Competition Issues in Agriculture

With Examples from India

Interpretation of agriculture

- **National income accounts – primary, secondary, tertiary**
- **Excludes forestry & fishing**
- **But includes inputs (seeds, fertilizers, agro-chemicals, bio-technology), processing, storage, trade & distribution**
- **Private investments, FDI in agriculture**
- **WTO, DDA & competition policy**
- **Food security & supply side issues**

Cross-border measures

- Tariffs, TRQs, safeguards, SPS/TBT
- Export subsidies, export controls, export taxes
- State trading – China, Indonesia, India, Mexico, Pakistan. Especially food-grains and dairy
- Free cross-border encourages competition & efficiency, smoothens price volatility
- But incrementally distortions have increased
- Thin markets encourage volatility

Domestic output markets

- ECA of 1955, Essential Commodities (Special Provisions) Act of 1981
- Licensing of production, control & distribution
- MSPs, procurement & PDS
- APMC Acts that prevent direct selling
- Indirect taxes, environment & forest produce, motor vehicles
- Land markets, future markets
- Opening up retail trade to competition

Committee on Centre-State Relations

- Reduction of post-harvest losses by 5-7% for food-grains and 25-30% for fruits and vegetables.
- Static gains of 10% through harmonizing standards of agricultural products across States.
- Static efficiency gains of up to 20% because of dis-intermediation of distribution chains, resulting in higher prices for farmers and lower prices paid by consumers. The welfare gains are roughly distributed in a ratio of 40% for farmers (producers) and 60% for consumers.
- Savings in compliance costs by 5% consequent to fiscal unification. Savings of up to 20% if there is a transition to a complete and unified GST and revenue gains of 25%. The tax/GDP ratio will increase by 1%.

Committee on Centre-State Relations (cont)

- Reduction in transportation costs by 30%.
- Incremental growth in agriculture and allied activities by 2% because of static gains alone.
- Static increment to GDP growth by 1% because of removal of inter-State barriers alone. Increment by 2% if broader agricultural cum rural sector reforms are undertaken.
- Increase in export volume (not value) of agricultural products by 20%.
- Additional direct employment generation by 5 million a year. If one includes indirect employment, additional employment generation by 12 million a year.

Supply-side issue

- Investing in agriculture & rural sector
- Reducing dis-intermediation
- Injecting competition
- Producer price controls, MSPs
- Consumption subsidies, food aid, food for work, cash transfers
- Fiscal sustainability
- Do they lead to additional distortions?

Anti-competitive policies

- Cotton in Zambia, tobacco in Malawi, cocoa in Cote d'Ivoire, tea in Mauritius, sugar in Nepal, Pakistan and Zimbabwe, soybean in Bangladesh, food-grains in Laos and food-grains, onions and cotton in India
- Monopolies & cartels
- Dis-intermediation often temporarily increases abuse of dominance, unfair practices & price fixation

Input markets

- Seeds, pesticides, herbicides, agro-chemicals and fertilizers, IPR issues
- Power and water
- Fertilizer Control Order of 1955 that controls pricing, distribution & imports
- National Seeds Policy of 2002
- Role of dealers
- Links in the distribution chain – for both output & inputs