



OECD Report Highlights Taxation of Indian Farmers

For Prelims: Organisation for Economic Co-operation and Development (OECD), Market Price Support (MPS)

For Mains: Impact of Government Procurement & Distribution, Government Policies and Initiatives

[Source: DTE](#)

Why in News?

The latest report titled **Agricultural Policy Monitoring and Evaluation 2023** by the [Organisation for Economic Co-operation and Development \(OECD\)](#) has shed light on the implicit taxation of Indian farmers in 2022.

- According to a report Indian farmers were taxed USD 169 billion in 2022.

What are the Key Highlights of the Report?

- **India's Negative MPS Dominance:**
 - In 2022, India's **negative Market Price Support (MPS) accounted for over 80%** of such taxes globally among 54 countries analyzed in the OECD report.
 - Total implicit taxation for farmers across the 54 countries was approximately USD 200 billion. The implicit taxation imposed on Indian farmers reached a staggering USD 169 billion, making India a major player in this scenario.

Market Price Support (MPS)

- It is defined as the "**annual monetary value of gross transfers from consumers and taxpayers to agricultural producers**" due to policy measures that create a price gap between domestic and international markets.
- It is the measure of benefits or losses experienced by farmers when domestic prices deviate from world prices.
- **Offset Attempts in Emerging Economies:**
 - Many emerging economies with negative MPS managed to offset it through budgetary support.
 - However, in India's case, different budgetary transfers to farmers in the form of large subsidies for variable input use, such as fertilizers, electricity, and irrigation water, [Pradhan Mantri Kisan Samman Nidhi \(PM-KISAN\)](#), did not offset the price-depressing effect of domestic marketing regulations and trade policy measures.
- **Impact on Indian Farmers:**
 - While budgetary transfers **constituted 11% of gross farm receipts**, the negative **MPS**

amounted to 27.5% for different commodities.

- This discrepancy resulted in an overall negative net support of 15% of gross farm receipts, a concerning situation for Indian farmers.

▪ **Export Policies in 2022:**

- In 2022, [India introduced export bans](#), duties, and permits on several commodities, primarily as a response to the [war in Ukraine](#) and the 2022 [heatwave](#).
 - These policies aimed to prevent fluctuations in **domestic prices but, in doing so, lowered farmers' receipts.**
- Commodities affected by these export policies included various types of rice, **wheat, sugar, onions, and related products, such as wheat flour.**
 - Export restrictions directly **affected India's reliability as a supplier** and exacerbated the persistent challenge of low farm incomes.
 - These policies not only impacted domestic markets but also the country's position as a global agricultural producer.

▪ **Global Perspective:**

- The OECD report highlighted that producer support to the agriculture sector across 54 countries averaged USD 851 billion annually during 2020-2022, a substantial increase attributed to responses to the [Covid-19 pandemic](#), inflationary pressures, and the Ukraine war fallout.

▪ **Potential for Distortion:**

- Two-thirds of the positive support to producers across the 54 countries was in forms considered to be 'potentially most distorting' to production and trade.
- These forms include payments based on output and unconstrained use of variable inputs, which can lead to inefficiency and lack of targeted support.

▪ **International Disparities:**

- Emerging economies had potentially more distorting policies, generating both positive support to producers (10% of gross farm receipts) and implicit taxation (6% of gross farm receipts) during 2020-2022.
- In contrast, OECD countries had a lower level of potentially distorting policies but did not implicitly tax producers.

What are India's Initiatives Related to Farmers?

- [The Pradhan Mantri Kisan Samman Nidhi \(PM-KISAN\)](#)
- [Kisan Credit Cards \(KCC\)](#)
- [Mission Organic Value Chain Development for North Eastern Region \(MOVCDNER\)](#)
- [National Mission on Sustainable Agriculture](#)
- [Paramparagat Krishi Vikas Yojana \(PKVY\)](#)
- [Sub-mission on AgroForestry \(SMAF\)](#)
- [Rashtriya Krishi Vikas Yojana](#)
- [AgriStack](#)
- [Digital Agriculture Mission](#)

What is the Organization for Economic Co-operation and Development (OECD)?

▪ **About:**

- The OECD is an **intergovernmental economic organization**, founded to stimulate economic progress and world trade.
- Most OECD members are high-income economies with a very high [Human Development Index \(HDI\)](#) and are regarded as developed countries.

▪ **Foundation:**

- It was founded in 1961 with its **Headquarters at Paris, France and total membership is 38 countries.**
- The most recent countries to join the OECD were Colombia, in April 2020, and Costa Rica, in May 2021.
- **India is not a member, but a key economic partner.**

▪ **Reports and Indices by OECD:**

- Government at a Glance.
- OECD Better Life Index.

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

Q. In India, which of the following can be considered as public investment in agriculture? (2020)

1. Fixing Minimum Support Price for agricultural produce of all crops
2. Computerization of Primary Agricultural Credit Societies
3. Social Capital development
4. Free electricity supply to farmers
5. Waiver of agricultural loans by the banking system
6. Setting up of cold storage facilities by the governments

Select the correct answer using the code given below:

- (a) 1, 2 and 5 only
(b) 1, 3, and 4 and 5 only
(c) 2, 3 and 6 only
(d) 1, 2, 3, 4, 5 and 6

Ans:C

Q. What is/are the advantage/advantages of implementing the 'National Agriculture Market' scheme? (2017)

1. It is a pan-India electronic trading portal for agricultural commodities.
2. It provides the farmers access to nationwide market, with prices commensurate with the quality of their produce.

Select the correct answer using the code given below:

- (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Ans: C

Mains

Q. What are the main constraints in transport and marketing of agricultural produce in India? (2020)