=in&commodity=milled-rice&graph=domestic-consumption>

³ <http://www.thehindubusinessline.com/industry-and-economy/agri-biz/wheat-exports-from-central-pool-to-start-soon/article5112587.ece>

⁴ <http://www.thecropssite.com/reports/?id=2546>

⁵ <http://ictsd.org/i/publications/175214/?view=document>

Networks] *that a situation where India would be in a position to dump excess stocks could arise once in 10 years*"⁶. And Ashok Gulati has just taken position against the Peace Clause.

Pakistan's allegations that Indian rice has been dumped on the world market is particularly unfounded because Indian rice higher competitiveness results from better yields and lower production costs. For Pakistan News Service *"The Indian Basmati varieties yield more than double in Pakistan, changing the entire economics of the crop"*⁷. FAO data show that, from 2006-08 to 2010-12, Indian rice yields have risen by 8.4% when those of Pakistan rose by only 1.2% so that Indian production has increased by 5.3% when Pakistani production has fallen by 4.1%. Clearly Indian minimum support price (MSP) has also largely contributed to that production rise whereas Pakistan has no public procurement policy for rice.

USDA confirms: *"Lack of investment in research and development has resulted in Pakistan's inability to increase productivity in tandem with its major competitors"*⁸. According to Oryza News, *"The Rice Exporters Association of Pakistan (REAP)'s chairman hinted that asking Pakistani farmers to compete with Indian rice is unfair as the Indian government provides about \$30 billion in subsidies to its farmers. He said that besides cheaper electricity and fuel, Indian farmers are provided urea and DAP at less than 50% of the Pakistani prices"*⁹. Yes but Anwarul Hoda and Ashok Gulati have shown that these input subsidies abide by the WTO AoA rules, so that they cannot be taken into account in assessing the potential dumping of Indian rice. And, rather than Pakistan's claim that the higher competitiveness of Indian rice is due to its dumped prices, USDA shows that, in Pakistan *"Massive electricity load-shedding and gas shortages continue to affect the entire export chain, reducing the milling capacity, while gas shortages have hindered the drying process. Decline in the basmati production is also adversely affecting exports"*¹⁰.

Furthermore, Pakistan is shooting itself in the foot when claiming that India is dumping its publicly procured rice because, if Pakistan does not intervene in its rice market, it has a large public procurement for wheat, at 30.4% of production in 2012-13, the same proportion as India, but with a higher procurement price of 312 \$/t against the Indian MSP of 248.4 \$/t. USDA says that *"The government of Pakistan has come under pressure from international and domestic sectors to end its wheat procurement operation and let the markets and the private sector handle the efficient allocation of resources in what is considered a political and rent seeking activity. The government remains steadfast citing national and food security concerns"*. Therefore it is totally justified that Pakistani farmers want to extend the public procurement to rice so that Pakistan should rather defend the right of India to make public procurement of rice and wheat, and the right of DCs to procure basic staples, rather than reinforcing the US and EU fight against the Indian Public Distribution System (PDS).

Furthermore Pakistan will hardly convince Thailand to join its plea against India's PDS as Thailand's new pledging scheme since October 2011 is subject to even higher external criticisms than the Indian one. Indeed the minimum purchase price of rice is at \$484 per tonne, which led the IMF to state: *"With the pledging prices about 40 percent above market*

⁶ <http://www.irinnews.org/report/98972/g33-to-reopen-talks-on-subsidies-at-wto>

⁷ <http://paktribune.com/business/news/Elevation-in-Basmati-Rice-Price-lowers-Exports-11627.html>.

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http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Islamabad_Pakistan_3-21-2013.pdf

⁹ <http://oryzamarket.com/Rice-News/14412.html>

¹⁰ USDA, 28 June 2013: <http://www.thefarmsite.com/reports/contents/PakistanGrain&FeedJune2013.pdf>

prices, it is inevitable for the government to incur losses as long as the scheme remains unchanged"¹¹. But Thailand spurned IMF's call and said that it will press on with a \$21 billion rice-purchase program, saying that the key objectives were to address economic inequality in the country and to help poor farmers improve their productivity¹². The International Grains Council underscores on 31 October 2013 that "*With the Thai government's paddy intervention buying programmes effectively pricing exporters out of key markets in that region, Indian traders gained substantial market share*"¹³.

DCs should be congratulated to pay remunerative prices to their small farmers, the more so when their public procurement allows their poor consumers to get their main staples at subsidized prices as it is the case in India. If the US does not need to build public stocks before releasing its huge domestic food aid, it is because US farmers get large domestic subsidies complementing their prices. Indeed, when the prices were particularly low as in the 1986-88 base period, the US farmers received \$178 of subsidies per tonne of exported rice – against a FOB price of \$130, implying a dumping rate of 137% – and \$80.6 of subsidies per tonne of exported wheat for a FOB price of \$90.6, implying a dumping rate of 88.9%. Now that the world prices of wheat and rice have exploded since 2007 – essentially as the result of the foolish processing of huge amounts of US corn to ethanol – the US subsidies have collapsed but represented nevertheless on average, from 2010 to 2012, \$35.8 per tonne of rice and \$29.5 per tonne of wheat, implying dumping rates of 5.7% for rice and 10.1% for wheat.

On the whole India's total food aid subsidy of \$12.7 billion in 2012 represented 12.8% of the US \$100 billion for a number of beneficiaries 5.9 times higher. The \$27.9 of food aid subsidy per each of the 475 million Indian beneficiaries represented only 2.2% of the \$1,250 per each of the 80 million beneficiaries of the US food aid without double count or 1.7% of the \$1,608 per each of the 46.6 million beneficiaries of food stamps. Restricting the comparison to the food subsidy in cereals per person, that of India represented in 2012 58% of that in the US and only 44% of that per beneficiary of food stamps. But, for the developed countries, particularly the US, India should lower its public procurement even though it must boost its cereals production in view of the expected 414 million more citizens to feed by 2050.

¹¹ <http://www.imf.org/external/pubs/ft/scr/2013/cr13323.pdf>

¹² <http://www.bloomberg.com/news/2013-11-13/thailand-spurns-imf-call-to-rethink-state-rice-buying-program.html>

¹³ www.igc.int