

**Statement by India in the WTO Committee on Agriculture  
meeting held on 26-27 November 2018**

**INDIA'S MARKET PRICE SUPPORT FOR COTTON: COUNTER  
NOTIFICATION BY THE USA**

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1. Thank you Chair for giving my delegation the opportunity to respond to the communication of United States under Article 18.7 of the WTO Agreement on Agriculture (AoA) on certain measures of India providing Market Price Support (MPS) to cotton.
2. The United States has submitted the counter notification which they claim is based on publicly –available sources and news reports/social media and they have concluded that India provides MPS for cotton vastly in excess of what it has reported to the WTO. They have questioned the methodology adopted by India in calculating the MPS provided to cotton in India's domestic support notifications.
3. In this context, India would like to draw the attention of the Chair to the issues raised by the United States and present the correct perspective on these issues.
4. India reiterates its commitments towards transparency in the WTO and we would like to state that in terms of transparency and notifications as regards agriculture domestic support, India is ahead of many countries, including several developed countries, with notifications up to 2016-17 submitted.
5. Such counter notifications against the detailed and complete/ information provided by India will act as a disincentive to other members who are in the process of updating their notifications.
6. The Minimum Support Price (MSP) provided by India is intended to ensure that the poor farmers do not have to resort to distress sales. This is

borne out by the fact that very small quantity of cotton is procured by government agencies, only in some years. The average annual procurement during the last two notified years has been less than 2% of the total production.

7. The AoA does not place a binding obligation on India to notify in a particular currency and only requires taking into account the constituent data and methodology as in Part IV of a Member's Schedule, which we have done.

8. Further, India is not the only country which is using US dollars for notification of its domestic support. There are even members who have not declared any currency in their schedules or have mentioned more than one currency. India has been notifying its domestic support in US dollars since 1995-96 and has followed a consistent approach in the use of currency in its DS notifications.

9. Another issue raised by the USA is that only quantity actually purchased pursuant to the MPS programme has been notified. Here, we would like to point out that the term "production eligible to receive the applied administered price" has not been defined under the AoA. Further, the AoA does not mandate any specific methodology to Members for determining what constitutes "production eligible to receive the applied administered price".

10. In India, only that part of the cotton production, meeting the requisite quality parameters, and which is actually offered by farmers to the designated government agencies for procurement at Market Support Price is eligible for procurement. The reference by the United States to the findings in the Korea-Beef case is not appropriate as those findings are specific to certain circumstances and are not automatically applicable in every case. Citing the findings of the Korea Beef case in different circumstances is inconsistent with the position of US regarding Appellate Body findings.

11. Another issue that has been raised by the US relates to the conversion factor of 2.35 used to arrive at Applied Administered Price for lint cotton, as

notified in India's AGST document. In India, MSP is declared for raw cotton. As cotton lint is the traded commodity in both international and domestic market, the MSP for raw cotton is converted into cotton lint in the DS notifications submitted by India to the WTO. The calculation of the conversion factor by India takes into account various parameters like MSP of cotton, cotton turnout (i.e., weight ratio of lint to seed cotton), ginning and pressing costs, wastage, realization received from seed cotton etc.

12. However, as per the calculation of US, the ERP has been converted from lint cotton to seed cotton by using a conversion factor of 2.941. This conversion factor used by US has been arrived at by taking into account only one parameter, i.e., cotton turnout. However, India's calculation takes into account other factors mentioned above. Thus, it is apparent that India has used a more robust methodology to arrive at the conversion factor.

13. Next issue raised by the USA in the counter notification is that India is not notifying its value of production data to the WTO. It may be noted that there is no obligation to provide data on the value of production, and therefore, many members including India have not been notifying the same. Moreover, the VoP data is available in the public domain. In fact, VoP data for notified crops has been provided in the meetings of Committee on Agriculture. Any one desirous of verifying de-minimis for product specific support notified as per the above methodology adopted by India can easily do so. India will be willing to notify VoP data, provided other Members agree to do so.

14. Finally, a linkage has been sought to be established between Indian exports and domestic support. India has a huge textile industry which creates a large domestic market for cotton and about 85% of the production is consumed locally unlike the US which primarily grows cotton for export and consumes only about 15% of its production.

15. In addition to consuming most of the domestic production, India also has been among the top five importers of cotton in the period 2007-16. India imported 2.7 million bales comprising 7.3 % of global imports in 2016. Therefore, India's net exports are even smaller and decreasing over the years. Linking India's cotton exports to domestic support is, therefore, not justified.

16. To conclude, the US counter notification appears not only to be unnecessary but also an exercise in futility. It is based on incorrect assumptions, faulty interpretations and flawed analysis, leading to erroneous conclusions. The counter notification for cotton merely repeats the arguments of the US made in their counter notification regarding India's rice and wheat. The US is using a cookie-cutter approach in its counter notifications without adding any additional value for Members. We, therefore, reject this counter notification and reiterate that the methodology used by India is consistent with its obligations under the AoA.

Thank you.